

**LOSS DUE TO INDECISION OF RAILWAY
ADMINISTRATION IN THE MATTER OF
LAND ACQUISITION: EAST CENTRAL
RAILWAY**

MINISTRY OF RAILWAYS (RAILWAY BOARD)

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

NINETY SEVENTH REPORT

SEVENTEENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2327

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Presented to Lok Sabha on:

Laid in Rajya Sabha on:

**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2024 /Magha, 1945 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2023-24)

Shri Adhir Ranjan Chowdhury

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Chairperson

MEMBERS

LOK SABHA

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

RAJYA SABHA

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

SECRETARIAT

1. Dr. Sanjeev Sharma - Joint Secretary
2. Shri Partha Goswami - Director
3. Shri Prakhar Prakash Anand - Assistant Executive Officer

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

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24) having been authorised by the Committee, do present this Ninety Seventh Report (Seventeenth Lok Sabha) on "Loss due to indecision of Railway Administration in the matter of land acquisition: East Central Railway" based on Para 3.3 of C&AG Report No. 05 of 2021 relating to the Ministry of Railways (Railway Board)

2. The C&AG Report No. 05 of 2021 was laid on the Table of the House on 29.11.2021

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

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

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

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

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

NEW DELHI:
05th February, 2024
16 Magha 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee.

PART-I

INTRODUCTORY

This Report is based on Para 3.3 of C&AG Report No.05 of 2021 on the subject, "Loss due to indecision of Railway Administration in the matter of land acquisition: East Central Railway".

LAND ACQUISITION IN EAST CENTRAL RAILWAY

2. The Hajipur-Sagauli New Line project, sanctioned by the Ministry of Railways (MoR) in 2003-04, underwent a series of financial oversights and lapses in land acquisition processes, leading to significant cost escalations. The project involves four districts of Bihar i.e. Vaishali, Muzaffarpur, East Champaran, and West Champaran.

AUDIT FINDINGS

3 The project, initially estimated at ₹324.66 crore, witnessed subsequent revisions, with a Revised Estimate-cum-Material Modification in January 2019 amounting to ₹2,066.78 crore. Land acquisition, a crucial component of the project cost, became a focal point of concern. The Detailed estimate in October 2007 earmarked ₹115.16 crore for the acquisition of 2,043.96 acres. However, in the Revised Estimate of January 2019, the land requirement was reduced to 1,812.84 acres, accompanied by a cost escalation to ₹999.24 crore.

4 The Committee's scrutiny have revealed a protracted and mismanaged land acquisition process in East Champaran. Despite repeated requests from State authorities, the Railway Administration failed to deposit ₹58.76 crore in 2006, deeming it an exorbitant amount for the acquisition of 962.59 acres. The enactment of the Bihar Land Acquisition Act in 2007 prompted a revision of the land cost to ₹98.72 crore, with a partial deposit of ₹17 crore by the Railway Administration in March 2007. Subsequent delays and disputes further compounded the issue. The Railway Administration requested a hold on payments to land losers in May 2007, and despite a revised estimate in January 2012, the payment of ₹3.20 crore for 28 villages was not made by the Railway Administration until October 2017. The District Magistrate's revised estimate in January 2016, as per the Central Government Revised Land Acquisition Act of 2013, escalated the estimated cost for all 49 villages to ₹796.28 crore. The Railway Administration eventually paid the entire amount demanded by State authorities, including ₹414.28 crore in October 2017. However, the failure to address the payment issue for the land already possessed resulted in a cost increase for the acquisition of land for 28 villages to ₹154.41 crore from the earlier valuation of ₹20.20 crore.

5. The Committee have also found that the Railway Administration incurred an additional expenditure of ₹134.21 crore that could have been avoided with timely payment. The Railway Administration's response, citing paucity of funds and delayed award declaration by District Authorities, was deemed unacceptable. The lack of a prudent decision and timely payment by the Railway Administration resulted in avoidable extra expenditure, emphasizing the need for meticulous financial planning and adherence to land acquisition policies.

