

Cartels in procurement loot railways of Rs 10,000 crore a year: E Sreedharan

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Sreedharan has pointed out that by centralizing procurement powers, the railway board has accumulated enormous sum of money in the hands of few, and hugely enhanced rent-seeking power that encourages corruption.

NEW DELHI: The cash-strapped railways will end up saving Rs 10,000 crore annually if the railway board stops all centralized procurement, says a report by 'Metro man' E Sreedharan.

In his final report on 'delegating tendering and commercial powers to general managers and other operating levels' of railways, Sreedharan has pointed out that by centralizing procurement powers, the railway board has accumulated enormous sum of money in the hands of few, and hugely enhanced rent-seeking power that encourages corruption.

The committee heard views of senior officials. "Procurement is through cartel only, list of approved sources and cartels are synonymous ... there is no item in which there is no cartel .. Committee feels that vendors thus continue to fleece at will," Sreedharan says.

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Couching the scale of the scandal and losses in an understated tone, the report says: "The committee after scrutinizing current practices and procedures followed at the board concludes that improving and decentralizing the system with empowerment and accountability shall effect annual economy to the tune of rupees five thousand crore in stores procurement and equal amount in works contracts."

The committee's final report, submitted on March 15, has recommended that the board should not take any commercial decision, and even procurement for its own needs should be done by the northern railway. It has called for decentralization of all those powers to general managers and lower levels.

Railways is the second biggest procurement agency after defence, spending almost Rs 1 lakh crore a year and the railway board procures almost half of it.

Sreedharan had submitted his interim report in November last year, and the ministry initiated some decentralization steps based on it.

In the final report, the Metro man says the board was set up originally to "make policies, plans, to lay broader principles of railway management, to frame rules, to inspect and guide the railways". "And today the board is not performing these roles," he says.

For detailed analysis, the committee took up a few procurement items like diesel, concrete sleepers, 53-S grade cement and rails and concluded that the railways could end up saving a staggering Rs 10,000 crore annually if decentralization is undertaken.

In case of diesel, of which railways is the largest buyer in India, the new tender has not been finalized for the last 15 months. In case of 'weldable-CMS' and 'thick web switches', contracts have not been finalized for a decade, the report says.

The report has also says that RDSO (Research Design and Standards Organisation) — the research arm of the railways — is dealing with vendors, technical evaluation of railway board tenders etc. "This committee believes that the above roles being morphed into one organization have serious conflicts with grave consequences for Indian Railways, emergence of extremely high rent-seeking behaviour and cartelization amongst vendors and collusion with officials that finally fleeces railways and eats into its body fabric like termite," the report says.

"Innovation and experimentation take a big hit and lack of transparency and lack of accountability become the pre-dominant trait," it says of the centralization of powers with the board. The observations come against the backdrop of several allegations against railway board members, and arrest of one of them in recent times.

"Indian Railways today is at a cross road. It has reached such a stage of centralization, non-transparency, inordinate delay and non-accountability in commercial and other decision-making that an incremental and evolutionary solution will not suffice. Instead, there is a need to shake the system out of its cultural status and to enthuse a new ethos to reorient it to the path of sound and fast effective business-oriented decision-taking," the report says.

Sreedharan says the board "does not trust the business instinct, capacity and capability of its general managers, who are the highest railway authority in the field".

In his interim report, Sreedharan had recommended that the general managers should have full powers with regard to works, stores procurement, services and commercial tenders among other things.

Sreedharan points out that the railways need to urgently reverse the trend of fast losing its traffic to road and air. Its freight share is down from 82% in 1960-61 to 30% in terms of tonnage and of passengers to 12%. In the next five years, it has to mobilize Rs 8.5 lakh crore, he points out.

"Perhaps no Indian institution has been subjected to review by more committees than the railways, but the irony is, most reports gather dust with their recommendations unimplemented," Sreedharan says.

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