

**AVOIDABLE EXPENDITURE ON
PROCUREMENT OF CHANNEL AIR BOXES:
BANARAS LOCOMOTIVE WORKS**

[Action Taken by the Government on the
Observations/Recommendations of the Committee contained in their
90th Report (17th Lok Sabha)]

MINISTRY OF RAILWAYS (RAILWAY BOARD)

PUBLIC ACCOUNTS COMMITTEE

(2024-25)

FOURTH REPORT

EIGHTEENTH LOK SABHA



LOK SABHA SECRETARIAT

NEW DELHI

F O U R T H R E P O R T
PUBLIC ACCOUNTS COMMITTEE
(2024-25)
(EIGHTEENTH LOK SABHA)

**AVOIDABLE EXPENDITURE ON
PROCUREMENT OF CHANNEL AIR BOXES:
BANARAS LOCOMOTIVE WORKS**

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 90th Report (17th Lok Sabha)]



Presented to Lok Sabha on: 12.12.2024

Laid in Rajya Sabha on: 12.12.2024

L O K S A B H A S E C R E T A R I A T
N E W D E L H I

December, 2024/Agrahayana, 1946 (Saka)

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2024-25)**

Shri K. C. Venugopal - Chairperson

MEMBERS
LOK SABHA

2. Shri T. R. Baalu
3. Dr. Nishikant Dubey
4. Shri Jagdambika Pal
5. Shri Jai Parkash
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20. Shri Sukhendu Sekhar Ray
21. **Shri Tiruchi Siva**
22. Shri Sudhanshu Trivedi

Secretariat

1. Dr. Sanjeev Sharma - Joint Secretary
2. Shri Muraleedharan. P - Director
3. Shri Alok Mani Tripathi - Deputy Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24), having been authorised by the Committee, do present this Fourth Report (Eighteenth Lok Sabha) on Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Ninetieth Report (17th Lok Sabha) on "**Avoidable Expenditure on Procurement of Channel Air Boxes: Banaras locomotive Works**" relating to the Ministry of Railways.

2. The Ninetieth Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 07.02.2024. The Committee considered the draft Action Taken Report on the subject and adopted the same at their sitting held on 03.12.2024. Minutes of the Sitting of the Committee form appendix to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** 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 Committee Secretariat and the office of the Comptroller and Auditor General of India.

5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the 90th Report (17th Lok Sabha) is given at Appendix-II

NEW DELHI:
03 December, 2024
12 Agrahayana, 1946 (Saka)

K. C. VENUGOPAL
Chairperson,
Public Accounts Committee

CHAPTER 1

REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Ninetieth Report (Seventeenth Lok Sabha) on "Avoidable Expenditure on Procurement of Channel Air Boxes: Banaras Locomotive Works".

2. The Ninetieth Report, which was presented to Lok Sabha and laid on the Table of Rajya Sabha on 07 February, 2024, contained 03 Observations/Recommendations. The Action Taken Notes on all the Observations /Recommendations have been received from the Ministry of Railways and are categorized as under:

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

Para No. 01, 02 & 03

Total: 03
Chapter: II

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

NIL

Total: nil
Chapter: III

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

NIL

Total: nil
Chapter: IV

- (iv) Observations /Recommendations in respect of which Government have furnished interim replies /no replies:

NIL

Total: nil
Chapter: V

3. The detailed examination of the subject by the Committee had revealed certain shortcomings on the part of the Ministry of Railways. The Committee had accordingly given their observations/recommendations in their Ninetieth Report.

4. The Action Taken Notes furnished by the Ministry on the Observations/Recommendations of the Committee contained in their Ninetieth Report (17th Lok Sabha) have been reproduced in the relevant chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in the original Report which require reiteration/merit comments.

5. The Committee desired the Ministry of Railways to furnish Action Taken Notes in respect of observations/recommendations contained in Chapter I of the report, positively within three months of the presentation of the report to the Parliament.

Recommendation No. 1 of Ninetieth Report of PAC (17th Lok Sabha)

6. *Gleaning through all the information and facts available with the Committee they note that in view of increasing electrification of routes, Railway Board decided (May 2016) to manufacture electric locos at Banaras Locomotive Works (BLW) Varanasi. Accordingly, manufacture of electric locomotives was started in BLW from February 2017. From 2019-20, the production of Diesel Locomotives at BLW was completely stopped.*