6. Railway in their background note had mentioned that in February 2006, District Authority of East Champaran had demanded ₹58.76 crore towards land acquisition. But, as the fund allotment to the said project during 2005-06 was only

₹1.0 crore, required demanded amount couldn't be deposited into the account of the District Authority. In March 2007, the District Authority submitted revised estimate of ₹98.72 crore and Railway deposited only ₹17.0 crore against this demand on 31.03.2007 due to less fund allotment. Railway has also mentioned that due to non-availability of sufficient allotted fund in year 2012, complete payment for land acquisition couldn't be made. When the Committee asked the Ministry to provide a breakdown of the fund allotment for the project during the years 2005-06, 2006-07, and subsequent years up to the completion of land acquisition in 2016, the Ministry responded by providing the details in the table as below:

Year	Pink Book No	Allotment
2005-06	12	01 Cr
2006-07	12	04 Cr
2007-08	12	05 Cr
2008-09	12	20 Cr
2009-10	12	35 Cr
2010-11	12	30 Cr
2011-12	12	20 Cr
2012-13	12	10Cr
2013-14	13	20 Cr
2014-15	13	25 Cr
2015-16	13	80 Cr
2016-17	13	100+365 (Addl. Fund for land)

7. On being asked by the Committee about the reasons behind the reduction in the land requirement from 2,043.96 acres in the detailed estimate of October 2007 to 1,812.84 acres in the Revised Estimate-cum-Material Modification of January 2019, and how was the cost affected by this change, the Ministry stated as below:

"Initially land requirement of 2043.96 acre for this project was based on abstract estimate. Actual requirement of land finally was 1812.84 acre during execution of works and same was taken in revised estimate."

8. Concerned over the cost, when the Committee desired to know as to why there was a significant increase in the estimated cost of the Hajipur - Sagauli New Line project from the initial abstract estimate of Rs. 324.66 crore to the Revised Estimate-cum-Material Modification of Rs. 2,066.78 Cr, the Ministry stated as below:

"Detailed estimate was sanctioned with total cost of Rs 528.65 Cr in the year 2007. In view of insufficient fund availability in initial years, payment of complete cost of land in all four Districts of Vaishali, Muzaffarpur, East Champaran & West Champaran could not be possible at one time. However filing of required land was made in all four districts, as new line was originating from Hajipur via Vaishali and Muzaffarpur and ending at East Champaran. The process of land acquisition started from Dist-Vaishali and accordingly payment of land cost could be made only for three districts i.e Vaishali, Muzaffarpur & West Champaran and land under these districts was handed over to railway prior to year 2012 under old LA Act. Later, cost of land under Dist – East

Champaran was revised under New LA Act and land cost as assessed by new LA Act was incorporated in revised estimate. Further, cost of material, labour, fuel, plat & machinery etc also increased along with revised salary structure of 6th & 7th Pay Commission."

9. While analyzing the details on estimates of land acquisition, the Committee asked the Ministry as to how did the Railway Administration respond to the revised estimates of Rs. 350.84 crore in January 2012 and Rs. 796.28 crore in January 2016 for land acquisition in East Champaran District. In this regard, the Ministry stated as below:

"Just after receipt of demand of Rs 350.84 Cr, Railway administration requested the District authority to review the cost of 21 villages out of total 49 nos of villages under Dist-East Champaran. Accordingly, District Authority reviewed and reduced the cost to Rs. 236.65 Cr, but Railway did not pay this revised cost at that time due to insufficient funds. Further this cost was revised to Rs. 796.28 Cr as per New LA Act by district administration and paid as now funds were available."

10. Further, when enquired about the specific reasons behind not depositing the demanded amount of Rs. 58.76 crore by the District Authority in 2005-06, despite the filing of land acquisition applications during May-June 2005, the Ministry responded as below:

"During initial years limited funds were available, resulting in slow progress of land acquisition under Dist-East Champaran. Available Fund was utilized in land acquisition and construction works in initial stretches under Districts of Vaishali and Muzaffarpur for phase wise commissioning of sections originating from Hajipur."

11. On being asked as to whether there were any efforts made to secure additional funds in 2012 to make the payment of Rs. 3.20 crore, especially considering the demands from the District Administration, the Ministry replied as under:

"Allocation to a railway project is made as overall priority of projects and availability of funds."

12. Further, when enquired to elaborate on the terms under which the State Government agreed to provide the land of 28 villages at Rs. 20.20 crore as per the old Land Acquisition Act and refunded the extra payment of Rs. 134.21 crore to the Railway, the Ministry replied as under:

"Total villages under West Champaran District were 49 out of which estimate of 28 villages was received to the tune of Rs. 20.20 Cr as per old LA act. Out of which 80% payment as Rs. 17 Cr was made in the year 2007. Filing of LA for all 49 villages was made but Panchat of only 28 villages was declared prior to implementation of New LA Act due to payment of 80% under these 28 villages. Hence District Authority was represented by Railway in terms of Director, Land & Reform's letter No. 14/DLA-Margdarshan-LAAct(India Govt)-238/2013-1501/Ra. Dt 31.12.15 for considering the total cost of land in 28 villages under

old land acquisition act as panchat was already declared prior to implementation of new LA Act w.e.f 01.01.2014. Accordingly State Administration considered the issue and land cost of these 28 villages was revised and cost pruned down to Rs. 22.22 Cr.”

13. On being asked as to how the decision to refund the extra payment was arrived at, and whether there were any negotiations or agreements between the Railway Administration and the State Government regarding this refund, the Ministry furnished the reply which reads as under:

“Extra payment was refunded in the mode of payment of LA cost of other Rail line projects of ECRi.eArariya -Supaul New Line, Muzaffarpur -Sugauli Doubling and Sakri- Sisho new line by-passing Darbhanga and accordingly transferred to DLAO/Supaul, Darbhanga and Motihari. Districts Administration acted on Railway representation through letters and meetings with concerned DLAO and DM for adjustment of extra paid land cost”.

14. Upon further enquiry to provide documentation or correspondence confirming that the State Government refunded the extra payment of Rs. 134.21 crore to the Railway and that ultimately only the balance old land cost of Rs. 3.20 crore was paid, the Committee were apprised as below:

“Total cost of Rs. 796.28 Cr paid to DLAO/Motihari for LA under Dist-East Champaran out of which Rs. 321.68 Cr transferred to DLAO/Supaul, Darbhanga & Motihari for other railway projects. (Letter enclosed).”

15. Questioned on the implications the delayed payments by the Railways may have had, particularly on the villagers whose land was acquired, and whether the Ministry recognize that such indecisiveness can result in dissatisfaction, particularly in instances of Government-led land acquisition, the Ministry clarified as below:

Filing of land acquisition was made and lumpsum demand was placed before Railway by concerned District administration. Accordingly payment of 80% (17CR) in only 28 villages was made as estimate was sanctioned only in these villages. But district administration did not hand over the land to Railway till year 2020 and during this period land was under the custody of land owners.

16. Upon enquiring further on the measures or procedures that may have been put in place by the Railway Administration to avoid similar delays in payment and potential additional expenditures in future land acquisition projects, the Ministry, in reply, stated as under:

“Various steps taken by the Government for effective and speedy implementation of rail projects include (i) setting up of Gati Shakti Directorate in the Ministry and Gati Shakti units in field, (ii) prioritization of projects, (iii) substantial increase in allocation of funds, (iv) delegation of powers at field level, (v) close monitoring of progress of project at various levels (vi) regular follow up with State Governments and concerned authorities for expeditious land acquisition, forestry and Wildlife clearances and for resolving other issues pertaining to projects.”

PART-II

OBSERVATIONS / RECOMMENDATIONS OF THE COMMITTEE

INTRODUCTORY:

Consequent to the sifting of all the material and information – mainly from the written information and depositions made before the Committee, they have come to certain observations and recommendations which are contained in the succeeding paragraphs of this part of the Report. This report examines the evolution of the project's financial landscape, scrutinizing the decisions and actions undertaken by the Railway Administration, District Authorities, and State Authorities in East Champaran in regard to the acquisition of the land required for the new railway line project.

2. The Committee have reviewed and assessed the details surrounding the Hajipur - Sagauli New Line project, as highlighted in the audit para. Initiated by the Ministry of Railways (MoR) in 2003-04, the project had to undergo substantial changes in its estimated costs, particularly in regard to land acquisition – an integral component contributing significantly to the overall expenditure. The audit reveals a series of events, spanning over a decade, that culminated in noteworthy financial implications, especially concerning the acquisition of land for the project.