In the instant case the Committee found that BLW placed a Purchase Order (May 2016) on a foreign supplier for supply of 660 number of Channel Air Boxes for manufacturing of Diesel Locomotives at a cost of \$ 2,375 per unit. The delivery was to be completed by February 2017. As per Para 2.26 of the tender agreement, the Committee learn that it shall be lawful for the purchaser, to reject the stores or any part, if such stores or part/portion of consignment thereof is not in conformity in all respects regarding the terms and conditions of the contract. Audit scrutiny however revealed that against the delivery target of February 2017, the Channel Air Boxes reached BLW premises in August 2017. As the items were not received as per delivery schedule, BLW did not accept the materials and intimated the supplier that these items are lying in BLW premises at the risk and cost of the supplier. In February 2018, BLW Administration rejected the supplies due to non-delivery within the scheduled delivery period. The vendor facing rejection of items offered to charge the items at a lower rate of \$1,510.72 per unit i.e., at a discount of approx. 36 per cent. Subsequently, in July 2018, BLW reversed its decision of rejection of material and extended the delivery period upto August 2017. Therefore, a payment of ₹6.85 crore for procurement of 660 Channel Air Boxes was made (November 2018) to the supplier. Explaining the rationale behind the procurement of 660 Channel Air Boxes meant for diesel locomotives, subsequently to the scheduled period of delivery despite the Ministry's policy for complete electrification, the Ministry stated that Purchase order for subject item

Channel Air boxes was issued on 12th May, 2016 for 660 units. The delivery was to be completed by Feb'2017. The material was initially rejected due to expiry of delivery period. However, later on delivery period extension was granted with 36% lower rates vide modification advice dated 07.07.2018 (CP/280). Decision for extension of delivery period was based on the requirement assessed for the item as per JPO (Joint Procedure Order) dated 01.06.2018 (CP/281). In this JPO, besides the Railway Board issuing production plan for Diesel loco production for 2018-19, requirement for manufacture of power pack & crank cases for maintenance of the fleet of HHP (High Horse Power) Diesel locos for the FY 2018-19, 19-20, 20-21 & 21-22 was also included. Though from 2019-20, no further plan for manufacturing of diesel locomotives for Indian Railways was issued, still there was continuous requirement of material for supply of spares including power packs and crank cases against sanctioned RSP (Railway Salary Package) as a support to Zonal Railways for maintenance of HHP diesel locomotives. BLW was nominated as centralized agency for supply of Power packs and crank cases sanctioned under bulk RSP which also require Channel air boxes @ 4 per unit. Regarding the issue of fixing of responsibility for the decision to procure the Channel Air Boxes meant for diesel locomotives, the Ministry stated that the procurement was done based on the requirement as assessed at that time and therefore no responsibility has been fixed. However stagger delivery schedule in purchase order is being ensured. The Committee are not satisfied with the justification of the Ministry that the decision for extension of delivery period upto August 2017 was based on the requirement assessed for the item as per JPO dated 01.06.2018 (CP/281) wherein requirement for manufacture of power pack & crank cases for maintenance of the fleet of HHP Diesel locos for the FY 2018-19, 19-20, 20-21 & 21-22 was also included, besides a mention of the Railway Board's production plan for Diesel loco production for 2018-19 as BLW had placed the Purchase Order (May 2016) on a foreign supplier for supply of 660 number of Channel Air Boxes for manufacturing of Diesel Locomotives at a cost of \$ 2,375 per unit BLW much before the JPO dated 01.06.2018 (CP/281). The Committee are not able to comprehend the logic as to what prompted BLW to inordinately delay its decision of reversal of rejection of material till July 2018 while BLW Administration rejected the supplies due to non-delivery within the scheduled delivery period in February 2017.

To the amazement of the Committee, the JPO dated 01.06.2018 (CP/281) was issued just before reversal of its decision of rejection of material by BLW in July 2018. In view of the fact that till February 2022, 796 Channel Air Boxes remained unutilized, the Committee find it reasonable to believe that decision for extension of delivery period upto August 2017 primarily benefited the vendor who would have faced huge losses if the consignment was rejected. Considering the fact that decision of reversal of rejection of Channel Air Boxes was initiated on the basis of an incomplete assessment, the Committee in no uncertain words recommend that the matter of fixing responsibility against the erring officials who made imprudent

decisions that led to irregular payment of ₹6.85 crore for procurement of 660 Channel Air Boxes should be reviewed afresh and the Committee be apprised of the findings thereof.

7. The Ministry of Railways in their Action Taken Reply have stated as under:-

“It is stated that PO for subject item, Channel Air boxes, was issued on a foreign supplier on 12th May’2016 for 660 units against tender no. 101510530 opened on 15/02/16. The delivery was to be completed by Feb’2017. But the material was received after the scheduled delivery period and was initially rejected due to expiry of delivery period (DP). However, later on DP was extended with 36 % lower rates (based on rates accepted in subsequent tender No. 101613310 opened on 05/10/2016 for this item) vide modification advice dated 07.07.2018. Decision for extension of DP was based on the assessment of requirement for the item as per the JPO dated 01.06.2018. In this JPO, as per prevalent practice, besides the issued production plan for Diesel loco production for 2018-19, actual allotted/anticipated allotment quantity for power pack & crank cases for the FY 2018-19, 19-20, 20-21 & 21-22 was included considering the future requirement for maintenance of the fleet of Diesel Locomotives. As per the JPO, total requirement of Channel Air boxes were 1712 nos. for the FY 2018-19, 19-20, 20-21 & 21-22. This total 1712 nos. included the requirement of Channel Air Boxes for production of Diesel Locomotive for year 2018-19 and Channel Air Boxes for maintenance of the fleet of HHP Diesel Locomotives. Since, as per extant practice, decision for extension of delivery period was then based on the assessment of latest requirement based on JPO dated 01.06.2018, no responsibility is warranted, however for future all concerns have been suitably sensitized. No further action is proposed”.

8. The vetting comments of Audit are as follows:-

Ministry of Railways has not fixed any responsibility based on the recommendation of the Committee. Ministry of Railways is requested to forward the ATR along with Audit comments to the PAC for their consideration.

9. **The Committee find that Banaras Locomotive Works (BLW), previously called as Diesel Locomotive Works (DLW) has completely stopped the production of Diesel Locomotives at BLW from 2019-20 and shifted to manufacturing electric locomotives. The Committee note that the Ministry of Railways placed an order for the procurement of 660 Channel Air Boxes in May 2016, with an expected delivery date of February 2017. When the materials arrived late in August 2017, BLW initially rejected the supplies due to non-fulfillment of the delivery schedule. However, in July 2018, BLW reversed this decision, extended the delivery period retrospectively, and accepted the materials at a 36% discounted rate based on a later tender. In this regard, the Committee have been given to understand by the Ministry that the extension of the delivery period was necessitated by a Joint Procedure Order (JPO) issued on 01 June 2018, which outlined the requirement for Channel Air Boxes for the production and maintenance of diesel locomotives up to FY 2021-22. In their Action Taken Note, the Ministry of Railways has stated that the decision to extend the delivery period was based on an assessment of ongoing requirements, particularly for the maintenance of High Horse Power (HHP) diesel locomotives. The Ministry has stated that since BLW was nominated as the central supplier for power packs and crank cases for HHP locomotives, the procurement of Channel Air Boxes remained necessary. Therefore, they have refrained from fixing any responsibility for the delayed acceptance of materials but noted that a staggered delivery schedule would be ensured in future contracts. However, the Audit scrutinized the Ministry’s**

explanation and pointed out that despite the justification provided by the Ministry, no responsibility had been fixed for the decision to extend the delivery period and accept the delayed consignment.

In response to the Audit's concerns, the Ministry in their final action taken reply reiterated that the decision to extend the delivery period was based on the requirements outlined in the JPO dated 01 June 2018. The Ministry maintained that this assessment, which considered future needs for the maintenance of HHP diesel locomotives, justified the procurement. Therefore, the Ministry stated that no responsibility had been fixed as the decision was made in accordance with the prevailing circumstances and the assessed requirements at the time.

Consequent to gleaning through the response of the Ministry the Committee find that Ministry's justification for extending the delivery period and accepting the delayed materials as unsatisfactory. The Committee note that the Joint Procedure Order (JPO) relied upon by the Ministry was issued in June 2018, well after the original rejection of the supplies in February 2018. They observe that this reversal decision appeared to have primarily benefitted the vendor, who would have faced significant financial losses had the consignment been rejected. Moreover, the fact that as of February 2022, 796 Channel Air Boxes remained unutilized raises serious concerns about the necessity and appropriateness of this procurement. The Committee observe that the decision to extend the delivery period retrospectively and accepting of delayed supplies, without fixing any responsibility, raise concerns about potential irregularities. The Committee note that this action appears to have benefitted the foreign supplier by avoiding financial losses, despite the equipment being for discontinued diesel locomotives. Such actions suggest lapses in the procurement process, possibly favoring the supplier at the expense of procedures and accountability.

Here, the Committee would like to recommend that the Ministry should identify and fix responsibility on the officials who made imprudent decisions that led to an irregular payment of ₹6.85 crore for the procurement of 660 Channel Air Boxes. They would also recommend that the Ministry undertake a fresh review of the entire procurement process to ensure that such irregularities do not recur. Clear accountability mechanisms should be put in place for future contracts to enforce delivery timelines strictly, and procurement decisions should be based on accurate assessments of actual needs, particularly in light of the Ministry's shift towards electrification. The findings of this review should be brought to the knowledge of the Committee, along with any action taken against officials responsible for the delayed decision-making and any procedural lapses.

Recommendation (Para No. 3)

10. As regards the plan of the Ministry to implement the policy for complete electrification of the Indian Railways and the time frame for phasing out the diesel powered locomotives in the Indian Railways, the Ministry stated that MoR has decided to maintain and use 2500 diesel locomotives for disaster management and for deployment at strategic locations even after complete electrification. Accordingly, all diesel locomotives over and above 2500 nos. shall be phased out gradually as they are rendered surplus. Further, to address the issues of mismanagement in procuring and utilization of stocks in Indian Railways, the Ministry stated that the certain steps were been taken which include, i. Purchase orders are being issued with staggered delivery schedule. ii. Stock position of all ZRs/PUs is visible due to implementation of UDM (User depot module). iii. Bare minimum procurement is being done as per JPO of BLW and iv. Requirement is being reassessed both at the time of procurement and while considering the proposal for delivery extension for optimal inventory. While noting the various initiatives undertaken by the Ministry to address the issues of mismanagement in procuring and utilization of stocks in Indian Railways, the Committee were hopeful that the Ministry would evolve a monitoring mechanism to ensure their scrupulous compliance during the implementation of the policy for complete electrification of the Indian Railways as well. (Recommendation/Observation No. 3 of 90th Report of Public Accounts Committee.

11. The Ministry of Railways in their Action Taken Reply have stated as under:-

“To address the issue related to mismanagement and utilization of stock, BLW has taken following measures and their compliance is being ensured:

- i. Purchase orders are being issued with staggered delivery schedule.
- ii. Stock and dues position of all ZRs/PUs is now available online with the implementation of UDM (User Depot Module) for better assessment of requirement.
- iii. Bare minimum procurement is being done as per JPO of BLW.
- iv. Requirement is being reassessed both at the time of procurement and while considering the proposal for delivery extension for optimal inventory.

No further action is proposed”.

12. The vetted comments of Audit are as under:

“MoR has not furnished any action taken on PAC recommendation to evolve a monitoring mechanism to ensure their scrupulous compliance during the implementation of the policy for complete electrification of the Indian Railways as well. MoR is requested to forward the ATR along with Audit comments to the PAC for their consideration”.

13. In response to the Audit's Comments, the Ministry of Railways have stated as under:

To address the issue related to mismanagement and utilization of stock, BLW has taken following measures:

- i. Purchase orders are being issued with staggered delivery schedule.

- ii. Stock position of all ZRs/Pus is visible due to implementation of UDM (User Depot Module).
- iii. Bare minimum procurement is being done as per JPO of BLW.
- iv. Requirement is being reassessed both at the time of procurement and while considering the proposal for delivery extension for optimal inventory.

The above stated steps are being observed in all procurement cases and to ensure its scrupulous compliance & monitoring, policy letter no.: BLW-/82 Pt.-XVIII dtd. 10/04/2024 reiterating the above instruction has been issued in this regard.

14. The Committee note that the Ministry of Railways has undertaken several steps to address the issues of mismanagement and utilization of stock, including issuing purchase orders with staggered delivery schedules, making the stock position of all Zonal Railways and Production Units visible through the implementation of the User Depot Module (UDM), ensuring bare minimum procurement as per the Joint Procedure Order (JPO) of Banaras Locomotive Works (BLW), and reassessing requirements at the time of procurement and delivery extension proposals. However, the Committee find that the Ministry has not yet evolved a specific monitoring mechanism to ensure the scrupulous compliance of these initiatives during the implementation of the policy for complete electrification of Indian Railways. The Committee, therefore, recommend that it is imperative on the part of the Ministry to develop and implement an effective monitoring mechanism so devised should be supported by periodic audits, to ensure that these measures are thoroughly followed during the transition to electrification. This mechanism should include real-time tracking, compliance oversight, to ensure transparency and optimal stock utilization, for the maintenance of diesel locomotives especially as these are being phased out.

CHAPTER – II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

Gleaning through all the information and facts available with the Committee they note that in view of increasing electrification of routes, Railway Board decided (May 2016) to manufacture electric locos at Banaras Locomotive Works (BLW) Varanasi. Accordingly, manufacture of electric locomotives was started in BLW from February 2017. From 2019-20, the production of Diesel Locomotives at BLW was completely stopped.

In the instant case the Committee find that BLW placed a Purchase Order (May 2016) on a foreign supplier for supply of 660 number of Channel Air Boxes for manufacturing of Diesel Locomotives at a cost of \$ 2,375 per unit. The delivery was to be completed by February 2017. As per Para 2.26 of the tender agreement, the Committee learn that it shall be lawful for the purchaser, to reject the stores or any part, if such stores or part/portion of consignment thereof is not in conformity in all respects regarding the terms and conditions of the contract. Audit scrutiny however revealed that against the delivery target of February 2017, the Channel Air Boxes reached BLW premises in August 2017. As the items were not received as per delivery schedule, BLW did not accept the materials and intimated the supplier that these items are lying in BLW premises at the risk and cost of the supplier. In February 2018, BLW Administration rejected the supplies due to non-delivery within the scheduled delivery period. The vendor facing rejection of items offered to charge the items at a lower rate of \$1,510.72 per unit i.e., at a discount of approx. 36 per cent. Subsequently, in July 2018, BLW reversed its decision of rejection of material and extended the delivery period upto August 2017. Therefore, a payment of 6.85 crore for procurement of 660 ₹ Channel Air Boxes was made (November 2018) to the supplier. Explaining the rationale behind the procurement of 660 Channel Air Boxes meant for diesel locomotives, subsequently to the scheduled period of delivery despite the Ministry's policy for complete electrification, the Ministry stated that Purchase order for subject item Channel Air boxes was issued on 12th May, 2016 for 660 units. The delivery was to be completed by Feb'2017. The material was initially rejected due to expiry of delivery period. However, later on delivery period extension was granted with 36% lower rates vide modification advice dated 07.07.2018 (CP/280). Decision for extension of delivery period was based on the requirement assessed for the item as per JPO (Joint Procedure Order) dated 01.06.2018 (CP/281). In this JPO, besides the Railway Board issuing production plan for Diesel loco production for 2018-19, requirement for manufacture of power pack & crank