3. The Committee find that huge cost escalation was registered as compared from the initial sanctioning of Rs 324.66 crore in 2003-04 to the subsequent detailed estimate of Rs 528.65 crore in October 2007, and a revised estimate-cum-material modification amounting to a staggering Rs 2,066.78 crore in January 2019. The Committee also take note of the trajectory of cost escalation and the underlying factors contributing to such significant adjustments. The Committee find that a focal point of concern highlighted in the audit para revolves around the land acquisition process in East Champaran. The Railway Administration's interactions with the Collector/District Magistrate of East Champaran and State Authorities as scrutinized by Audit, throw light on delays, disputes over cost, and their subsequent impact on the overall project expenditure. The Committee's analysis highlight a critical juncture in the timeline, particularly in the failure to address the payment issue for the land already acquired from the 28 villages. The Committee note the consequences of the Railway Administration's

decisions, leading to avoidable extra expenditures amounting to Rs 134.21 crore which are dealt in the subsequent paragraphs.

LAND ACQUISITION IN EAST CENTRAL RAILWAY:

4. The Committee note that the Railway Administration incurred an additional expenditure of ₹134.21 crore that could have been avoided with timely payment. The Committee consider the Railway Administration's response, citing a lack of funds and delayed award declarations by District Authorities, unacceptable. The Committee also observe that the Railway's lack of prudent decision-making and timely payments resulted in avoidable extra expenditure, underscoring the importance of meticulous financial planning and adherence to land acquisition policies.

5. The Ministry have explained that the initial demand for ₹58.76 crore in 2006 could not be met due to insufficient fund allotment, leading to a deposit of only ₹1.0 crore. The subsequent revised estimate in 2007 saw a deposit of only ₹17.0 crore. When the Committee questioned the Ministry about the significant increase in the estimated cost of the Hajipur - Sagauli New Line project from ₹324.66 crore to ₹2,066.78 crore, the Ministry clarified that the detailed estimate of ₹528.65 crore in 2007 faced the problem of insufficient fund availability initially, resulting in delayed payments for land acquisition. The process of land acquisition began in Vaishali, Muzaffarpur, and West Champaran, with payment made only for these districts before 2012. The cost of land in East Champaran was later revised due to the New Land Acquisition Act coming into force contributing to the overall cost increase, compounded by rising expenses in materials, labor, fuel, and machinery, as well as adjustments for salary structures from the 6th and 7th Pay Commission. The Committee, after a comprehensive review of the Hajipur-Sagauli New line project express serious concern over the significant cost escalation from the initial estimate of ₹324.66 crore to the Revised Estimate-cum-Material Modification of ₹2,066.78 crore. The Committee, note that there have been several shortcomings related to financial planning, land acquisition procedures and coordination between the Railway Administration and District Authorities. The Committee also note with concern that the Railway Administration incurred an avoidable additional expenditure of ₹134.21 crore due to the lack of prudent decision-making and delayed payments. The Railway Administration's response, citing paucity of funds and delayed award

declaration, is unacceptable, emphasizing the need for meticulous financial planning and adherence to land acquisition policies, ab-initio.

6. At this stage, the Committee can only lay emphasis on the need on the part of the Ministry to implement robust financial planning mechanisms in future to prevent such drastic escalations and emphasizing the importance of timely allocation and disbursement of funds too. The Committee note the discrepancies in the Ministry's responses regarding the reduction in land requirement and the subsequent cost implications. Therefore, the Committee desire the Ministry to ensure consistency in their explanations and provide detailed justifications for changes in project parameters to uphold transparency and accountability. Regarding Land acquisition process, the Committee observe a series of lapses and mismanagement in the land acquisition process, particularly in East Champaran. Therefore, the Committee recommend the Ministry to conduct a thorough review of land acquisition procedures to ensure adherence to land acquisition policies, preventing delays, disputes, and cost escalations in all future projects.