cases for maintenance of the fleet of HHP (High Horse Power) Diesel locos for the FY 2018-19, 19-20, 20-21 & 21-22 was also included. Though from 2019-20, no further plan for manufacturing of diesel locomotives for Indian Railways was issued, still there was continuous requirement of material for supply of spares including power packs and crank cases against 2024-BC-PAC-XVII/90thReport I/3095881/2024 sanctioned RSP (Railway Salary Package) as a support to Zonal Railways for maintenance of HHP diesel locomotives. BLW was nominated as centralized agency for supply of Power packs and crank cases sanctioned under bulk RSP which also require Channel air boxes @ 4 per unit. Regarding the issue of fixing of responsibility for the decision to procure the Channel Air Boxes meant for diesel locomotives, the Ministry stated that the procurement was done based on the requirement as assessed at that time and therefore no responsibility has been fixed. However stagger delivery schedule in purchase order is being ensured. The Committee are not satisfied with the justification of the Ministry that the decision for extension of delivery period upto August 2017 was based on the requirement assessed for the item as per JPO dated 01.06.2018 (CP/281) wherein requirement for manufacture of power pack & crank cases for maintenance of the fleet of HHP Diesel locos for the FY 2018-19, 19-20, 20-21 & 21-22 was also included, besides a mention of the Railway Board's production plan for Diesel loco production for 2018-19 as BLW had placed the Purchase Order (May 2016) on a foreign supplier for supply of 660 number of Channel Air Boxes for manufacturing of Diesel Locomotives at a cost of \$ 2,375 per unit BLW much before the JPO dated 01.06.2018 (CP/281). The Committee are not able to comprehend the logic as to what prompted BLW to inordinately delay its decision of reversal of rejection of material till July 2018 while BLW Administration rejected the supplies due to non-delivery within the scheduled delivery period in February 2017.

To the amazement of the Committee, the JPO dated 01.06.2018 (CP/281) was issued just before reversal of its decision of rejection of material by BLW in July 2018. In view of the fact that till February 2022, 796 Channel Air Boxes remained unutilized, the Committee find it reasonable to believe that decision for extension of delivery period upto August 2017 primarily benefited the vendor who would have faced huge losses if the consignment was rejected. Considering the fact that decision of reversal of rejection of Channel Air Boxes was initiated on the basis of an incomplete assessment, the Committee in no uncertain words recommend that the matter of fixing responsibility against the erring officials who made imprudent decisions that led to irregular payment of 6.85 crore for procurement of 660 Channel Air Boxes should be ₹ reviewed afresh and the Committee be apprised of the findings thereof.

**(Recommendation/Observation Para No. 1 of 90th Report of
Public Accounts Committee
(17th Lok Sabha)**

Action Taken

It is stated that PO for subject item, Channel Air boxes, was issued on a foreign supplier on 12th May'2016 for 660 units against tender no. 101510530 opened on 15/02/16. The delivery was to be completed by Feb'2017. But the material was received after the scheduled delivery period and was initially rejected due to expiry of delivery period (DP). However, later on DP was extended with 36 % lower rates (based on rates accepted in subsequent tender No. 101613310 opened on 05/10/2016 for this item) vide modification advice dated 07.07.2018. Decision for extension of DP was based on the assessment of requirement for the item as per the JPO dated 01.06.2018. In this JPO, as per prevalent practice, besides the issued production plan for Diesel loco production for 2018-19, actual allotted/anticipated allotment quantity for power pack & crank cases for the FY 2018-19, 19-20, 20-21 & 21-22 was included considering the future requirement for maintenance of the fleet of Diesel Locomotives. 2024-BC-PAC-XVII/90thReport I/3095881/2024 As per the JPO, total requirement of Channel Air boxes were 1712 nos. for the FY 2018-19, 19-20, 20-21 & 21-22. This total 1712 nos. included the requirement of Channel Air Boxes for production of Diesel Locomotive for year 2018-19 and Channel Air Boxes for maintenance of the fleet of HHP Diesel Locomotives. Since, as per extant practice, decision for extension of delivery period was then based on the assessment of latest requirement based on JPO dated 01.06.2018, no responsibility is warranted, however for future all concerns have been suitably sensitized. No further action is proposed.

Vetting Comments of Audit

Audit vide their UO No. 308/Rly/RPU&Metro/12-05/2022 dtd. 1.5.2024 have vetted the Action Taken Note with the following remarks:

MoR has not fixed any responsibility based on the recommendation of the Committee. MoR is requested to forward the ATR along with Audit comments to the PAC for their consideration.

Ministry's Further Comments

It is mentioned that PO for subject item, Channel Air boxes, was issued on a foreign supplier on 12th May'2016 for 660 units against tender no. 101510530 opened on 15/02/16. The delivery was to be completed by Feb'2017. The material was received after the scheduled delivery period and was initially rejected due to expiry of delivery period (DP). However, later on DP was extended with 36 % lower rates (based on rates of subsequent tender) vide modification advice dated 07.07.2018. Decision for extension of DP was based on the assessment of requirement for the item as per the JPO dated 01.06.2018. In this JPO, as per prevalent practice, besides the Railway Board issued production plan for Diesel loco

production for 2018-19, actual allotted/anticipated allotment quantity for power pack & crank cases for the FY 2018-19, 19-20, 20-21 & 21-22 was included considering the future requirement for maintenance of the fleet of Diesel Locomotives.

Thus, as the decision for extension of delivery period was then based on assessment of latest requirements based on JPO requirements as per needs and circumstances at that time, no responsibility has been fixed.

Sd/-
(Pawan Kumar Kalarwal)
Executive Director (S&E)
Railway Board

(Ministry of Railway's case No. 2024-BC-PAC-XVII/90th Report)

Observation/Recommendation

Recommendation No. 2

Audit noticed that in July 2018, when BLW decided to accept the 660 Channel Air Boxes from the supplier at a lower rate, whereas it had in stock 295 Channel Air Boxes already. The Committee learned that as of February 2022, a total stock of 796 units of Channel Air Boxes (including the freshly purchased 660 units) remained unutilized. Audit observed that as the materials could not be utilised, BLW explored (January 2020) alternative utilization of the Channel Air Boxes and requested Research, Design and Standards Organization (RDSO), Lucknow to utilize these items elsewhere. However, RDSO, Lucknow stated (January 2020) that these items have limited use in bridges and structures and should be used either in mechanical works or sold as scrap. In this regard, justifying the decision of procurement of Channel Air Boxes for diesel locomotives, the Ministry stated that Marketing Division of BLW explored the market of HHP diesel locomotive for domestic and export purpose. BLW received 03 nos. orders from Obra Thermal Power Station. Offers were also given for HHP diesel locomotives to M/s RITES for locomotive fitted with HHP design engine manufactured at BLW. Further, the material will get consumed in regular maintenance of HHP Diesel Locomotives, which shall continue to run as it has been decided to maintain and use 2500 diesel locomotives for disaster management and for deployment at strategic locations. Channel air box will also be used in production of diesel locomotive for export purpose. As regards response of the RDSO, Lucknow regarding alternate utilization of Channel air box, the Ministry submitted that BLW had approached RDSO to explore the alternate utilization of Channel air box. RDSO, vide letter no. CBS/DOW, dated 14.01.2020. (CP/286) responded that this item is four times heavier than standard rolled section and its maximum length is also limited to 3.7 m, hence this type of material has limited used in structural design

of bridge and structures. In light of the fact that in July 2018, when BLW decided to accept the 660 Channel Air Boxes from the supplier at a lower rate, it had in stock 295 Channel Air Boxes as such exploring alternative utilization of a total stock of 796 units of Channel Air Boxes (including the freshly purchased 660 units) by the BLW, gives credence to the belief of the Committee that the procurement of the Channel Air Boxes meant for diesel locomotives was done not based on the actual requirements as assessed at that time but it was an afterthought. The Committee, therefore, while observing the fact that acceptance of the consignment though at a discount of approx. 36 per cent by BLW despite the change in the policy and also ignoring the existing stock position was imprudent, recommend that a detailed proposal on planned utilization of a total stock of 796 units of Channel Air Boxes be shared with them at the earliest.

**(Recommendation/Observation Para No. 2 of 90th Report of
Public Accounts Committee
(17thLok Sabha)
2024-BC-PAC-XVII/90thReport I/3095882/2024**

Action Taken

A detailed proposal, on planned utilization of a total stock of 796 units of Channel Air Boxes, is as follows: At present, total stock of Channel Air Box is 776. RSP (Rolling stock programme) details of Power pack & Crank cases, where channel air box will be utilized for maintenance of the existing fleet of Diesel Locomotives, are as under:

- i. Manufacturing of HHP Power Pack against sanctioned Bulk RSP – 59 nos.
- ii. Manufacturing of HHP Crank Case against sanctioned Bulk RSP – 92 nos.
- iii. Manufacturing of HHP Power Pack against Zonal Rly Indent – 01 nos.
- iv. Manufacturing of HHP Power Pack against NRC loco – 03 nos.

Total Crank case will be manufactured against above order: 155 nos.

Crank case under manufacturing (Work in progress): 11 nos. (included in above) Channel air box will be utilized against above order: $155 \times 4 - 11 \times 4 = 576$ nos.

Further, Marketing Division of BLW continuously explores the market of HHP diesel locomotive for export purpose. BLW received 03 nos. orders from Obra Thermal Power Station. Techno commercial offers for 77 HHP diesel locomotives given to M/s RITES for locomotive fitted with HHP design engine manufactured at BLW.

Remaining stock of 200 nos. Channel Air Boxes may be used against expected order for export locos as well as forthcoming RSP sanctions.

Therefore, Channel air box will be utilized for maintenance of the existing fleet of HHP diesel locomotives available at field units of Indian Railways as HHP locos will continue to run till its codal life. These may be further utilized against expected order of Export locos. No further action is proposed.

Vetting Comments of Audit

Audit vide their UO No. 308/Rly/RPU&Metro/12-05/2022 dtd. 1.5.2024 have vetted the Action Taken Note with the following remarks:

Audit observed that out of the total stock of 796 units of Channel Air Boxes, BLW had 752 units as on 01.04.2024.

- i) During the period from 15 September 2020 to 27 November 2023, BLW Administration did not issue a single Channel Air Box (CAB) from their Stores.
- ii) ii) During 28 November 2023 to 29 March 2024, BLW has issued 44 CABs against three issue notes.

Thus, in view of the above, it is clear that the Railway Administration is yet to take any firm action to materialize its proposal of utilizing the 796 CAB in stock. MoR is requested to forward the ATR along with Audit comments to the PAC for their consideration.

Ministry's Further Comments

A detailed proposal on planned utilization of a total stock of 796 units of Channel Air Boxes is as follows:

At present, total stock of Channel Air Box is 752. RSP details of Power pack & Crank cases where channel air box will be utilized for maintenance of the existing fleet of Diesel Locomotives.

- i. Manufacturing of HHP Power Pack against sanctioned Bulk RSP – 59 nos.
- ii. Manufacturing of HHP Crank Case against sanctioned Bulk RSP – 91 nos.
- iii. Manufacturing of HHP Power Pack against Zonal Rly Indent – 01 nos.
- iv. Manufacturing of HHP Power Pack against NRC loco – 03 nos.

Total Crank case will be manufactured against above order: 154 nos.

Crank case under manufacturing (WIP): 16 nos. (included in above)

Channel air box will be utilized against above order: $154 \times 4 - 16 \times 4 = 552$ nos. Further, Marketing Division of BLW continuously explores the market of HHP diesel locomotive for export purpose. BLW received 03 nos. orders from Obra Thermal Power Station. Techno commercial offers for 84 HHP diesel locomotives given to M/s RITES for locomotive fitted with HHP design engine manufactured at BLW.

Remaining stock of 200 nos. Channel Air Boxes may be used against expected order for export locos as well as forthcoming RSP sanctions.

Therefore, Channel air box will be utilized for maintenance of the existing fleet of HHP diesel locomotives available at field units of Indian Railways as HHP locos will continue to run till its codal life. 44 nos. internally issued Channel air box are in under manufacturing, which is already included in WIP stated above.

(Pawan Kumar Kalarwal)
Executive Director (S&E)
Railway Board
(Ministry of Railway's case No. 2024-BC-PAC-XVII/90th Report)

Observation/Recommendation

As regards the plan of the Ministry to implement the policy for complete electrification of the Indian Railways and the time frame for phasing out the diesel powered locomotives in the Indian Railways, the Ministry stated that MoR has decided to maintain and use 2500 diesel locomotives for disaster management and for deployment at strategic locations even after complete electrification. Accordingly, all diesel locomotives over and above 2500 nos. shall be phased out gradually as they are rendered surplus. Further, to address the issues of mismanagement in procuring and utilization of stocks in Indian Railways, the Ministry stated that the certain steps were been taken which include, i. Purchase orders are being issued with staggered delivery schedule. ii. Stock position of all ZRs/PUs is visible due to implementation of UDM (User depot module). iii. Bare minimum procurement is being done as per JPO of BLW and iv. Requirement is being reassessed both at the time of procurement and while considering the proposal for delivery extension for optimal inventory. While noting the various initiatives undertaken by the Ministry to address the issues of mismanagement in procuring and utilization of stocks in Indian Railways, the Committee are hopeful that the Ministry would evolve a monitoring mechanism to ensure their scrupulous compliance during the implementation of the policy for complete electrification of the Indian Railways as well.

(Recommendation/Observation Para No. 3 of 90th Report of Public Accounts Committee (17th Lok Sabha)

Action Taken

To address the issue related to mismanagement and utilization of stock, BLW has taken following measures and their compliance is being ensured:

- i. Purchase orders are being issued with staggered delivery schedule.
- ii. Stock and dues position of all ZRs/PUs is now available online with the implementation of UDM (User Depot Module) for better assessment of requirement.
- iii. Bare minimum procurement is being done as per JPO of BLW.
- iv. Requirement is being reassessed both at the time of procurement and while considering the proposal for delivery extension for optimal inventory.

No further action is proposed.

2024-BC-PAC-XVII/90thReport I/3095883/2024

Vetting Comments of Audit

Audit vide their UO No. 308/Rly/RPU&Metro/12-05/2022 dtd. 1.5.2024 have vetted the Action Taken Note with the following remarks:

“MoR has not furnished any action taken on PAC recommendation to evolve a monitoring mechanism to ensure their scrupulous compliance during the implementation of the policy for complete electrification of the Indian Railways as well.

MoR is requested to forward the ATR alongwith Audit comments to the PAC for their consideration”.

Ministry's Further Comments

To address the issue related to mismanagement and utilization of stock, BLW has taken following measures:

- i. Purchase orders are being issued with staggered delivery schedule.
- ii. Stock position of all ZRs/Pus is visible due to implementation of UDM (User Depot Module).
- iii. Bare minimum procurement is being done as per JPO of BLW.
- iv. Requirement is being reassessed both at the time of procurement and while considering the proposal for delivery extension for optimal inventory

The above stated steps are being observed in all procurement cases and to ensure its scrupulous compliance & monitoring, policy letter no.: BLW-/82 Pt.-XVIII dtd. 10/04/2024 reiterating the above instruction has been issued in this regard. (Copy attached)

**(Pawan Kumar Kalarwal)
Executive Director (S&E)**

Railway Board (Ministry of Railway's case No. 2024-BC-PAC-XVII/90th Report)

CHAPTER III

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

NIL

CHAPTER IV

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

NIL

CHAPTER V

**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED
INTERIM REPLIES/NO REPLIES**

NIL

**NEW DELHI:
03 December, 2024
12 Agrahayana, 1946 (*Saka*)**

**K. C. VENUGOPAL
Chairperson,
Public Accounts Committee**

**MINUTES OF THE EIGHTH SITTING OF THE COMMITTEE ON PUBLIC ACCOUNTS
(2024-25) HELD ON 03rd DECEMBER 2024**

The Committee on Public Accounts sat on Tuesday, the 3rd of December 2024, from 1600 hrs to 1745 hrs in Committee Room '3', Block A, First Floor, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri K.C. Venugopal - Chairperson

Members

LOK SABHA

2. Dr. Nishikant Dubey
3. Shri Jagdambika Pal
4. Shri Jai Parkash
5. Shri Ravi Shankar Prasad
6. Shri C. M. Ramesh
7. Shri Magunta Sreenivasulu Reddy
8. Smt. Aparajita Sarangi
9. Dr. Amar Singh
10. Shri Tejasvi Surya
11. Shri Anurag Singh Thakur
12. Shri Balashowry Vallabhaneni
13. Shri Dharmendra Yadav

RAJYA SABHA

14. Shri Shaktisinh Gohil
15. Dr. K. Laxman
16. Shri Praful Patel
17. Shri Sukhendu Sekhar Ray
18. Shri Tiruchi Siva
19. Shri Sudhanshu Trivedi

LOK SABHA SECRETARIAT

- | | | | |
|----|-------------------------|---|------------------|
| 1. | Dr. Sanjeev Sharma | - | Joint Secretary |
| 2. | Shri Muraleedharan. P | - | Director |
| 3. | Shri Alok Mani Tripathi | - | Deputy Secretary |
| 4. | Shri Pankaj Sharma | - | Deputy Secretary |
| 5. | Shri Atul Bhawe | - | Deputy Secretary |

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

- 1. Sh. Rebecca Mathai - Dy. CAG
- 2. Ms. Atreyee Das - Dy. CAG
- 3. Ms. Smita S. Chaudhari - Dy. CAG
- 4. Sh. Samar Kant Thakur - Director General

REPRESENTATIVES OF THE MINISTRY OF XXXXXX

- 1. XXXXXXXXXXXX
- 2. XXXXXXXXXXXX
- 3. XXXXXXXXXXXX
- 4. XXXXXXXXXXXX
- 5. XXXXXXXXXXXX
- 6. XXXXXXXXXXXX
- 7. XXXXXXXXXXXX
- 8. XXXXXXXXXXXX
- 9. XXXXXXXXXXXX

PART A

XXXXX XXXXX XXXXX XXXXX XXXXX XXXXX

PART B

Thereafter, Hon'ble Chairperson stated that the following six draft reports may be taken up for consideration and adoption :-

- a) XXXXX XXXXX XXXXX;
- b) XXXXX XXXXX XXXXX;
- c) XXXXX XXXXX XXXXX;
- d) Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Ninetieth Report (17th Lok Sabha) on "Avoidable Expenditure on Procurement of Channel Air Boxes: Banaras locomotive Works";
- e) XXXXX XXXXX XXXXX; and
- f) XXXXX XXXXX XXXXX.

After some deliberations, the Committee adopted the aforesaid Draft Reports without any modifications and authorised the Chairperson to finalise the Reports in the light of factual verification done by the Audit.

The Committee then adjourned.

A copy of the transcript of audio recording of the proceedings of the sitting has been kept on record.

APPENDIX-II
(Vide Paragraph 5 of Introduction)

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

(i)	Total number of Observations/Recommendations	03
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1, 2, and 3	Total: 03 Percentage: 100
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para No. – NIL	Total: 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para No. – NIL	Total: 0 Percentage: 0
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para No. – NIL	Total: 0 Percentage: 0