7. The Committee also learn that due to insufficient funds in the initial years, the complete cost of land in all four districts (Vaishali, Muzaffarpur, East Champaran, and West Champaran) for the railway line originating from Hajipur could not be paid at once. Land filing was completed in all four districts, with payment made for Vaishali, Muzaffarpur, and West Champaran before 2012. However, the cost of land in East Champaran was revised under the New Land Acquisition Act, and the revised estimate of Rs. 796.28 crore in January 2016 was paid later when funds became available. In regard to the revised estimates the Committee have been given to understand by the Ministry that the Railway had requested the District Authority to review costs for 21 out of 49 villages in East Champaran. Although the cost was reduced to Rs. 236.65 crore, it was not even paid due to insufficient funds. The revised amount was eventually paid as funds became available. The Ministry attributed the delayed payment of Rs. 58.76 crore in 2005-06 to limited funds in the initial years, prioritizing land acquisition and construction in Vaishali and Muzaffarpur for phase-wise commissioning. The Committee express concern over the lack of coordination between the Railway Administration and District Authorities, leading to disputes and delays. The Committee recommend the Ministry to establish effective communication channels and coordination mechanisms to address issues promptly and avoid unnecessary complications. The Committee, here,

emphasize that the Ministry must adhere to existing land acquisition laws and policies and establish internal mechanisms to ensure compliance with legal and procedural requirements. Any revisions or modifications to estimates should be clearly justified and documented. Further, recognizing the complexity of land acquisition processes, the Committee are of the view that the Ministry should invest in capacity building for its personnel involved in project planning and execution which must include professional training on financial management, policy compliances, effective communication strategies and cost escalation mitigations.

8. In regard to a specific query on the efforts made to secure additional funds in 2012 to make the payment of Rs. 3.20 crore, especially considering the demands from the District Administration, the Ministry intimated that allocation to a railway project is made as overall priority of projects and availability of funds. Regarding the refund of Rs. 134.21 crore by the State Government to the Railway for 28 villages in West Champaran under the old Land Acquisition Act, the Ministry clarified that 80% payment was made in 2007, and consequent to the discussions with the District Authority, the cost was revised to Rs. 22.22 crore. The extra payment was refunded through the payment of land acquisition costs for other railway projects in the region. In response to concern of the Committee about the delayed compensation to villagers, the Ministry stated that land acquisition filing and demands were made by the District Administration, but the land was not handed over until 2020. The Ministry highlighted steps taken to prevent future delays, including the establishment of Gati Shakti Units, project prioritization, increased fund allocation, delegation of powers, and close monitoring. The Committee express their dissatisfaction with the Railway Administration's failure to deposit Rs. 58.76 crore in 2006 for land acquisition in East Champaran, leading to avoidable extra expenditure. The Committee are pained to note that the Hajipur – Sagauli via Vaishali New Line Project was sanctioned in the year 2003-04, however, the project is yet to see the light of the day. The Committee after having reviewed and assessed the details surrounding the Hajipur-Sagauli New Line Project are of the view that in future whenever a new project is sanctioned, it must be meticulously planned and sufficient funds should be made available upfront. The crux of the present issue relate to the fact that during the initial phase of the project, only token grants were sanctioned by the Ministry. Keeping the above failure

in the mind, the Committee recommend the Ministry to establish a mechanism for timely and adequate fund allocation in future to address land acquisition requirements. The Committee also recommend that the Ministry develop a comprehensive strategy to address delays in land acquisition payments, taking into account inter alia the possible impact on the persons from whom the land is acquired. This should include clear timelines for payment disbursement and measures to mitigate the potential hardships faced by landowners. The Ministry should also consider collaborating with relevant state authorities and experts to enhance its understanding of local laws and dynamics, particularly in areas where projects are implemented. Keeping the above failure in the mind, the Committee recommend the Ministry to establish a mechanism for timely and adequate fund allocation in future to address land acquisition requirements. The Committee also recommend that the Ministry develop a comprehensive strategy to address delays in land acquisition payments, taking into account inter alia the possible impact on the persons from whom the land is acquired. This should include clear timelines for payment disbursement and measures to mitigate the potential hardships faced by landowners. The Ministry should also consider collaborating with relevant state authorities and experts to enhance its understanding of local laws and dynamics, particularly in areas where projects are implemented.

NEW DELHI:
05th February, 2024
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ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee.