

**PUBLIC ACCOUNTS COMMITTEE
(1966-67)**

SEVENTY-SECOND REPORT

(THIRD LOK SABHA)

**[Appropriation Accounts (Railways), 1964-65 and Audit
Report (Railways), 1966]**



**L'OK SABHA SECRETARIAT
NEW DELHI**

January, 1967
Magha, 1888 (Saka)

Price : Rs. 2.30

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111	3.278	12-13	Adminis- ministration	Adminis- tration
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187	Col.2	1	3 16	3.46
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191	Col.2	1	3.116	3.113
194	Col.2	1	2.144	3.144
196	Col.4	24	not	now
200	After line 8	insert the following:		
	28-A	3.206	-do-	The Committee desire that all efforts should be made to settle the remaining claims as early as possible.
201	Col.4	6	that some special	that special
207	Col.3	4	-do-	-do- Supply and Technical Development
	Col.2	5	1.19	4.19

C O N T E N T S

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1966-67	(iii)
I INTRODUCTION.	(v)
PART I	
CHAPTER I—General Review of the Financial Working of Railways during 1964-65.	1
CHAPTER II—Budgeting and Control over Expenditure.	5
CHAPTER III—Losses, Nugatory Expenditure, Financial Irregularities and Other Topics of Interest	28
CHAPTER IV—Outstanding recommendations	117
APPENDICES—	
I Explanatory notes on excesses over voted grants and charged appropriations during 1964-65	121
II Note on the cases pending in the courts	130
III Note on overall percentage of the foreign equipment in the Research Design and Standard Organisation	132
IV Note on overtime allowance paid to the railway staff in 1965-66.	133
V Note on cases relating to the Northeast Frontier Railway pending in the courts at the end of each year since 1961-62.	135
VI Note explaining the reasons for not collecting the sales tax from the customers	138
VII Note on the case referred to in para 22 of Audit Report (Railways), 1966	141
VIII An analytical statement showing the number of cases, which were referred to arbitration in all the Railways during the last five years and the outcome of such cases	147
IX Note explaining the delay of 7 years in settling the question of allocation of cost with the National Coal Development Corporation	152
X Note on the case referred to in para 31 of Audit Report (Railways), 1966	154
XI Note on outstanding amount from the State Governments of Madras and Andhra Pradesh	172
XII Note on periodical reports received from the Supply Missions abroad about the placement of orders, despatch particular and payments effected.	173
XIII Summary of main conclusions/ recommendations of the Committee.	176

PART II*

Minutes of the sittings of the Public Accounts Committee—

91st sitting held on 19-12-1966 (A.N.)

92nd sitting held on 20-12-1966 (F.N.)

*Not printed (one cyclostyled copy laid on the Table and five copies placed in Parliament Library).

93rd sitting held on 20-12-1966 (A.N.)

94th sitting held on 21-12-1966 (F.N.)

96th sitting held on 22-12-1966 (F.N.)

97th sitting held on 27-1-1967

PART III*

Statements/Notes/Memo showing action taken on the recommendations of Public Accounts Committee contained in their earlier Reports on Railway Accounts.

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PUBLIC ACCOUNTS COMMITTEE

(1966-67)

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Shri R. R. Morarka

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2. Sardar Buta Singh
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4. Shri Ram Dhani Das
5. Shri Shivajirao S. Deshmukh
6. Shri Cherian J. Kappen
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15. Shri U. M. Trivedi
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18. Shri Om Mehta
19. Shri Gaure Murahari
20. Shri M. C. Shah
21. Shri B. K. P. Sinha
22. Col. B. H. Zaidi

*Resigned his seat in Lok Sabha with effect from the afternoon of 29-11-66.

(iv)

SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Seventy-second Report on the Appropriation Accounts (Railways), 1964-65 and Audit Report (Railways), 1966.

2. The Appropriation Accounts (Railways), 1964-65 together with the Audit Report thereon were laid on the Table of the House on the 11th March, 1966. The Committee examined them at their sittings held on the 19th (AN), 20th (FN) and (AN), 21st and 22nd (FN), December, 1966. The Minutes of each sitting of the Committee have been maintained and form Part of the Report (Part II)*.

3. The Committee considered and finalised this Report at their sitting held on the 27th January, 1967.

4. A statement showing the summary of the principal conclusions/recommendations of the Committee is appended to the Report (Appendix XIII). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Accounts by the Comptroller and Auditor General of India.

They would also like to express their thanks to the Chairman and Members of the Railway Board and representatives of the Ministries of Supply and Technical Development and Iron and Steel for the co-operation in giving detailed information asked for by the Committee during the course of their evidence.

NEW DELHI;

28th January, 1967.

३ Magha, 1888 (Saka).

R. R. MORARKA,

Chairman,

Public Accounts Committee.

*Not printed (one cyclostyled copy laid on the Table and five copies placed in Parliament Library).

GENERAL REVIEW OF THE FINANCIAL WORKING OF RAILWAYS DURING 1964-65

Revenue Receipts—Para 1, pages 1-2:

The gross receipts of the Railways in the year 1964-65 under report amounted to Rs. 661.04 crores as against the Budget Estimates of Rs. 668.16 crores. The shortfall of Rs. 7.12 crores was mainly due to a decrease under Goods earnings to the extent of Rs. 22.18 crores partly set off by an increase in Passenger earnings to the extent of Rs. 15.28 crores as shown below:—

Particulars	Budget	Actuals	Variations
	(Amount in crores of rupees)		
(1) Goods earnings	432.00	409.82	(—) 22.18
(2) Passenger earnings	184.00	199.28	(+) 15.28
(3) Other earnings (including suspense and Miscellaneous receipts)	52.16	51.94	(—) 0.22
Total receipts	668.16	661.04	(—) 7.12

NOTE: The figures given under Budget do not include the figures of Revised Estimates.

1.2. When the Budget for 1964-65 was presented it was explained that the Railways would prepare themselves for an additional traffic of 17 million tonnes of originating goods traffic over that carried in 1963-64. In the Revised Estimates for the year presented along with the Budget Estimates for the following year, it was stated that in the first nine months of the year the demand for transport of raw materials for steel plants and coal for the public was even lower than in the previous year as against the anticipated increase of 10 million tonnes. The increase in export ore and general goods was also stated to be well below in original expectation.

1.3. The substantial increase in passenger earnings was attributed to a rapid increase in passenger traffic. While the trend of traffic during the first seven months of the previous year, i.e. 1963-64 showed more than 4 per cent increase in suburban and 3 per cent increase

in non-suburban passenger traffic as compared with the corresponding period of 1962-63, the estimate of passenger earnings for 1964-65 took into account only 2·2 per cent increase in the non-suburban passenger traffic. Later, at the time of presenting the Revised Estimates for 1964-65, it was explained that there had been a rapid increase of 8·55 per cent in suburban and 5·75 per cent in non-suburban passengers.

1.4. The Committee desired to know as to how the target of 17 million tonnes of additional goods traffic over that carried by the Railways during 1963-64 was arrived at in the budget for 1964-65. The Chairman, Railway Board stated that the target of 17 million tonnes of goods traffic during 1964-65 was decided upon after full consultation with the Ministries of Iron and Steel, Mines and Metals, Commerce, Industries and the Transport Division of the Planning Commission etc. in the year 1963-64 the railways moved 12·3 million tonnes of traffic and previous to that year the goods traffic was 18·3 million tonnes. The Financial Commissioner (Railways) added that on the basis of comparison with the estimates of the previous year and the actuals, the estimates that the Budget suggested for 1964-65 was justified. The 17 million tonnes of goods were to be composed of 9 million tonnes of coal including that for steel mills, 1 million tonnes of raw materials; 1 million tonnes for export of ores; and 6 million tonnes of general goods. This was all worked out at that stage in considerable detail.

1.5. As regards the fall in the goods traffic the Chairman, Railway Board stated that the Minister of Railways had also cautioned in his Budget speech that the target of coal and other goods traffic might not be achieved. Another reason for the low movement was that the big industries consumed coal from their own accumulated stocks although the consumption of coal was higher than in the previous years. The Financial Commissioner, Railways added that the actual output of some of the products during 1964-65 fell below the 1963-64 level; particularly in respect of coal, in 1963-64 the output was 66·9 million tonnes which came down to 64 million tonnes in 1964-65. Taken together, the fall in the output of coal, metallic ore, iron, steel and cement was about 2·1 million tonnes. The revised estimates for goods freight for 1963-64 was Rs. 391.66 crores while the actuals came to Rs. 395.30 crores. Therefore, the optimism of the Railway Board about the additional goods traffic was justified. The fall in the goods traffic came to the notice while the year was progressing but it was

thought to be a temporary phase. It persisted throughout the year and it was realised at the end of the year that earnings from goods traffic were substantially low.

1.6. The Committee pointed out that from the year 1961-62 onwards the budgeted figures varied considerably from the actuals and the variation was 3 per cent during 1961-62; 5.1 per cent during 1964-65 and 5.3 per cent during 1965-66. The Financial Commissioner, Railways stated that these variations were due to fluctuations in the economy which were unpredictable. He added that as soon as they became aware of fall in traffic, at the revised estimate stage of the budget, the figure was revised from Rs. 432 crores to Rs. 407 crores. The Chairman, Railway Board further stated that it was always their policy to forecast as accurately as possible. But the question of forecast of freight not only in regard to the subsequent year but also for the whole Plan period, was still being discussed with the Planning Commission and with other Ministries. The Planning Commission had not so far arrived at the final target. Moreover, they had to accept whatever figures were given to them by various Ministries and others as they had no means at their disposal to check those figures.

1.7. In reply to a question, the Financial Commissioner, Railways stated that in order to narrow down the variations between the budgeted estimates and the actuals, better assessment was required which could be achieved only in collaboration with other Ministries and factors of planning were also involved in it. If somewhere some anticipation went wrong then its repercussions would be all-round and the figures got dislocated to some extent. In reply to another question, the Chairman, Railway Board stated that the fall in the consumption of coal by the railways was due to electrification and dieselisation.

1.8. The Committee desired to know whether any attempt was made to carry coal by rail instead of by sea when coal traffic was not upto the mark. The Chairman, Railway Board stated that only that part of the coal was carried by sea which was required from the Bengal-Bihar fields and was moved along the east-coast line. The capacity of the east-coast line even today was not sufficient to take care of the coal, that was moved by sea. Moreover, the capacity of South-eastern coast line was also limited for carrying coal to South India. It hoped that with the doubling of the Kharagpur-Waltair line on the South Eastern Railway during the next two years as much quantity of coal as might be needed would be moved on that line. The other reason for carrying coal by sea was that it was in the

national interest to give freight to coastal streamers otherwise they would not be able to carry on. Moreover, coal, salt and cement were the important cargoes for the coastal fleet of India.

1.9. The Committee note that the Railway Board were unable to achieve their target of carrying additional goods traffic during 1964-65. The actual increase in the originating traffic was 2.7 million tonnes only while the target for additional goods traffic during the year was fixed at 17 million tonnes. Since this target was fixed in consultation with various other Ministries etc., which made their own assessments in respect of various items, it would seem that the assessments made by the other Ministries etc. were wide off the mark. The shortfall in the originating traffic occurred mainly under coal and general merchandise including Railway's own traffic of coal. The Committee feel that the Railways, could have foreseen the decrease in their own coal traffic at least and could have suitably reduced the target of goods traffic to that extent. They feel that the reasons for such a huge shortfall in the target for goods traffic as well as in respect of other earnings require to be gone into in greater detail by Railway Board for future guidance. It is worth noting in this connection that but for the increased actual earnings of the Railways from the passenger traffic, which amounted to Rs. 15.28 crores over the budget estimates, the gap between the budget estimates and the actuals would have been further accentuated.

1.10. The Committee also make a note of the increasing percentage of variations between the budget estimates and the actuals from year to year (-3 per cent in 1961-62 to +5.3 per cent in 1965-66), and feel that the percentage of variation between the budget estimates and the actuals could be reduced by having closer co-ordination with other concerned Departments/Ministries in assessing the position better.

II

BUDGETING AND CONTROL OVER EXPENDITURE

Excess over voted grants and charged appropriations—Para 5, pages 5—7:

During the year under report, there were excesses under 4 voted Grants as against 9 voted Grants in 1963-64. The amount of total excesses during the year was Rs. 4.15 crores as against Rs. 21.70 crores in 1963-64. The details of excesses during 1964-65 which are comparatively small in each case but require to be regularised under article 115 of the Constitution are as under:—

No. and Name of the Grant	Final Grant	Actual Expenditure	Excess	Percentage of excess to final Grant
5—Revenue—Working Expenses—Repairs and Maintenance	1,59,22,11,000	1,59,69,34,623	47,23,623	0.30

2.2. The excess, which occurred mainly on three Railways, viz., Central (Rs. 17.67 lakhs), Eastern (Rs. 14.47 lakhs) and North Eastern (Rs. 12.15 lakhs) was chiefly due to increased expenditure on periodical overhauls and other repairs to rolling stock and workshop machinery (Rs. 20.42 lakhs) and increased expenditure on maintenance of Electrical and Signal and Telecommunication Services (Rs. 13.53 lakhs). The supplementary grant of Rs. 7.64 crores obtained in March, 1965 proved inadequate.

2.3. There was an excess of Rs. 32,87,516 under this Grant during the previous year also.

8—Revenue—Working
Expenses—Operation
other than
Staff and Fuel.

31,54,80,000	31,78,88,807	24,08,807	0.76
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The excess occurred mainly—

(a) On the Northern Railway to the extent of Rs. 16.66 lakhs, mainly on account of debits received from other Railways

for compensation claims for goods lost or damaged (Rs. 7.92 lakhs) and non-receipt of credits for conference hire and penalty charges on interchanged stock to the extent anticipated (Rs. 7.73 lakhs); and

- (b) a net excess under 'Suspense' (taking all Railways together) to the extent of Rs. 6.52 lakhs mainly due to adjustment under this head of payments of more compensation claims in respect of consignments carried over more than one Railway pending settlement of the share of each Railway.

2.4. There was an excess of Rs. 59,50,281 under this Grant during the previous year also.

**12—Revenue—Payments
to General Revenues.**

1,04,52,44,000	1,04,92,93,900	40,49,900	0.39
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The excess was due to the mean capital-at-charge during the year on which the dividend was payable being more than anticipated (Rs. 64.53 lakhs) partly counter-balanced by—

- (a) deferred dividends to be paid on the capital-at-charge of certain new lines after the usual period of 5 years (from the dates of opening of these lines for traffic) not being paid to the extent anticipated as a result of shortfall in net earnings (Rs. 16.33 lakhs); and
- (b) more loss in the working of strategic lines than anticipated (Rs. 7.70 lakhs).

The supplementary Grant of Rs. 1.29 crores, obtained in March, 1965, proved somewhat inadequate.

**15—Open Line Works—
Additions and
Replacements.**

4,94,28,78,000	4,97,31,47,195	3,02,69,195	0.61
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2.5. The excess occurred under (a) 'Rolling Stock' Rs. 5.55 crores, (of which Rs. 5.32 crores were shown against four Railways, viz. Western Rs. 1.93 crores, Southern Rs. 1.41 crores, Northern Rs. 1.36 crores and Northeast Frontier Rs. 0.62 crore) mainly due to more payments made to the firms engaged in the production and assembling of rolling stock due partly to accelerated production and partly to collection of more raw materials (Rs. 2.48 crores) and adjustment of the amount outstanding under the Suspense Head "Miscellaneous Advance-Capital" in the Railway Board towards the cost of spares

such as wheel sets, underframes and wagon components etc., relating to previous years to final heads of account in the books of the allottee Railways (Rs. 2.91 crores); and

- (b) under "works" Rs. 0.98 crore, (of which Rs. 0.95 crore related to the South Eastern Railway), mainly due to adjustment of more debits for materials than anticipated (Rs. 84.46 lakhs) and better progress of certain works (Rs. 15.22 lakhs).

2.6. The excesses were partly counterbalanced by savings under "Miscellaneous Advance-Capital" (Rs. 2.48 crores) mainly due to the credit to the suspense head for the clearance of the old items of rolling stock spares being taken in reduction of expenditure within the Grant while the provision for the same was made in the Budget under 'credits or recoveries' outside the Grant and minor savings under "Workshop Manufacture Suspense" (Rs. 0.69 crore) and "Stores Suspense" (Rs. 0.34 crore).

2.7. There were excesses under this Grant during the previous two years also, as indicated below:—

Year	Excess	Percentage
1962-63	3,91,23,888	0.80 (Former Grants 16 & 17)
1963-64	7,07,36,918	1.54

2.8. The Committee desired to know the reasons for the large excess expenditure amounting to Rs. 4.15 crores which occurred in respect of four Voted Grants during 1964-65. The Financial Commissioner, Railways stated that the position of excess was now improving from year to year. In 1963-64 the excess was in respect of nine grants and was to the extent of 2.3 per cent, the excess in 1964-65 was only in respect of four grants and was only 0.5 per cent and in 1965-66 it was only 0.2 per cent and was in respect of four grants, so, there was gradual decline in the percentage of excesses.

2.9. Referring to the excess expenditure of Rs. 4.15 crores incurred in 1964-65, the Committee pointed out that this excess expenditure represented the amount spent without the sanction of the Parliament though there was the provision of approaching the Parliament for supplementary grants. The witness stated that utmost care was taken in preparing the estimates of expenditure. In railway works some flexibility had to be provided for as works taken up in one year were completed in two or three years. Therefore, some margin was

always necessary for incurring a little more expenditure. The witness however, pleaded that so long as the percentage of excess expenditure which was unavoidable was small, it could be ignored.

2.10. The Committee then referred to Grant No. 15, Open Line Works—Additions and Replacements where the bulk of excess expenditure under “Rolling Stock” amounted to Rs. 5.55 crores and enquired whether the Railway Board received any upto date forecast about the production, and collection of raw materials from the manufacturers. The representative of the Railway Board stated that the Railway Board used to receive the forecasts from all the manufacturers throughout the year and more frequently towards the end of the financial year. The payments had to be made for that year as the Railway Board did not consider it a correct procedure to postpone the payment. He further added that now strict instructions had been issued that unless more funds were made available, payments should be limited to the amounts available. The Financial Commissioner, Railways added that payment limited to the available amount was possible in the case of big suppliers like wagon manufacturers but it was not possible in case of works, which were distributed over so many railways involving so many disbursing officers.

2.11. On being pointed out that if excesses were recurring year after year in open line works, the Railway Board should budget their estimates on higher side and provide a margin for additional expenditure. The witness agreed to take this aspect into account while preparing estimates of expenditure on open line works in future.

2.12. In reply to a question, whether it was possible for the Railway Board to estimate the expenditure on over-heads and repairs before-hand, the representative of the Railway Board stated that the amount to be spent on repairs depended on the condition of the coaches and to some extent, there was variation in the amount of replacements of parts and fittings. He, however, admitted that there was a certain margin of error. It was done on the basis of average but occasionally it happened that a number of coaches which required heavy repair came at the end of the year.

2.13. Coming to Grant No. 12, Revenue—Payments to General Revenues—where excess was attributed mainly to capital expenditure in acquisition of assets during the year being more than anticipated and fluctuations in payment of deferred dividend on certain new

lines which completed their moratorium period, the Committee enquired whether the Railway Board could prepare a more accurate estimate of capital expenditure on acquisition of assets when the supplementary demands were prepared. The representative of the Railway Board stated that so far as the payment of deferred dividend on the lines and moratorium were concerned, the amount of dividend payable depended greatly upon the amount of earnings. Where the earnings were more than the anticipated amount, the amount payable as deferred dividend after meeting working expenses, would be larger. The figures of earnings were really available only after the end of the year.

2.14. At the instance of the Committee notes explaining the reasons for the excesses over Voted Grants and Charged Appropriations during 1964-65 have been furnished by the Railway Board (Appendix I). The Committee note that after taking into account the misclassifications, the real excess comes to Rs. 4,13,68,948.

2.15. The Committee regret to note that excess expenditure in respect of these four Voted Grants are recurring although the percentage of excess expenditure in these cases has gone down from the previous years. It is all the more surprising that the supplementary Grants obtained in March, 1965 under each of these grants proved inadequate. This leads to the conclusion that the expenditure in respect of these grants was not properly assessed at the time of preparing budget estimates and at the time of preparation of estimates for supplementary grants.

2.16. The Committee hope that in view of the excesses recurring year after year in 'open line works' the Railway Board would frame their budget estimates on a more realistic basis.

2.17. The Committee recommend that subject to these observations, the excess expenditure of Rs. 4,13,68,948 under Voted Grants Nos. 5, 8, 12 and 15 incurred during 1964-65 be regularised by Parliament in the manner prescribed under Article 115 of the Constitution.

Savings in Grants and Appropriations—Para 6, pages 7-8.

2.18. Savings occurred under 14 voted Grants and 12 charged Appropriations in 1964-65. The percentage of savings under voted

Grants was the highest during 1964-65 in the period of five years ending with that year, as shown below:

Year	Total number & amount of Grants/Appropriations in which savings occurred.	Amount of total savings	Percentage of savings to total amount of the Grants/Appropriations in which savings occurred.
No. Amount			
(In crores of rupees)			
A—GRANTS :			
1960—61.	18 935.88	76.02	8.1
1961—62.	18 1,017.17	61.88	6.1
1962—63.	13 849.08	10.02	1.2
1963—64.	7 197.51	4.43	2.2
1964—65.	14 485.70	41.66	8.6
B—APPROPRIATIONS:			
1960—61.	5 1.12	0.32	28.6
1961—62.	6 0.99	0.16	15.2
1962—63.	9 1.48	0.34	23.0
1963—64.	10 2.01	0.81	40.3
1964—65.	12 1.34	0.42	31.3

2.19. The bulk of the savings under Grants in respect of expenditure met from revenue occurred under three Grants, viz.:—

- (a) "Grant No. 18—Appropriation to Development Fund" due to the variation in the net surplus for the year;
- (b) "Grant No. 11-A—Appropriation to Pension Fund"; and
- (c) "Grant No. 13—Open Line Works—Revenue".

2.20. The savings under "Grant No. 14—Construction of New Lines" occurred mainly on the Central (Rs. 1.80 crores) and South Eastern (Rs. 4.16 crores) Railways and Railway Electrification Project (Rs. 3.44 crores). The savings in these Railways were mainly

attributed to slowing down the progress of certain projects as a measure of economy, particularly those affecting the movement of coal owing to reduction in the outturn of coal (Rs. 4.63 crores), less expenditure under Rolling Stock due to less allotment of rolling stock to the Railway Electrification Project than provided for in the Budget (Rs. 2.82 crores) and delay in receipt of signalling and electrical materials, particularly overhead copper wires (Rs. 1.65 crores).

2.21. The savings detailed above were partly counterbalanced by excesses mainly on:

- (a) the North east Frontier Railway (Rs. 2.68 crores) due to increased expenditure on the construction of Broad Gauge line from Siliguri to Jogigoppa (Rs. 3.00 crores) partly counterbalanced by savings due to accelerated progress in the previous year on the Rangapara-Lakhimpur-Murkong Selek Construction Project (Rs. 1.30 crores); and
- (ii) the Dandakaranya Bolangir Kiriburu Railway Project (Rs. 1.18 crores) mainly due to larger receipt of permanent way and other materials than anticipated (Rs. 1.29 crores).

2.22. The bulk of the savings under "16—Open Line Works—Development Fund" occurred mainly on two Railways, viz., Southern (Rs. 1.36 crores) and Western (Rs. 3.00 crores) Railways, chiefly due to slow progress of certain works and non-receipt or delay in receipt of certain materials (Rs. 2.85 crores) and transfer of provision for certain unremunerative operating improvements from this Grant to "Grant No. 15—Additions and Replacements" due to the works having been found subsequently remunerative based on the revised financial justifications (Rs. 0.92 crore).

2.23. The Committee observed that out of the total savings of Rs. 41.66 crores under Voted Grants in the year 1964-65 savings to the extent of Rs. 17.68 crores or 42.4 per cent of the total savings occurred under one grant viz. Grant No. 18—Appropriation to Development Fund. The Financial Commissioner, Railways explained that the appropriation to the Development Fund had to be reduced because there was not enough surplus for making this appropriation. This arose because the earnings were less than anticipated and the expenditure was more than what had been budgeted for because of several post-budget decisions. The increase in the expenditure was due to increase in dearness allowance, increase in coal price and other reasons which were beyond the control of the Railway Board. The witness further submitted that accuracy in this matter was dependent on the accuracy of forecasting for earning and expenditure.

2.24. On being pointed out that savings under the headings 'Grants' and 'Appropriations' in the year 1964-65 were the highest i.e. 8.6 per cent and 31.3 per cent respectively, the witness stated that saving in 'Appropriation, was a technical saving. But as regards 'Grants' the saving had been there for various reasons some of which also related to the economy drive that was undertaken when it was realised that earnings were not going upto expectations. The witness further added that as a result of economy drive and for various other reasons of financial stringency instructions were issued from time to time and a constant vigil was kept on securing utmost economy. The savings were also due to certain material which was expected but did not come. There were also certain debits which it was thought could be raised, but were not raised during the year.

2.25. The Committee also pointed out that savings under three works grants (Nos. 13, 14 and 16) amounted to Rs. 12.75 crores or 30.6 per cent of the total savings during 1964-65 and out of these 3 grants, the budgeting of two grants (viz. grant No. 14—Construction of new lines and grant No. 16—Open line works—Development Fund) which had showed steady improvement in the years 1962-63 and 1963-64 had suddenly deteriorated in the year 1964-65. They desired to know whether the Railway Board had satisfied themselves that the large savings which occurred in respect of these two grants were the result of economy measures taken and were not due to defective budgeting. The witness stated that they had satisfied themselves in regard to these savings which were primarily due to economy measures. He added that at the revision stage the original grant of Rs. 13 crores in regard to grant No. 13 was reduced to Rs. 11.51 crores. The actual expenditure was Rs. 10.63 crores still showing a saving of Rs. 0.88 crore. Similarly in grant No. 14 the original grant was reduced from Rs. 80.84 crores to Rs. 74.44 crores and the actual expenditure was Rs. 75.20 crores and there was a little excess.

2.26. In reply to a question as to how savings could be effected in view of the rise in prices and wages, the witness stated that the saving was achieved by postponing some works and by slowing down progress of certain works.

2.27. The Committee are surprised to find that the savings, which was 8.6 per cent under these 14 voted grants, was the highest during 1964-65 as compared with previous years. The Committee would like the Railway Board to take suitable measures to bring down the percentage of savings by improving the technique of budgeting and by exercising more effective financial control over the expenditure on Railways.

2.28. The Committee desired to be furnished with the following information:—

- (a) What was the total number and amount of the cases pending in the courts in respect of each of the four charged appropriations relating to Eastern, Northeast Frontier, Southern and Southeastern Railways; and
- (b) Whether the Ministry had enquired into the reasons for the non-finalisation of any of the pending cases during the last three years or was the provision made without ascertaining the number of cases likely to come up for final settlement. The required information is at Appendix II.

2.29. In the note submitted at the instance of the Committee (Appendix II) it is stated that no cases are pending in courts in respect of these four railways.

2.30. It is further stated in the note that token provision for charged appropriations in the Demands for Administration, Repairs and Maintenance; Operating Staff and Operation (Fuel) was being made *ad hoc* by the Railway Board for all the railways from the budget year 1962-63 following a decision taken in consultation with the C&AG by the Ministry of Law in August, 1961. It has further been stated that in view however of the restricted definition of the term 'Arbitral Tribunal' given by the Ministry of Finance in consultation with the Ministry of Law, the number of cases requiring provision under 'charged' appropriation has come down substantially. It is therefore, proposed to discontinue the procedure of making *ad hoc* provision for 'charged' expenditure for the Budget estimates 1967-68. Another factor which is stated to have weighed in this proposed decision was a recent clarification of the Contingency Fund Rules.

2.31. The Committee hope that with the implementation of the proposed decision, the situation will improve and no unnecessary provision will be made under "charged appropriations".

Control over expenditure—para 7, pages 9-10.

2.32. During the year under report, surrenders made under four Grants and one charged Appropriation proved inadequate as the final

savings inclusive of surrenders were largely in excess of the surrenders as shown in the table below:—

No. and Name of the Grant/ Appropriation	Amount surrendered	(Amount in lakhs of rupees)
		Final Savings inclusive of surrenders
A—Grants:		
2—Revenue-Miscellaneous Expenditure . . .	17	20
9—Revenue—Working Ex- penses—Miscellaneous Expenses	52	67
11—B-Withdrawal from Pension Fund . . .	1,48	1,78
13—Open Line Works— Revenue	2,17	2,37
B—Appropriations:		
8—Revenue-Working Ex- penses — Operation other than Staff and Fuel	22	28

2.33. Large savings occurred under 'Grant No. 2—Miscellaneous Expenditure' and 'No. 13—Open Line Works (Revenue)' continuously during the five years ending 1963-64 despite surrender of funds towards the close of the year, *vide* Para 10(a) of the Audit Report, Railways, 1965.

2.34. The savings under Grant No. 2 resulted chiefly from the non-utilisation of funds by the 'Research, Design and Standard Organisation' due, it was stated, to non-receipt of debits for certain equipments (Rs. 13 lakhs), non-finalisation of orders for supply of materials (Rs. 3 lakhs) and non-finalisation of proposals for recruitment of suitable personnel (Rs. 5 lakhs). The following table would indi-

cated that large saving occurred under this sub-head continuously during the last five years ending 1964-65:—

(Amounts in lakhs of rupees)

Year	Original Grant	Supplementary Grant	Surrenders	Final savings inclusive of surrenders.	Percentage of savings to original Grant
1960—61	60·83	..	3·10	4·73	7·8
1961—62	70·22	0·12	6·12	6·52	9·3
1962—63	102·84	..	29·31	25·56	24·9
1963—64	93·72	..	8·95	12·47	13·3
1964—65	112·73	..	19·37	20·30	18·0

2.35. The bulk of the savings under "Grant No. 13—Open Line Works—Revenue" occurred on four Railways; viz., Eastern (Rs. 22·58 lakhs), Southern (Rs. 79·79 lakhs), South Eastern (Rs. 49·98 lakhs) and Western (Rs. 82·11 lakhs) Railways which together formed 99·1 per cent of the total saving of Rs. 2,37 lakhs. The extent of savings that occurred on these four Railways during the last five years ending 1964-65 along with the original grant, supplementary grant and amount surrendered are shown in the table below:—

(Amount in thousands of rupees)

Name of Railways and year	Original Grant	Supplementary Grant	Amount surrendered	Final Savings inclusive of surrenders	Percentage of savings to original Grant
1	2	3	4	5	6
Eastern:					
1960—61.	1,04,78	..	88	5,91	5·6
1961—62	1,29,11	4,99	34,30	39,89	30·9
1962—63	1,49,27	..	28,87	33,57	22·5
1963—64	1,73,10	..	11,95	16,61	9·5
1964—65	1,67,32	..	19,99	22,58	13·5

	1	2	3	4	5	6
Southern :						
1960—61	.	2,51,97	..	50,64	93,07	36·9
1961—62	.	2,67,96	2,24	71,53	82,79	30·9
1962—63	.	2,44,16	17,28	48,62	52,87	21·6
1963—64	.	2,46,34	..	24,66	40,07	16·4
1964—65	.	2,56,62	..	70,80	79,79	31·1
South Eastern :						
1960—61	.	1,64,31	..	27,54	49,59	30·2
1961—62	.	1,10,58	4,99	34,92	45,89	41·5
1962—63	.	1,04,31	..	13,81	12,44	11·9
1963—64	.	1,64,82	..	26,07	40,41	24·5
1964—65	.	1,75,33	..	47,55	49,98	28·5
Western :						
1960—61	.	2,09,36	13,29	21,78	43,94	21·0
1961—62	.	1,42,06	10,46	..	+11,17	+7·9
1962—63	.	2,26,26	..	14,48	15,59	6·9
1963—64	.	2,03,11	..	3,42	11,13	5·5
1964—65	.	2,67,55	..	71,59	82,11	30·7

2.36. The Ministry of Railways stated in January, 1966 that the large savings occurred under this Grant during 1964-65 as a result of the decision to reduce expenditure as a measure of economy.

2.37. Asked to explain the reasons of recurring savings occurring under grant Nos. 2 Revenue—Miscellaneous Expenditure, chiefly from the non-utilisation of funds by the Research, Design and Standard Organisation, the Financial Commissioner, Railways stated that the savings during 1962-63 and 1964-65 were due to the reorganisation and expansion of the Research, Design and Standard Organisation. Apart from centralising the office of the organisation at one place, the reorganisation work was also taken up. As a result of this, there was a little dislocation in the work which could not proceed according to the expectation resulting in these savings. A substantial part of the savings was also due to some equipment which had been ordered and budgeted for during the year but did not arrive, with the result that payment was not made.

2.38. Giving the present position of the Research, Design and Standard Organisation the witness stated that the organisation was now fully built up and it was hoped that savings of this kind would not recur. As regards the equipment, every effort was made to get the best and the most economical and efficient equipment which took time. The witness further added that the Organisation was now in a position to complete the work according to plan year after year.

2.39. In reply to a question, the witness stated that as much as possible indigenous equipment was obtained for the Organisation

and only when certain equipments was not available in the country, it was brought from outside.

2.40. The Committee desired to know whether as a result of perspective planning any efforts had been made to produce the equipment within the country which would be required at a later stage. The representative of the Railway Board stated that there were two types of equipment required by the Research, Design and Standard Organisation. One was the highly sophisticated equipment which was not produced in the country. The other type of equipment was that which was produced indigenously and was even designed and produced under the direction of the office carrying out the research. In this case, the person who was doing research would himself design the equipment and would take all the indigenous items required for the equipment, except those which had to be obtained from outside. But in respect of highly sophisticated equipment, the witness added that the indigenous industry was not geared to the required extent. Therefore such equipment had to be obtained from abroad.

2.41. The Committee were further informed that there was another factor in regard to the equipment obtained from abroad. The gauges and some other conditions were different in India. So the designer abroad, while designing, had to take into consideration the conditions prevailing in India and this required a certain amount of extra time.

2.42. The Committee feel that the continuous saving during the last five years in respect of grant No. 2 relating to the non-utilisation of funds by the Research, Design and Standard Organisation and attribution of more or less the same reasons during the previous four years for the savings under this grant clearly indicates that the provisions are being made year after year without relation to facts. Similarly, the extent of savings that occurred on the four Railways, under Grant No. 13 particularly on the Southern and South Eastern Railways during the last five years indicates that the control over expenditure is far from satisfactory. Such a situation needs to be remedied forthwith.

2.43. The Committee desired to be furnished with the following information:—

- (a) What was the overall percentage of foreign equipment in the Research, Design and Standard Organisation.
- (b) Whether there had been any increase in the foreign equipment during the last five years.

2.44. From the note furnished in this connection (Appendix III) the Committee learn that the percentage of foreign equipment now

in use in the Research, Design and Standard Organisation is as high as 82 per cent. Since it is desirable that the Research, Design and Standard Organisation should lay more stress to design and develop indigenous parts and equipment for use by the Railways, the Committee view with concern the use of such a high percentage of foreign equipment by that Organisation. The Committee feel that greater reliance on indigenous equipment should be encouraged. The Committee would like the Railway Board to apply their mind to this question and take suitable steps in the matter.

2.45. Referring to grant No. 13—Open Line Works—Revenue, the Committee desired to know the reasons for the recurrence of savings in these four railways and particularly on Southern and South Eastern Railways. The representative of the Railway Board stated that in 1964-65 works valuing Rs. 60.54 lakhs were deferred in the interest of economy on South Eastern Railways; on the Eastern Railway the deferment of works was to the extent of Rs. 3.52 lakhs and on Southern Railway it was Rs. 64.72 lakhs. The delay in the supply of material on the Southern Railway resulted in the deferment of works to the extent of Rs. 22.46 lakhs. On Eastern Railway the delay accounted for Rs. 10.67 lakhs and on South Eastern Railway the delay in supply of materials was not at all quoted as a reason for deferment of works. Adjustments on completed work and works completed at lesser costs accounted for Rs. 9 lakhs. He further added that there were about 13,000 works, under this Demand all small works, mostly costing Rs. 25,000 or less and a few works costing up to Rs. 3 lakhs. Whenever there was a squeeze on funds, the work on these works was delayed as far as possible and payment for these works was so arranged that too much amount was not spent during that year.

2.46. The Committee note with concern that under grant No. 13, apart from the saving due to economy measure, a number of savings were attributed to slow progress of works due inter-alia to non-receipts or delay in the receipt of materials, late finalisation of plans, estimates, contracts etc. These savings therefore reflect lack of proper planning. The delays in obtaining raw materials and other delays require the immediate attention of the Railway Administrations so that progress of work does not suffer on these grounds.

2.47. The Committee desired to know the broad features of the various economy measures which accounted for the savings. The representative of the Railway Board stated that in June, 1964 the Financial Commissioner (Railways) had issued a D.O. to all the General Managers pointing out that in view of the lower levels of traffic likely to be moved in the years, every possible attempt should be made to save on the provision which had been made on the basis that traffic would be of a much higher level.

2.48. The Committee desired to know that in view of the reduced staff as a result of economy measure how much was paid as overtime allowance to the staff. The witness stated that it was desired to keep as much staff as was required for the traffic needs. Therefore, on this account the overtime allowance should not have increased. The Chairman, Railway Board informed the Committee that paying of overtime allowance was more expensive than keeping the adequate staff:

2.49. The Committee desired to be furnished with the amount of overtime allowance paid to Railway staff in 1965-66 as compared to 1954-55.

2.50. According to the note furnished (Appendix IV) the total overtime allowance paid to the railway staff during 1965-66 amounted to Rs. 4,74,48,794.77 p. This amount appears, prima facie to be on the high side what is more, the amount paid as over time fluctuates very widely from Railway to Railway. The Committee suggest that the question of the incidence of overtime work on the Railway may be analysed by the efficiency Bureau of the Railway Board.

2.51. The Committee pointed out that the bulk of savings under "Charged Appropriation No. 8—Revenue—Operation other than Staff and Fuel", occurred on the Northeast Frontier Railway which accounted for more than 50 per cent of the total savings in 1963-64 and 1964-65 and even exceeded the total savings in years 1961-62 and 1962-63.

2.52. The Committee desired to know as to whether the provision under this appropriation was made on *ad hoc* basis without ascertaining the number of cases likely to come up for formal settlement. The Financial Commissioner, (Railways) stated that the provision in respect of this appropriation was made on the basis of assessment of the Railways which had been falsified by the actual expenditure. The Committee desired to be furnished with a note showing:—

- (i) How many cases relating to the North East Frontier Railway were pending in the Courts at the end of each year since 1961-62; and
- (ii) Whether the Ministry enquired into the reasons for the non-finalisation of the pending cases or whether the provision was made on an *ad hoc* basis without ascertaining the number of cases likely to come up for final settlement.

The note is at Appendix V.

2.53. The Committee hope that with the changes in definition of "Arbitral Tribunal" there will be improvement in the position.

APPROPRIATION

2. 54. *Railway Catering,*
RAILWAY
Profit and Loss Account
 1963-64 1964-65

	Rs.	Rs.
1. To Opening Stock	70,85	74,85
2. Purchases during the year:		
(i) Of raw materials/ingredients for conversion into foodstuffs or edibles	2,43,52	3,00,01
(ii) Of other items of a durable nature such as furniture, crockery, utensils, tiffin carriers etc.	8,38	7,62
(iii) Of other items of a consumable nature such as crockery, galssware, linen etc.	4,74	5,28
3. (a) To freight, handling cartage & other clearing charges such as town duty, customs duty, octroi, excise, etc.	3,86	2,89
(b) Sales Tax . . . . .	..	3,75
4. To commission and brokerage charges	22,79	28,03
5. To salaries (including leave salary) and allowances such as dearness allowances, house rent and other compensatory allowances:		
(a) Staff employed in restaurants, refreshment rooms, dining cars	62,12	69,39
(b) Gazetted, supervisory and other non-gazetted staff, indirectly employed in catering	12,91	14,68
6. Travelling allowances of :		
(a) Staff employed in restaurants etc.	2,25	2,52
(b) Gazetted, supervisory and other non-gazetted staff	43	38
7. (a) To printing and stationery and other contingencies (such as telephones, postage, cost of containers etc.) and other miscellaneous	8,08	7,99
(b) Water and electric current	2,67	2,65
8. To cost of fuel	8,12	9,63
9. To charges on account of Provident Fund, Gratuity/Pension, etc. in respect of staff in item 5 above	5,97	6,82
10. To rent of accommodation	3,01	3,01
11. To Profit	7,56	..
TOTAL	4,67,26	5,39,50

(A) Includes value of stock written off, recovered or to be recovered "An amount of about Rs. 4 lakhs paid to the State Governments on not collected from 1957-58 to September, 1964 (when the tariff was revised The amount of sales includes the element of sales tax on commodities for The Sales Tax realised and paid by the South Eastern Railway has not Deposits pending receipt of demand notice from Sales Tax authorities."

The closing stock of Northern Railway on 31-3-64 (Rs. 15,86) was revised of stores remaining in the possession of Vendors at Varanasi.

ACCOUNTS, 1964-65

(Amount in thousands of rupees).

Pages 76-77

CATERING

for the year 1964-65

	1963-64	1964-65
	Rs.	Rs.
1. (a) By Sales	3,85,51	4,39,06
(b) Sales Tax . . . . .	..	2,95
2. By sundry other receipts	6,94	5,94
3. By closing Stock	74,81	88,41
4. By Loss	3,14(A)

TOTAL	4,67,26	5,39,50
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Rs. 1.13.

account of Sales Tax on sales of edibles from platform stalls, trolleys etc., but to include the element of Sales Tax also) is not accounted for.

which such memoranda are not issued.

been account for. A sum of Rs. 14 thousand already collected is lying in

to 15,90 (thousand) as opening stock on 1-4-1964 due to the addition of cost

2.55. The Committee pointed out that an amount of about Rs. 4 lakhs paid to the State Governments on account of Sales Tax on sales of edibles from platform stalls, trolleys etc. but not collected from 1957-58 to September, 1964 had not been accounted for and the Railway-wise breakup of the loss due to non-collection of sales tax from the customers was as follows:—

Name of the Railways	Period for which Sales tax was paid but not collected	Amount of sales tax not collected
		Rs.
Southern	1-10-1957 to 14-6-1962	1,96,017
Eastern	1957-58 to 31-3-1964	1,55,858
Central	1-4-1956 to 31-5-1962	13,352
North-Eastern	1956-57 to 31-3-1964	22,412
TOTAL		3,87,639

2.56. The Committee enquired whether the Railway Board had enquired into the reasons for not collecting the sales tax from the customers immediately after the issue of notification by the State Governments imposing sales tax on edibles etc. supplied by the Departmental Catering Units. The Financial Commissioner (Railways) stated that the reasons for the non-collection of sales tax had not been verified.

2.57. At the instance of the Committee, the witness promised to furnish the following information:

- (a) Whether the Ministry had enquired into the reasons for not collecting the sales tax from the customers immediately after the issue of notification by the State Governments imposing sales tax on edibles etc. supplied by Departmental Catering units; and
- (b) Whether it took more than three years for the Ministry of Railways to decide the issue of collecting sales tax on commodities sold by the Railways in their Departmental Catering.

A note furnished in this connection is at Appendix VI.

2.58. It has been stated that the reasons for non-collection of sales tax to the extent of Rs. 4 lakhs mentioned in the footnote to the profit and loss account of Departmental Catering for 1964-65 on the four Railways—Southern, Central, Eastern and North-Eastern are three-fold:—

- (i) Doubts about the legal liability of the Railways to pay sales tax on their catering sales under the respective State Sales Tax Acts as they existed at that time;
- (ii) Practical difficulties in the realisation of sales tax separately on items sold from platform stalls and trolleys, like sweets, milk, coffee, tea for which no cash vouchers are issued and any single sales is also generally for a small fraction of a rupee;
- (iii) Railways' efforts to secure exemption from the levy of sales tax on the catering sales as the service is an amenity to the public and Railways were not engaged in this activity with a profit motive.

2.59. The Committee are not convinced of these reasons, especially when definite instructions were issued by the Railway Board in 1961 with regard to collection of sales tax. In case of doubts and difficulties, these should have been referred by the Railway Administrations to the Railway Board for directions. The Committee hope that such cases will not recur in future.

2.60. The Committee regret the delay on the part of the Railway Board in issuing instructions to all General Managers to recover sales-tax from passengers if the State Governments refused to grant exemption for payment of sales tax to the Railways. The Sales Tax was levied by some of the States as early as 1956 but the Railway Board issued instructions only in 1961. Not only that, inspite of this directive to recover sales tax, no sales tax was recovered by Railway Administration on sales for which cash vouchers were issued but the Administration had to pay sales tax on the total turnover of all the sales made by their catering units.

2.61. The Committee would like to be informed of the final outcome of the cases taken up with State Governments and in Courts with regard to payment of sales tax amounting to Rs. 4 lakhs.

2.62. They hope with the issue of instructions in January, 1964 by the Railway Board for including in the tariff the element of sales tax, there would be no further difficulty.

2.63. When asked about the steps taken to improve the quality of food served by the Railways the Chairman Railway Board stated that more of their catering managers were being trained in the catering institutions. Efforts were also being made to get better and more competent cooks by giving them better grades. There was now better supervision and strict action was taken in case of complaints. A new dining car had been introduced which would cater for about 54 persons at a time instead of 32. The new dining car would be able to take 75 to 80 per cent more passengers with the result that the number of shifts would be less, service would be better and the quality of food would also be better. He also added that there was departmental catering in 13 or 14 trains and on 70 to 80 stations. The rest of the stations and trains, about 5,000 units, were still covered by the contractors.

2.64. As regards the taking over of the catering units now covered by contractors, the witness stated that there were two views in the matter. The same public sector versus private sector controversy was also there. The contractors were in a better position in the sense that they paid their staff less and discharged them if the staff was not found fit or not required by them. In case of departmental catering the servants were paid a minimum of Rs. 140 while a contractor would pay Rs. 55 or 60.

2.65. On being pointed out that a lot of improvement was required in the hygienic condition of the dining cars, the witness stated that in olden days only passengers travelling in first class or in air-conditioned classes were allowed to go in the dining cars. Now there was no such distinction and any body could go in the dining car.

2.66. The witness further added that with different tastes of people travelling by trains it was difficult to maintain cleanliness of a particular standard.

2.67. The Committee appreciate the efforts being made by the Railway Board in improving their catering but they feel that much remains to be done yet particularly in maintaining hygienic conditions in their catering units. The Committee trust that greater attention will be paid to this aspect of the problem also.

2-68. Statement of undercharges detected by Accounts or Audit and recovered for 1964-65—page 87.

(Amount in thousands)

S. No.	Name of Railway	Total amount of undercharges covered by Accounts and Audit excluding those withdrawn during the year.	Total Earnings audited.	Percentage of undercharges to earnings.	Amount of undercharges		Total outstanding undercharges.	
					Recovered	Written off		
1	2	3	4	5	6	7	8	9
1.	Central	36,21	1,23,02,93	0.29	32,51	13	32,63*	11,17
2.	Eastern	15,32	93,14,02	0.16	21,93	1	21,94	13,64
3.	Northern	33,65	92,32,35	0.36	34,92	32	35,24	2,20
4.	North Eastern	5,92	32,41,89	0.18	8,06	69	8,76*	12,53
5.	Northeast Frontier	1,98	25,07,98	0.08	2,61	1,01	3,61*	(C)13,62
6.	Southern	22,49	84,52,09	0.27	24,64	8	24,72	2,60

*Difference in totals is due to rounding off.

(c) Excludes figures of certain stations from where returns have not been received and checked.

1	2	3	4	5	6	7	8	9
7.	South Eastern	16,76	1,10,33,77	0.15	16,86	..	16,87*	11,30
8.	Western	23,41	1,03,25,70	0.23	17,75	23	17,98 (c)&(e)	12,02
	TOTAL (a) & (d)	1,55,74	6,64,10,73	0.23	1,59,28	2,47 (b)	1,61,75	79,08

Note :-

- (a) Excludes undercharges of fifty paise and below in case of goods account and twenty five paise and below in coaching account not debited to stations.
- (b) Includes recoveries and write off of undercharges discovered in previous years.
- (c) Excludes figures of certain stations from where returns have not been received and checked.
- (d) Excludes amount of debits for non accountal delayed accountal of invoices and parcel way bills.
- (e) Excludes undercharges on account of short accountal of freight on invoices in respect of Furnace oil.

* Difference in totals is due to sounding off.

2.69. The Committee desired to know whether the Railway Board had gone into the reasons for the sudden increase in the outstanding undercharges on the Central and Western Railways during 1964-65. The Chairman, Railway Board stated that these under-charges, were actually raised by the Accounts Office against the booking staff whose duty was to check the invoices to ensure, before delivery, that the charges had been correctly billed. But ultimately the arrears of undercharges were deducted from the salaries of the staff responsible for the checking of the invoices and they tried to realise it from the merchants. The only reason which could be given for these undercharges was the inability of the staff to exercise a cent per cent check on the invoices that were received at the stations where the goods were received.

2.70. The Committee feel that more effective checks should be provided so that these undercharges are detected immediately and are not allowed to accumulate.

2.71. They would also like to be informed of the steps taken for the expeditious recovery of the undercharges.

III

LOSSES, NUGATORY EXPENDITURE, FINANCIAL IRREGULARITIES AND OTHER TOPICS OF INTEREST

Chittaranjan Locomotive Works—Extra expenditure incurred in rejecting lowest tenders—Para 12, pages 14—17.

Additional expenditure amounting to about Rs. 20 lakhs was incurred by the Chittaranjan Locomotive Workshops by the award of contracts in the following cases to a firm (Firm 'A') in preference to lower tenders received from other firms:—

ELECTRIC LOCOMOTIVE PROJECT

3.2. Out of ten tenders opened in May, 1962 for the fabrication and erection of 1,425 tons of steel structures in connection with this project, the offer of Firm 'A' was the highest. The three lowest tenders were rejected in August, 1962 mainly on the ground that the firms had only limited experience in the fabrication of structures. The fourth lowest tenderer (Firm 'B') was considered to have the requisite experience and was first proposed to be accepted, but, before a decision was taken, the quantity of fabrication work to be done underwent an increase from 1,425 to 2,100 tons as a result of the revision of the scheme and the Railway Board suggested (in a letter dated 25th October, 1962) negotiations with the 'present' tenderers. Due to the revision of the scheme, the tenderers were asked to extend the validity of their tenders and while agreeing to this on the 31st October, 1962, Firm 'A' submitted of their own accord a revised quotation which was still higher than six of the tenders already received. On the 3rd November, 1962, the Tender Committee decided to carry on negotiations only with Firm 'A' and finally accepted their offer. The acceptance was conveyed to the firm on 2nd December, 1962 on which date the approval of the General Manager was also obtained. Subsequently, the quantity of fabrication work was increased from 2,100 tons to 2,800 tons in August, 1963 and a supplementary agreement was entered into with the firm in January, 1964.

3.3. It may be mentioned that the lowest of the ten original tenderers (Firm 'C') was recognised as acceptable by two other Railways for other similar works as indicated below:—

- (i) They had as early as April, 1959 received a contract on the Southern Railway for the fabrication of 1,090 tons of

steel structures in the Hubli Workshops at an estimated cost of Rs. 14 lakhs. The report obtained by the Southern Railway in this connection from M/s. Hindustan Steel showed that the firm were "doing considerable amount of work in site formation, civil engineering construction work for the Gas Cleaning Plant as well as other items of structural steel work for the Rourkela Steel Project. They are a firm of very reputable Contractors and can certainly be relied upon to do any big works."

- (ii) The same firm was also entrusted by the Diesel Locomotive Works, Varanasi, with the major work of fabrication and erection of approximately 2,250 tons of Steel, the contracts for which were executed in February, 1963.

3.4. There was thus no apparent justification for rejecting this firm on the ground that they had only limited experience in the fabrication work. There would have been a saving of Rs. 12 lakhs if this tenderer had been awarded the contract.

3.5. On a subsequent occasion after the audit objection against the rejection of lower tender had been brought to their notice, the Railway Board reversed their decision, taken in October, 1964, to negotiate with Firm 'A' for the fabrication and erection of additional 1,200 tons of steel fabrication estimated to cost Rs. 22 lakhs including cost of steel (Rs. 17.52 lakhs excluding cost of steel). Limited tenders were thereafter invited and the lowest tender of firm 'C' for Rs. 11.22 lakhs (excluding the cost of steel) was accepted on 20th January, 1965.

3.6. In regard to Firm 'B' referred to above, it is noticed that although they had been considered in August, 1962 as acceptable they were rejected at a later stage without being given an opportunity to explain the position, mainly on the ground that there was some labour trouble in October, 1962 in an adjacent firm. The same adjacent firm were, however, able to procure orders for steel Castings and Wheel Centres valued at Rs. 1.74 lakhs from the Chittaranjan Locomotive Works Administration during the same period (November-December, 1962).

STEEL FOUNDRY PROJECT

3.7. Open tenders were invited in July, 1962 for the fabrication of 1,530 tons of steel structure and 13 offers were received. In this case also, the work was allotted to Firm 'A' whose quotations were higher than those of seven others. The lowest and the second lowest tenders which would have cost Rs. 12.65 lakhs and Rs. 11.05 lakhs

less respectively, were rejected on the grounds that the firms had neither experience nor proper machinery to fabricate the steel. It is noticed, however, that the second lowest tenderer had been able to secure a contract of Rs. 17.50 lakhs in March, 1964 from the Eastern Railway who observed in that connection as under:—

“This party has done considerable amount of heavy steel work and erection in the coal-fields area and in the Mines. They are at present engaged in a big contract in Durgapur for the Alloy Steel Plant. It is considered that this party is capable of carrying out the work and has got resources and experience.”

3.8. The tender of another firm (Firm 'B') referred to above in connection with the Electric Locomotive Project which was fourth from the lowest, would have cost Rs. 8.03 lakhs less, but it was again rejected on the same grounds. The offer of another Firm 'D' was less than the offer of Firm 'A' by Rs. 21,609. It was also rejected and Firm 'A' was awarded the contract on the basis of an offer made by them during negotiations in November, 1962, that their rates would be further reduced if the contracts for both the Electric Loco Project and the Steel Foundry Project were given to them. The Administration thus obtained (November, 1962) a saving of Rs. 58,000 in both the contracts but during the execution of the contract, an important additional facility was given to Firm 'A' by arranging the supply of almost the entire quantity of steel required for the work although in terms of the contract, the supply was to be arranged by the firm themselves. The volume of work in the Steel Foundry Project was also subsequently increased from 1,530 tons to 3,009 tons with a consequential increase in the value of the contract from Rs. 30.60 lakhs to Rs. 56.63 lakhs.

3.9. The works in both the projects involving 5,809 tons of steel fabrication were scheduled for completion by January-February, 1965 but by that time about 1,668 tons in fabrication and 3,217 tons in erection still remained incomplete. The work in Steel Foundry Project was completed in May, 1965 and the work in Electric Locomotive Project was completed in October, 1965.

3.10. The Committee desired to know the reasons for not accepting the offer of the lowest tenderer. The Member (Engineering), Railway Board stated that at the time when tenders were considered, this firm's case was also considered by the Tender Committee which felt that this firm would not be able to complete the contract in time. The firm had been inspected by one of the Railway's senior engineer who had satisfied himself that the equipment, machinery and plant which the firm possessed were not of such a high order as

would enable the Tender Committee to feel that they would be able to complete the contract in time.

3.11. So far as Southern Railway was concerned, the tenders were for a particular structural steel work in the Hubli workshop, and the Tender Committee was very reluctant to give the contract to this firm although they were the lowest tenderer, for the same reason that they felt that this firm did not have the experience, the equipment, machinery and tools to be able to perform the contract successfully. They made enquiries from the Rourkela Steel Plant and others and got reports that this firm was not likely to be capable of doing the job successfully. But later on, on behalf of this firm a very senior engineer interviewed the Tender Committee and explained how the firm had added certain additional machinery, tools and plant and were in a position to carry out the contract successfully. He also mentioned that this firm had done a fairly big job of work for the Rourkela Steel Plant. So a second reference was made to Rourkela and the General Manager of that plant who was a very eminent engineer and also the ex-General Manager of the Indian Railways, wrote that in this opinion the firm would be able to complete the contract successfully in time. On the basis of this assurance, the Southern Railway awarded the contract to the firm. In reply to a question the witness added that the basis on which the Southern Railway satisfied itself about this matter was the recommendation of the General Manager of the Rourkela Steel Plant which conflicted with other reports.

3.12. The Committee pointed out that in April, 1959 when the Southern Railway gave a contract to this firm, they were satisfied about their capability to the work and desired to know whether the C.L.W. Administration had considered the performance of the firm so inferior that in October, 1962 they deprived the firm of the contract. The witness replied that when the Tender Committee for the Chittaranjan Locomotive Works considered the tenders, this firm had not actually started any erection or fabrication work at all on the contract of the Southern Railway for the simple reason that raw steel in matching sections had not been received by them from the suppliers. In reply to a question, the witness confirmed that it was the responsibility of the Railways to supply steel and that it was not possible for the Tender Committee to assure themselves on the performance of this firm.

3.13. Asked how the C.L.W. Administration could draw adverse inference, the witness stated that the firm could not prove their ability. There were conflicting reports from Rourkela as a result of which there was an element of doubt about their working

capacity. In reply to a question, the witness stated that by the time steel was given to them, the decision on the other contract of the Chittaranjan Locomotive Works had to be taken.

3.14. The Committee desired to know how the Railways could conclude about the inability of the firm to execute their work when they prevented them from executing it by not supply of steel. The Financial Commissioner, Railways stated that the Railways were not justifying their failure to supply steel. There was this kind of doubt in regard to the capacity of this particular firm. The Tender Committee of the Chittaranjan Locomotive Works examined their capacity to undertake the work not only with reference to the Hubli remodelling work but also taking into account the tools, equipment and the capacity for executing further works.

3.15. Asked how in February, 1963 the firm was given a much bigger order for 2,250 tons by Diesel Locomotive Works, Varanasi and how the Railways satisfied themselves about the firm's capacity, the Member, Railway Board stated that a subsequent inspection of its works was carried out and it was found out that the firm had added to their stock a number of machines and as a result the firm had increased their capacity substantially. The Financial Commissioner added that the firm had extended their shop between this period, increased their labour force and their capacity was also increased from 200 tons to 600 tons. In reply to a question, the Member (Engineering) Railway Board stated that the Tender Committee of the Chittaranjan Locomotive Works had decided that this firm was incapable of carrying out the contract, or, at any rate there was some doubt about their capacity to do the work. He added that having given the first contract which was quite a big contract, to give them another contract which was also a big contract, was thought to be straining their capacity quite considerably. So, it was felt that they would not be able to carry out both the contracts simultaneously with the resources that they had since the first contract was awarded by the Southern Railway in April, 1959. Every effort was made to supply them the raw steel and matching sections. There was no indication as to when those matching sections would be available. Unfortunately, it took a long time, but if that steel had been made available to the firm, they would have started on that job and their capacity would have been utilised. The spare capacity that they would have had would not have been sufficient for the other job. In reply to another question, the witness stated that the Tender Committee went into the merits of each of the firms which had submitted tenders and recorded reasons, for not considering certain of these firms including this particular firm.

3.16. Asked why the contract of April, 1959 with the firm was not terminated when the firm was found incapable of executing the work, the Chairman, Railway Board stated that it was difficult to terminate the contract without many complications, such as, claim of compensation and legal difficulties. In reply to a question, the witness stated that it was not a fact that there was any deliberate purpose in not supplying the steel, but the fact was that the steel had been indented for. The Iron and Steel Controller had asked the various suppliers to give the steel. At that time supply of steel in certain matching proportions was quite difficult and in spite of the Railways chasing to get the steel as quickly as possible for this particular contractor, they had failed to do so and steel was not supplied.

3.17. The Member (Engineering), Railway Board then referred to the letter dated 11th March, 1959 from the General Manager, Rourkela Steel Plant in which it was stated:—

“The firm have since developed the fabrication works in Calcutta and provided supply of raw material is arranged to be delivered to them in time, I have no doubt that this firm will be able to fabricate and supply the 1,400 tonnes of steel works required for the Loco Shed at Hubli.”

3.18. In reply to a question, the witness confirmed that at the time the General Manager, Rourkela Steel Plant gave his opinion in March, 1959 on the capacity of this firm, the firm had developed or augmented their capacity and that the report of the inspector in August, 1962 was in conflict with the opinion of the General Manager. The witness also added that it could be assumed that equipment must have been there when the inspector visited the firm in August, 1962.

3.19. Asked about the basis of doubts which the Tender Committee of Chittaranjan Locomotive Works had in mind in 1962, the Chairman, Railway Board stated that it was on the basis of the inspection of the workshop of this particular fabricator. An inspection of the firm's workshop was carried out in August, 1962, which was 3 years later than the letter of the General Manager. It was on the basis of the inspection of the capacity of workshop that the Tender Committee opined that they would not be able to do this work and also taking into consideration the fact that they had already got 1,400 tonnes to be done at Hubli. It was not on the basis of their failure to have progressed in Hubli works that the particular decision was

taken. It was taken on the basis of a personal inspection done of their workshop capacity at Calcutta.

3.20. The Committee desired to know whether any inspection of firm 'A' was carried out in respect of their tools and other materials. The Member (Engineering) Railway Board stated that the firm had carried out the job even before. This firm was inspected on 27th June, 1962 and they had done the job satisfactorily.

3.21. In reply to a question, the witness confirmed that they had accepted the highest tender. He also stated that the Railway Board had issued a directive that negotiations should be carried out with the ten tenderers concerned. But this was not done and they negotiated with only one tenderer who was the highest tenderer. Reasons for not carrying out negotiations with other tenderers were not given. Asked about the reasons for selecting the highest tenderer, the witness gave the following reasons as contained in the minutes of the Tender Committee meeting held on 3rd November, 1962:—

“The Tender Committee feel that due to labour trouble prevailing in firm 'B' and the possibility of its affecting the completion of the structural works which are required to be put up early to fit in with our production schedules, it would not be desirable to entrust such an important work to the above firm.”

He further stated that as a result of the labour trouble a lockout was declared by both the firm 'B' and their sister concern as they had the same approach road. As regards some of the other firms, it was stated in the Tender Committee's report that they had neither any proper workshops nor necessary machinery and experience to carry out heavy structural works and hence it was thought that they would not be able to carry out the work satisfactorily. The Tender Committee, therefore, selected the firm whose tender was the highest on the grounds that this was a reputed firm of long standing. They had a well equipped workshop, drawing office and qualified personnel to handle such type of jobs. They had done heavy structural works successfully in the past and as such were fully qualified to undertake this type of work. The witness also stated that when a firm was considered incapable of carrying out the work, it would not be right to negotiate with that firm. The Tender Committee had recorded that other than the highest tenderer, none of the other firms were capable of doing the work successfully and, therefore, there was no point in negotiating with them. They, therefore, negotiated only with this firm.

3.22. Asked whether the Railway Board was informed that negotiations were carried on with only one firm and whether they had made any enquiries in this direction till the Audit para came, the witness replied in the negative. The Board made enquiries only after the receipt of the Audit para. In reply to a question, the witness stated that there was no reversal of the decision. The decision which was taken on this occasion for carrying out the negotiations was implemented and the contract was completed.

3.23. Asked if the Board had reversed another decision taken in respect of the same firm and for the extension of the same job because of Audit objection, the witness replied in the affirmative. That was a subsequent occasion for another job when 1,200 additional tons of structural steel work had to be done.

3.24. The Committee enquired why it was necessary for the Board to interfere with the delegated powers of the General Manager, the Financial Commissioner, Railway Board stated that it was not a case of interfering with the decision of the General Manager. When the General Manager came to know about this Audit objection, he consulted the Board. In the last stage of the case involving fabrication and erection of 1,200 tons of steel the Board advised him that the contract might be given to this firm. It was not really reversal of the order but a change of opinion. When the Committee referred to a letter of the 3rd October, 1964 and pointed out that prior to the receipt of the Audit para, the Railway Board had agreed to the proposal of the General Manager to have negotiation in consultation with the F.A. & C.A.O. with the existing contractor for additional steel works, the Member (Engineering), Railway Board confirmed it. In reply to a question, the witness stated that the Tender Committee was formed *ad-hoc* for specific contract.

3.25. Asked how the firm 'A' submitted in October, 1962 revised quotations which were still higher and at whose instance they did so, the witness stated that there was nothing to prevent them from doing that. The Tenderers were asked to extend the dates of validity of tender and while accepting the extension of dates of validity, this firm gave the revised quotation while other firm did not do so. The Chairman, Railway Board, also stated that after the Audit Para was received, the whole case was examined and a lot of material was collected. Some explanations were also asked for from the Members of the Tender Committee. All that was necessary had been done and it was not as if the Railway Board did not take any action. Asked about the result of the investigation by the Board, the Member (Engineering), Railway Board stated that it had brought out certain possible lacunae. In so far as considera-

tion by the Tender Committee of various factors concerning the tenders was concerned, they had decided not to investigate the matter further. Explanations of the officers were obtained and a Committee had been appointed on 31.10.1966 consisting of the Additional Member (Works) and the Additional Member (Finance) to go into this matter.

3.26. The Committee desired to know what action had been taken after the Audit had pointed out before October, 1964 that there were serious irregularities. The Additional Member (Finance), Railway Board stated that the procedure for processing a draft Audit para was that the Chief Auditor, Railways would send a statement of facts for verifications to the General Manager. Apparently it was at that stage that the General Manager referred it to the Railway Board and enquired whether in view of the interest exhibited in this particular case by Audit, it should be proceeded or not. There was a different procedure when final draft Audit para was received. In this case, draft para was received in, 1965.

3.27. Asked why additional work worth Rs. 22 lakhs was also proposed to be given to the firm which was the highest tenderer and their quotations were higher by Rs. 10-12 lakhs. The witness explained that the General Manager who was competent to award this contract had stated that out of the ten tenders received, six tenders were rejected on grounds of inadequate technical ability, lack of previous experience, inadequate capacity and unsatisfactory labour situation. Of the remaining four tenders this firm's offer was the lowest acceptable tender. He was in favour of giving this firm additional contract for Rs. 22 lakhs after settling terms and conditions by negotiations. The work involved comparatively small quantity of fabrication and was not likely to result in getting attractive offers from reliable parties. Besides, if a new party was entrusted with the work they would have taken a long time to get into the stride to manufacture with consequent delay in putting up the structure. As such, no further action was taken at that time.

3.28. In reply to a question the witness stated that the Audit para was received in January, 1965 and between June, 1965 and October, 1966 there was considerable action. They tried to get all the facts of the case and after getting explanations from officers on certain points, it was decided that a Committee should go into the matter. The Committee desired to know the considerations on which the Board rejected the suggestion of the General Manager to give additional contract to the existing firm but favoured calling of limited tenders. The Chairman, Railway Board stated that the file on which

the General Manager's letter dated 20th October, 1964 was considered, there was nothing recorded except that the case was discussed between the General Manager and the Additional Member (Finance) and that it was decided that the contract should not be given to the present tenderer or the one whose tender had been accepted earlier for the previous tonnage, but a limited tender should be invited and only a restricted period of 3 weeks should be given for this. It was very difficult to say what exactly the other considerations were, but one can only surmise that one must be the fact of the audit para looming in the face and therefore not doing something against that particular audit para; the other might be that since this portion of the work was already under progress and that particular portion of work could suffice for the immediate volume of production that would be there and, therefore, addition to that was not needed so very immediately, the administration could wait for the completion of that work. Even if there was delay, that delay would be tolerable in view of the fact that certain additional sheds etc. had already been erected which suffice for the present production.

3.29. In regard to the Steel Foundry Project, the Committee desired to know how the Tender Committee satisfied themselves that the firms had limited experience and were not capable of executing the work and whether the work of the second lowest tenderer was satisfactory. The Member (Engineering), Railway Board stated that the gist of the Tender Committee proceedings was that there were a total of 13 offers out of which 8 firms were such as had neither equipment and experience of heavy structural work nor any drawing office. As such these firms were not worth consideration. There were only two firms which had the requisite equipment and experience to carry out such types of works. In reply to a question the witness stated that the proceedings of the Tender Committee were dated 3rd November, 1962 and this Committee was the same as the previous one.

3.30. The Committee desired to have a detailed note on the para giving all the facts and also copies of the relevant correspondence. The note should also include whether any enquiries were made from the Railways, including the Southern Railway about the performance of the firms whose tenders were rejected. The note has been furnished.

3.31. The Committee find from the note that the C.L. Works had taken the following into consideration in allotting the contract in connection with electric Locomotive Project and the Steel Foundry

Project to firm 'A' which was the highest tenderer:—

- (i) The first three lowest tenders did not have adequate standing and experiences.
- (ii) The fourth tenderer had long years of experience of this type of work and they had adequate plant and machinery to execute the contract. The Tender Committee at their sitting held on 13th September, 1962 had recommended acceptance of the tender of this firm. As regards the rest only the last tenderer which was the highest tenderer, had the requisite technical enterprise and the resources to complete the contract, whereas the other tenderers either did not have the requisite experience, the machinery or the resources to be considered adequate for being allotted a big contract of this nature.
- (iii) On 15th August, 1962, the Chittaranjan Locomotive Works Administration revised the scheme whereby the quantity of fabrication work to be done was increased from 1,425 to 2,100 tonnes and entailed a cost of Rs. 2.36 crores.
- (iv) On 25th October, 1962, the Board sanctioned the revised estimate and approved a suggestion from the General Manager that negotiations might be restricted to present tenderers for the increased structural Works to eliminate delay involved in inviting fresh tenders.
- (v) On 5th October, 1962 all tenderers were asked to extend the validity period of their tenders which they did. According to the revised rates quoted by the last firm which was the highest when tenders were first invited became the 7th on the list. Other firms did not alter their rates though they revised their validity period.
- (vi) The Tender Committee on 3rd November, 1962 reviewed their earlier recommendation of allotting the work to the 4th firm (Firm 'B') and came to the conclusion that in view of the constant labour trouble both in the firm and its sister concern located in the same premises it would not be desirable to entrust such an important work to the firm as they felt that the firm would not be able to work to firm and stiff targets. The Committee also decided that negotiations should be carried on with the 7th firm (Firm 'A'). On 7th November, 1962, the firm offered two sets rates—a higher rate if only the electric Loco project work was given to them and a lower rate if the electric

Loco project work and the steel foundry project work were given to them.

- (vii) 13 tenders were received for fabrication and erection of steel works for the steel foundry project and the Tender Committee on 3rd November, 1962 decided that only 2 firms No. 9 and 10 (Firm 'A' had the necessary equipment and experience to carry out the work and recommended that negotiation might be carried on with these two firms. Out of the revised rates offered by the two firms, the rates quoted by the firm 9 were lower than those quoted by the firm 10 (Firm 'A') for this project but the Tender Committee recommended the order being given to firm 'A' because their rates for the two works referred to in item. (vi) above would have resulted in a total saving of Rs. 58,000. The Tender Committee on 24th November, 1962, thus accepted the offer of the firm 'A' both for the Electric loco project and also the steel foundry project work.

3.32. The Railway Board furnished the following reasons for not allotting the work of Electric Locomotive Project to the firm 'C' who were awarded similar work for the Southern Railway in April, 1959 and for the diesel locomotive works in Varanasi in February, 1963:—

- (i) The firm was yet to execute successful any single major fabrication job and the only one they had in hand when their tender was under consideration by C.L.W. was that of the Southern Railway and they were much behind the schedule;
- (ii) The technical officers after their visit of the workshop of the firm in June, 1962 held the opinion that the firm would not be in a position to take up heavy structural work of the type in question.
- (iii) The Tender Committee of the Southern Railway had originally rejected the tender of this firm on the ground that they did not have sufficient capacity to undertake such a big work which was based on reports from three different sources but ultimately the Southern Railway on the recommendation from the Resident Director, Hindustan Steel, Rourkela allotted the contract.

3.33. From the evidence and the notes furnished to them, the Committee find that there were various irregularities in allotting

works to firm 'A' the highest tender in this case. Briefly, they are as under:—

- (1) The Tender Committee rejected the offer of firm 'B' (4th lowest) which has all the requisite qualifications to undertake the job mainly on the ground that there had been a labour trouble in a sister concern of the firm and they had apprehension that because of this firm 'B' would not be able to carry out the work involved in the contract. Curiously enough, the Committee find that the same sister firm were able to procure orders for steel castings and wheel centres valued at Rs. 1.74 lakhs from the Chittaranjan Locomotive Works during the same period viz November/December, 1962. In view of this, the Committee feel that the plea about the rejection of the offer of firm 'B' on ground of labour trouble in a sister concern lacked justification.
- (2) The quantum of work involved was revised piecemeal. Initially the tenders were invited for 1425 tons of steel structures in connection with electric locomotive project. They were opened in May, 1962. Before a decision was taken on these tenders, quantum of fabrication work to be done underwent an increase from 1425 tons 2100 tons. Subsequently, this fabrication work was increased from 2100 tons to 2800 tons in August, 1963. Similarly the quantum of work was revised in the case of Steel Foundry Project from 1530 tons, at the time of invitation of tenders, to 3009 tons. Every time the estimates were revised upwards, the Chittaranjan Locomotive Works got the approval of the Railway Board to negotiate with the firm 'A'. The Committee have not been given any justifiable reasons for this upward revision of the fabrication work piecemeal. Had the estimates been prepared realistically ab-initio, the Committee feel that better competitive rates could have been obtained.
- (3) In October, 1962 when estimate of the fabrication work was revised from 1425 tons to 2100 tons, the Railway Board suggested negotiations with the present tenderers. It is strange to note that the negotiations were carried out only with firm 'A' which was the highest and with firm 'C' which was the lowest and with firm 'B', which even according to the initial assessment of the Tender Committee in August, 1962, had all the requisite qualifications to carry out the work and was proposed to be accepted. The

Committee have not been given any convincing justification for carrying out negotiations with the highest tenderer only to the exclusion of other tenderers. This, the Committee feel, was a violation of the directive of the Railway Board.

- (4) The Committee have also not been given conclusive evidence that the firm 'C'—the lowest tenderer, was totally incapable of undertaking the work. On the other hand, they find that the Hindustan Steel had recommended this firm for being relied upon to do any big works and the technical officers of Diesel Locomotive Works, Varanasi, who inspected the firm's workshop on 24th November, 1962, had found the fabrication work in progress satisfactorily. It is also evident from the notes furnished and the evidence tendered that the delay in carrying out the works in the case of a contract placed by the Southern Railway in April, 1959 was mainly due to the delay in supply of the matching steel items to the firm. Adequate justification therefor did not exist for the Chittaranjan Locomotive Works to reject the lowest tender.
- (5) In October, 1964, General Manager, C.L.W. wanted to allot work for additional 1200 tons of steel fabrication to firm 'A' after negotiations, but the Railway Board favoured calling of limited tenders. No reasons were recorded for this decision.
- (6) The Committee also learn from Audit that the tenders were considered in this case on the basis of steel being procured by the contractors themselves and one of the reasons for not considering certain tenderers was that they had no stock of steel. After allotting the contract to firm 'A', the Railway Board arranged the requirements of steel for the works. This aspect also needs looking into.

3.34. The Committee understand from the evidence and the notes furnished by the Ministry that they had decided not to investigate further so far as consideration of various factors concerning the tenders is concerned but the procedural lapses noticed are under examination by a high level Committee of two additional members of the Railway Board. In view of the various irregularities mentioned above, the Committee feel that the entire transaction leading to the allotment of the contract to the firm 'A' which was the highest tenderer, needs further investigation. The Committee suggest that a representative of Audit should also be associated with this body and this transaction should be examined in all its details, keeping in view

the various lapses mentioned above. The Committee also desire that learning from the experience of this case, the Railway Board should also streamline their procedure to avoid recurrence of such cases.

Chittaranjan Locomotive works and Western Railway-Delay in the finalisation of tenders-Part 13, pages 17-18.

3.35. In the following cases delays occurred in the finalisation of tenders resulting in avoidable extra expenditure.

(i) CHITTARANJAN LOCOMOTIVE WORKS.

3.36. Tenders for the supply of 140 tonnes of dextrine were opened on the 15th September, 1964. Only two of 11 tenderers submitted samples alongwith their quotations as required in the tender notice. On the 23rd October, 1964, after a delay of five weeks, the other firms were called upon to supply the samples. Six samples received upto 27th October, 1964 were sent for testing after a further delay of two weeks and two more samples received on 27th November, 1964 were sent for testing a week later. According to test reports received on 27th November, 1964 and 30th December, 1964 the sample submitted by the fourth lowest tenderer alone was found suitable and his offer to supply at Rs. 1,080 per tonne was recommended for acceptance on 5th January, 1965. In the meantime, the tenderer had advised on 17th December, 1964, that his offer which was valid only for 60 days from 15th September, 1964, the date of opening of the tender, had expired.

3.37. Subsequently, 236 tonnes of dextrine were purchased at rates varying from Rs. 1,330 to Rs. 1,925 for a small quantity of 31 tonnes and Rs. 3,000 to Rs. 3,400 for the balance of 205 tonnes between February, 1965 and July, 1965. The extra expenditure incurred in respect of 140 tonnes intended to be procured in September, 1964 amounted to Rs. 2.57 lakhs.

3.38. The Railway Administration explained in November, 1965 that there was a large increase in the market price of dextrine due to the restriction imposed by Kerala Government on the 19th November, 1964 on the movement of tapioca (the raw material for dextrine) from the State and that according to the legal opinion obtained in October, 1965, the supplier had the right to treat the order as frustrated, even if it had been placed within the validity period.

3.39. The Committee desired to know the reasons for the delay of 5 weeks in asking the tenderer to supply samples. The representative of the Railway Board stated that the tender was opened on

the 15th September, 1964 and it was on the 23rd of the same month that they were able to tabulate the prices and the conditions that had been indicated in the quotations received. While the tabulation was being done, they had also obtained the freight rates from the Eastern Railway. In view of the fact that the suppliers had indicated that they would be supplying the materials at different points, the freight also had to be added to get a comparative idea of the total cost that would have to be incurred. Thereafter it was discovered that out of 11, only four tenderers had supplied samples, inspite of the fact that while calling for tenders it had been specifically mentioned that samples must be submitted in such case. This case was put up to the officer concerned. In the meantime, this particular file got misplaced by the Stores Clerk concerned and the intervening periods were Durga Puja holidays. It was only after the Durga Puja holidays that the letter was issued to the various suppliers for the supply of samples. This period of five weeks was being counted from the date when the tenders were opened, but there was an initial period when the tabulation was being done. The tabulation was completed on the 23rd September, 1964 and after one month of that on 23rd October, 1964 it was discovered that all the samples were not received from all the tenderers. During the period of one month, 10 days consisted of Durga Puja holidays and 3 days after the holidays, the letter calling for samples was issued. In reply to a question, the witness stated that the matter was investigated and responsibility fixed on the persons who were handling the cases and they had been punished.

3.40. Asked whether the supplier had the right to treat the order as frustrated if it was found that the validity period had expired, the witness stated that legal opinion was obtained and it was indicated therein that because the Kerala Government had imposed a ban on export of tapioca which was an ingredient necessary for the manufacture of dextrine, a condition had been created which could not have been envisaged by the tenderers in the first instance and as such the order, even if it had been placed in time, would have been treated as frustrated.

3.41. The Committee desired to know whether the ban imposed was applicable to purchases on Government account or exports of tapioca on Government account were permitted. The witness stated that according to the restriction that had been imposed, the tapioca could not be moved outside Kerala State without a permit. In this case, it was not a Government to Government account because the order (for the finished product) would have been placed on a firm and it was the firm which had to obtain the necessary raw material. Asked whether they had written to the State Government of Kerala

44

of the controlling authority for relaxation of the order, the witness stated that the firm withdrew the offer on the 15th January, 1965 and there was no condition by the firm that if permits were given, they would get the supplies at the same price. In fact, the firm had indicated that since there was a restriction, the prices had gone up and would go up. The witness also stated that according to the information that they had and also according to the legal opinion if the contract had been placed in those circumstances, the contract would have been frustrated.

3.42. The Committee enquired when submission of samples was pre-condition to tenders why the firms were not asked to extend the validity period, the witness stated that they were asked to extend the validity period but all of them refused. They also refused to supply according to the prices that had been quoted in the first instance on account of the same reason as had been given by the lower acceptable tenderer.

3.43. Asked whether it was one of the conditions of the tender that dextrine obtained from tapioca produced in Kerala State alone would be supplied, the witness stated that this particular item was new item. Even the I.S.I. had not prepared its specifications. Therefore, they had to accept whatever dextrine was offered by testing the samples produced and it was not against any specifications as such. If the dextrine produced from maize could have been supplied as a sample then it could have been tested and found out whether it was as good as dextrine produced from tapioca. In fact, certain samples of dextrine prepared from maize were received but on test they were found to be not as superior or as good as those produced with tapioca.

3.44. In reply to a question, the witness stated that the samples were received at different dates. When sufficient number of samples had been received, they were sent so that comparative tests could be carried out. Orders were issued forwarding all these samples for test but these could not be sent as and when received but these were sent simultaneously so that comparative tests could be performed.

3.45. The Committee feel that the omission on the part of the tenderers in not supplying the samples as required under the terms of the tenders should have been noticed at the time of opening the tender on 15th September, 1964 and immediate action taken to call for the samples. They regret to note that samples were not immediately called at the time of opening the tenders. If that had been done, a period of 5 weeks which the authorities of the Chittaranjan Locomotive Works took in calling for the samples could have been saved.

The Committee feel that this period of avoidable delay of 5 weeks was one of the important contributory reasons which made the offer of the acceptable tender time-barred and thus enabled him to get out of the offer. As a result of that Government had to get the material at higher prices which involved avoidable extra expenditure of Rs. 2.57 lakhs. The Committee cannot but deprecate the careless manner in which this case was handled in the office of the Chittaranjan Locomotive Works. This clearly indicates that there was a lack of proper supervision on the part of those who were responsible for finalising the tender. The Committee are, however, glad to note that the matter was investigated and the persons responsible for mis-handling the case have been punished.

3.46. The Committee are also not convinced that because of the ban on the export of tapioca by the Government of Kerala, the tender had to be treated as frustrated since there is nothing in the evidence to show that any effort was made by the Railway Administration to obtain enough material to meet their requirements either by negotiations with the Kerala Government direct or at Government level. The Committee feel that had the Administration made such an effort they would have been able to persuade the tenderer not to increase the prices till the outcome of their negotiations was known. They desire that the Railway Board should take necessary action to avoid repetition of such cases in future.

(ii) WESTERN RAILWAY.

3.47. Tenders for the supply of 15 weigh bridges to the Western Railway were opened by Director General, Supplies and Disposals, on 28th September, 1962. The validity period was extended from time to time and finally upto 28th February, 1963.

3.48. On 23rd November, 1962 the Director General, Supplies and Disposals, sought acceptance from the Railway Administration to certain deviations in the specifications submitted by few of the tenderers among whom the order was proposed to be distributed. At the request of the Railway, the Director General furnished some more technical data and literature, on 24th December, 1962. The acceptance of the offers was communicated by the Railway telegraphically, three months later, on 29th March, 1963. In the meantime, one of the firms, whose offer of four weighbridges of 50 tonnes capacity was to be accepted, withdrew the offer. These four weighbridges were subsequently ordered on another firm in September, 1963, at Rs. 42,537 each, involving an extra expenditure of Rs. 25,855.

3.49. The Railway Administration explained in November, 1963 that they were not informed by the Director General, Supplies and

Disposals about the period of validity of the offers and that if the original quotations and literature had been furnished to them, soon after the receipt of tenders, the decision regarding the acceptance of offers could have been communicated approximately 2½ months earlier.

3.50. The Committee desired to know why the Railway Administration took a long period of 13 weeks to communicate their acceptance of the offer to DGS & D in respect of the weighbridges after DGS & D had furnished the technical data on 24th December, 1962. The representative of the Railway Board stated that the query by DGS & D in respect of this tender was sent to them approximately two months after the tender had been opened. Even when it was received, all the information necessary to enable the technical officers to check up on the suitability or acceptability of the offers was not there. As such, it was found necessary by the technical officers to write back to DGS & D and ask for the tenders along with all the details received from the tenders. It was only after the receipt of that information that the tender could be processed by the Western Railway. The date on which that information was received was long after the first validity date. The date on which they received all the information from the DGS & D from which they could check up the acceptability of the offers was 24-12-1962, the original validity date being 28-11-1962. So it was after that, that the checking of the acceptability of the offers was initiated by the Western Railway.

3.51. Asked why they agreed to process the tender when the relevant information was received much later, after the expiry of the validity date, the witness stated that actually the normal method was that the authority that had to check up and get extension was the authority that would issue the invitation to tender and not the authority that was passing comments or remark in connection with the offers received. As such, it was the normal practice for the authority that issued the tender to keep on asking for extension of the validity date. It was presumed that they (DGS & D in this case) must have done so.

3.52. In reply to a question, the witness stated that when a particular query was made the authority that had invited the tender must permit the authority from whom they were calling for remarks sufficient time to enable them to deal with the problem posed to them. If they had supplied the material for comments two months earlier, to that extent the time taken for checking up all the information would have been two months earlier. The witness added that their submission was that when a technical advice was asked for on a tender, the DGS & D should have sent full details in the first

instance. If they had done that, the tender would have been finalised much earlier and within the validity date.

3.53. Asked whether the period of 13 weeks was really necessary to carry out the test or they could have reduced it, the witness stated that it was not only technical scrutiny but they had also checked up the requirements of weighbridges in terms of traffic requirements. In fact, the demand of weighbridges was reduced from 15 to 14, saving approximately Rs. 56,000 which otherwise might have been even infructuous. The offers had to be checked up at the various levels and also with all the detailed information whether the demand etc. had changed or whether in the light of a review there was possibility of any reduction. So it took that much time and by the time it was decided to accept this particular offer, the validity period had expired.

3.54. The Committee regret to find that it was because of lack of coordination between the DGS & D and the Railway Administration that there was considerable delay in finalising the tender and this delay ultimately led to an extra expenditure of Rs. 25,855. The DGS & D should have given full technical data to the Railways when acceptance of Railways was asked for the deviations in specifications. The Railways should also have not taken 13 weeks or so in communicating their acceptance. The Committee hope that there will be better coordination amongst the concerned Ministries/Departments in future and that such cases will not recur.

Extra expenditure due to delay in finalisation of tenders-Para 14, pages 18-19.

3.55. Global tenders for the supply of 376 items of steel rounds, flats etc., for a total quantity of 16,399 tonnes, were opened by the Ministry of Railways on 30th January, 1963. On a review of the prices quoted in the tenders, it was decided by the Ministry on 13th February, 1963, to make an overall reduction of 1,000 tonnes in the requirements to conserve foreign exchange. The item-wise distribution for this reduction was decided on 4th March, 1963.

3.56. A French firm, who had quoted competitive rates for the supply of about 13,690 tonnes, comprising 206 items of steel materials, extended the validity of their offer from 31st January, 1963 to 15th February, 1963 and again upto 28th February, 1963, observing that the continental mills could not grant a very long validity of offer. The Ministry of Railways could not, however, finalise the tender before this date primarily because item-wise distribution of the reduction of 1,000 tonnes had not been decided upon. The firm did

not extend its offer for 53 items beyond 28th February, 1963 and the Ministry of Railways had to order 29 of these items, covering 1,958 tonnes, from other firms at prices higher by 28,657 dollars (Rs. 1,36,407).

3.57. Another global tender issued by the Ministry of Railways for procuring 35 items of steel plates and sheets, covering 5,909 tonnes, was opened on the 21st October, 1963. The lower offer from same French firm for supply of two items covering 312.16 tonnes was not accepted by the Ministry of Railways although the firm extended date of expiry of the offer, viz., 11th November, 1963, thrice at the instance of the Ministry, thereby keeping the offer open upto 20th December, 1963. After fruitless negotiations with other firms, the item were included in another global tender issued in May, 1964. There were no offers for one item (which was subsequently left to be procured by the indentors) while for the second, the quotation of the same French firm, which was higher by 12 dollars per tonne was accepted for 289.56 tonnes, entailing an extra payment of 3,475 dollars (Rs. 16,541) as compared with the tender of October, 1963.

3.58. The Ministry of Railways explained in November, 1965 that in both cases the consideration of the offer of the French firm was handicapped primarily due to the period of validity of the offer being too brief, not conforming to the period prescribed in the tender and that a number of clarifications on important issues which had to be obtained, were not received promptly. In the first case these difficulties could have been avoided if the item-wise details for the proposed overall reduction of 1,000 tonnes, which did not affect any of the 53 items, had been worked out more promptly. In the second case, the delay occurred mainly due to the fact that the Ministry sought clarification on the specifications etc., piecemeal on four occasions from 7th November, 1963 to 7th January, 1964.

3.59. The Committee desired to know why the Railway Board could not decide promptly the itemwise distribution of steel items on the proposed reduction when they were aware that the lowest tenderer would not extend his offer beyond 28-2-1963. The representative of the Railway Board stated that the tender contained 376 numbers of different steel items. The number of firms that quoted was 38. The particular firm had submitted tenders for more than 200 items. All these had to be tabulated, checked up; and it was their experience that tenderers invariably did not give complete information in respect of specifications, the firms from whom they were going to get the supplies abroad, the acceptable tender condi-

tions of the contract etc. Also, this particular firm gave them a validity of only 16 days in the first instance. When the tenders were opened, they wrote to all firms which had not given validity for two months, that they should extend it by two months. This firm kept on extending by dribblets till the last day beyond which they did not extend the validity.

3.60. As far as the Tender Committee was concerned, they took the quickest action and in fact dealt with these tenders piecemeal. Firms whose offers were the lowest were dealt with earlier, and they even gave special instructions to the technical people to check up such offers in preference from the technical angle, so that they might not lapse. So, every effort had been made by the people dealing with these tenders to finalise the Tender Committee's recommendations as quickly as possible.

3.61. This particular firm did not supply important information necessary to evaluate the comparative values of the tenders. They did not indicate the port from where the supplies would be arranged. These supplies were from continental firms, and there were certain ports in the continent where the rates were not standard. There were extra rates which had to be taken into account in assessing the relative value. They supplied the information on the 27th February and not earlier, in spite of a reminder. Another important point was that in the first instance they did not accept the standard liquidated damages clause, and put in their own clause. This did not indicate the percentage of liquidated damages on the basis of period of delay, but only gave the overall liquidated damages that this firm would be prepared to pay. That was a very material difference in the clause.

3.62. In reply to a question, the witness stated that Railways did not know from which mill this firm was going to arrange the supplies. It was only when they gave the name of the mill that the Railways could decide the port. Even in the case of granting extension upto 28-2-1963, the firm could not categorically state that it was their last date. Because even on that date they told the Railways that they were trying their very best to obtain an extension. In fact, they gave extension for 117 items but could not do so for the remaining 29 items.

3.63. Asked why the Railways did not ask for the required time to process the tenders, the witness stated that for steel tenders they would usually give two months as the validity period. Two months period was counted from the date of opening and not from the date of submission of the tender by the tenderer. In this case they took

the decision covering many items within less than two months. The Tender Committee submitted their recommendation on 5th March and the order was placed on 8th March, 1963.

3.64. The Committee regret to note the Railway Board could not finalise the itemwise distribution of imported steel items for which global tenders were invited within the period the lowest offer was open for acceptance even though they were aware that the overseas supplier was not prepared to extend the delivery period beyond a certain date. As a result they had to obtain certain items of steel of higher price than what was offered by the lowest tenderer. The Committee desire that the Railway Board should take suitable steps to ensure that tenders of such nature are processed more expeditiously and within the prescribed time limit, to avoid the possibility of loss due to the validity period of the tender expiring.

3.65. Referring to the other case mentioned in the Audit para, the Committee desired to know why the Railways sought the clarifications on the specifications etc. piecemeal on four occasions within a period of 2 months and why they did not try to reduce this period or to avoid it. The witness stated that the firm whose tender was ultimately accepted was the 7th lowest tenderer. The first six tenders were technically not acceptable and as such this firm's offer was accepted. There were a number of items on which a check had to be exercised in a tender of this magnitude and this was a time consuming process. So, it was thought that if it was done in stages they would be able to get through the tender more easily and place orders. The witness also stated that 2 months was a stipulation not only for the Railways but also for the DGS&D for tenders of this type. The volume of work on this particular tender was enormous. They had a lot of work to do and this omission was in respect of only one item. They also tried their best to get the offer of the next higher one brought down to the same level as the lowest tender so that there might be no extra expenditure.

3.66. Asked about the practice followed in other parts of the world and whether longer time was taken in India than in other places, the witness stated that the period for which they would keep their offer open would depend upon the type of firm that the tenderer was dealing with abroad. It was not that all firms would specify only 16 days. There were firms that would specify longer period also. This firm might have certain association with the foreign manufacturers and mills and perhaps they considered that the offer should be kept open only for a short period. Moreover, in steel plates, there were certain types of material which were rolled and

it would depend upon what exactly was the load on the various mills abroad at the time when they were submitting their acceptance of a particular tender. It could not be generalised.

3.67. The Committee feel, that the Railway Board have saved some valuable time by seeking all the clarification at one time instead of in piecemeal. In this way they could have reduced the period of two months which they otherwise took in finalising the tender.

3.68. The Committee hope that the Railway Board would issue instructions for the expeditious processing of such tenders in future so that piecemeal clarifications are not sought from tenderers.

*Non-recovery of excess cost of Pig Iron issued in excess to a firm—
Para 15—Pages 19—21.*

3.69. An order was placed by the Ministry of Railways on a firm in Calcutta, in November, 1956, for the manufacture and supply of 14,000 tons of C.I. Sleepers to the Northern Railway by 30th May, 1957. It was stipulated that imported pig iron to the extent of 75 per cent of the tonnage ordered would be supplied to the firm, through the Iron and Steel Controller, at a price to be determined by the latter and that the firm should supply $4/3$ tons of sleepers for every ton of pig iron received by them. A total quantity of 11,229 tons was released to the firm by the Iron and Steel Controller from imported stock against the entitlement of 10,350 tons in terms of the order.

3.70. The firm informed the Northern Railway on 11th September, 1958, after completing the supply in July, 1958, that they had utilised the excess issue of 879 tons of pig iron, against a subsequent order placed on them in November, 1957, for 15,000 tons of C. I. Sleepers. No intimation was immediately sent to the Iron and Steel Controller about the excess issue of pig iron to the firm, against the earlier order, nor was he requested to make a corresponding reduction in the firm's quota against the 1957 order which was still under execution.

3.71. In May, 1960, over a year after the completion of the supply against the 1957 order, it was found that the firm had already drawn their full entitlement of pig iron against that order and that the excess issue of 879 tons against the earlier order of November, 1956 still remained to be accounted for. Subsequently, a decision was taken in January, 1961, that the excess pig iron with the firm should be adjusted against orders for C. I. Sleepers, placed on them in January, 1961. At this stage, the matter was brought to the notice of the Iron and Steel Controller for necessary action.

3.72. The Case was again examined by the Ministry of Railways in January, 1964, when it was noticed that by utilising the excess quantity of 879 tons towards a part of the quantity to be provided by the firm from their own resources, the firm could have been benefitted to the extent of about Rs. 4:50 lakhs, as the open market rate was over Rs. 500 per ton as against Rs. 217 per ton, at which the supply was actually made to them. The subsequent adjustment of this excess against the order placed in 1961, did not curtail the substantial benefit, which had accrued to the firm, as pig iron was then freely available at considerably cheaper controlled rates. The question whether a recovery could be made of a sum of Rs. 2:27 lakhs, representing the excess of the landed cost over the amount already recovered from the firm at Column 1 rate, was considered in August, 1964, but not pursued mainly on the grounds that the firm had not been responsible for the excess supply and that there was no provision in the contract to enforce such a recovery.

3.73. No responsibility had been fixed for the original excess issue of pig iron and for the failure to watch the return of 4/3 tons of steel sleepers for every ton of pig iron supplied as stipulated in the order.

3.74. It is not also clear why the Iron and Steel Controller was not moved to reduce the allotment against the 1957 order, even after the firm itself had reported to the Northern Railway in September, 1958 about the excess issue.

3.75. There was a delay of over a year, in completing the supplies against the order, placed on them in November, 1956. Liquidated damages calculated at Rs. 2:12 lakhs were first recovered from the bills of the firm in June, 1959, but 90 per cent of the amount was refunded as a result of a decision taken in June, 1960, that the Railway had not suffered demonstrable loss and that no risk purchase had been made on this account; the remaining 10 per cent. was also later refunded by the Northern Railway in May, 1961 as the delay in supply was held to be due to causes beyond the control of the suppliers.

3.76. The Committee desired to know why there was delay of over one year in finding out that the firm had drawn pig iron in excess. The representative of the Railway Board stated that the firm itself had reported in Sept., 1958 that they had received the additional quantity of pig iron. Subsequently the Northern Railway made enquiries and in that process a certain amount of time was lost. They were making out a check up and in 1960 they referred it to the Iron and Steel

Controller. The witness accepted that there had been a delay on the part of the Northern Railway.

3.77. Asked about the action taken by the Railway Board when the firm reported in September, 1958 that they had received 879 tonnes of pig iron in excess, the witness stated that there was unfortunately considerable delay in this case extending to about a year. A Head clerk who was dealing with this case was responsible for delay of about one year i.e. upto Dec. 1959 in this case. He had now retired. The witness added that the Railways wrote to the Iron and Steel Controller on 25-9-58 and sought their confirmation about the actual figure of the excess supply. The firm had informed the Northern Railway on 11-9-58, that they had drawn 728 tons in excess. There was no reply from the Iron and Steel Controller for resolving this discrepancy of the above figures. The witness also stated that after all these enquiries when there was no result, the Railway Board deputed a member of their staff to the office of the I&S Controller who after going through the records arrived at the correct figure of 879 tons of excess issue of pig iron in March, 1960.

3.78. Asked why they did not ask the firm to surrender the excess quantity, the witness stated that they wrote to the I&S Controller who had made the allocation to them. The firm also could not supply additional quantity of sleepers as a result of excess issue of pig iron because the order was limited to that original figure. The question of returning the excess quantity was a matter which really did not concern them but it concerned the I&S Controller.

3.79. The Committee desired to know when the Railway Board made an assessment that if this excess quantity was utilised for Railway sleepers, they would have saved Rs. 4½ lakhs. The witness stated that the figure of Rs. 4½ lakhs was not really an assessment made by the Board but it was apparently a note made on the file on 7-1-1964. Subsequent to March, 1960, correspondence was going on and the firm was utilising this excess from year to year for the orders which they had placed with them.

3.80. The Committee were then informed by the Iron & Steel Controller that the information regarding the excess was sent by the firm to the Railway Board on 11th September, 1958. To this the Railway Board sought confirmation from the Iron & Steel Controller on 25th September, 1958. They had sent a reply to the Railway Board in October, a few days afterwards. The point was that the Iron & Steel Controller was not the only source from which pig iron

was being supplied to the fabricator. It was also being supplied by the Railway Board direct out of the imports made by them through the Indian Steel Purchase Mission. This excess had occurred out of the allocation made by the Railway Board. So, there was no question of the Iron & Steel Controller making any adjustment from the release orders issued by them. The Iron & Steel Controller did not hear anything for a year and they thought that the matter was closed. But the Railways took up the matter again in 1960 and according to their advice, it was adjusted against the order of 1961.

3.81. Asked why the Railways deducted Rs. 2.27 lakhs from the bills of this firm as against the figure of Rs. 4½ lakhs, the representative of the Railway Board stated that this deduction of Rs. 2.27 lakhs was sought to be made for another reason altogether. This recovery was first authorised by the Railway Board on the understanding that the firm had secured an unintended advantage by paying from the material at the controlled rate of Rs. 218 per ton whereas the landed cost was Rs. 475 per ton. So, the difference was recovered. The witness did not accept that there was a loss of Rs. 4½ lakhs.

3.82. The Committee desired to know how the question of charging the landed cost arose when the contract provided for the supply of pig iron at controlled rates. The witness explained that for the quantity issued in excess, they sought to recover the cost at the landed cost price in place of the controlled rate at which the material was supplied to the firm. Then there was some doubt as to whether they were entitled to make that recovery. They made a reference to the Law Ministry and on the advice of the Law Ministry they had to drop the recovery.

3.83. In reply to a question, the Member (Eng.) Railway Board stated that the Iron & Steel Controller was responsible for this excess supply. They had asked the Iron & Steel Controller on 14-11-1958 to release 10,500 tons of pig iron for 14,000 tons of sleepers.

3.84. The Committee were then informed by the Iron & Steel Controller that the Railway Board wanted them to allot 10,000 tons. They informed the Railway Board in their letter dated 21-5-1958 that they had allotted to the firm 10,500 tons. Later on they cancelled 500 tons because 14,000 tons was revised to 13,500. Therefore, in fact, they allotted only 10,000 tons against 10,500 tons asked by the Railway Board. He added that 1,500 tons of pig iron was allotted by the Eastern Railways, about which they (Iron & Steel Controller) had no information. The excess had resulted from that allocation of 1,500 tons made by the Eastern Railway. It was from railways' own

stock and the Iron & Steel Controller did not come into the picture. Out of the stocks procured by the railways themselves, they made two allocations to the same firm, of 2,000 tons each. In each case the Railway Board wrote that "this quantity will be in part fulfilment of the allotment made by the Iron & Steel Controller, the adjustment by the Iron and Steel Controller, if any, will be made later on." Perhaps, while the allocations went on, the question of adjustment was lost sight of and this thing was never adjusted. In reply to a question the witness stated that on 30-9-1957 and 2-11-1957, the Railway Board themselves allotted to the firm 4,000 tons (2,000 tons each) against the allocation made by the Iron & Steel Controller.

3.85. Asked to reconcile the figure of 4,000 tons of pig iron, the representative of the Ministry of Railways stated that as a result of discussion with the Ministry of Iron and Steel it was found out that a quantity of 1,500 tons of pig iron was allotted to the firm by an officer of the Railway Board stationed in Calcutta and not by the Iron & Steel Controller. As the demands of the Railways were very urgent, the Railways had taken measures directly to make imports of certain quantities of pig iron and out of that lot, this quantity of 1,500 tons was allotted to this firm in order that they could start their production. He, however, conceded that the records were not properly maintained in as much as the fact regarding the allotment of 1,500 tons to the firm which was to be adjusted later on was lost sight of. The Committee were also informed that on the 14th November, 1956 the initial instructions were issued to the Iron & Steel Controller giving details of the order and also the details of the quantity which was to be allotted to this firm, and other firms. The Committee were also informed by the Iron & Steel Controller that the first allotment was made on to 23rd November, 1956 and the actual delivery made was 985 tons. The entire allotment of 9729 tons was made between 20th November, 1956 and 20th November, 1957. The representative of the Railway Board stated that the allotment of 1500 tons was made on 30th September, 1957 and it was delivered in the following order:—

October, 1957	973 tons
November, 1957	372 "
December, 1957	131 "
January, 1958	24 "
	<hr/>
	1500 tons

3.86. The Committee enquired whether in September, 1967, when the Railways made the allotment of 1500 tons, the Railways had satisfied themselves that the Iron & Steel Controller had not already

made the allotment to the firm under Railways own orders. The witness stated that they did not make a separate reference to the Iron & Steel Controller. They again reviewed the position in December, 1957. It was a continuous process. The position about the supply of pig iron against the orders placed in January, 1956 was reviewed. This was further considered by the Railway Board. It was found that the firm had not received the full quota of pig iron for the cast iron sleepers.

3.87. With regard to the allotment of 4,000 tons made in September, the witness stated that 1500 tons had already been supplied. The balance was cancelled and it was not supplied. The allotment letter was issued to the Railway Officer posted in the Office of Iron & Steel Controller who liaised continuously with the Iron & Steel Controller.

3.88. The Committee enquired whether at the time the firm had 879 tons of pig iron in excess, the Railways informed the Iron and Steel Controller about excess quantity with the firm, so that it might be adjusted against future supplies.

3.89. The witness stated that the Railways did not specifically write to the Iron & Steel Controller to make the adjustment but they had advised him that the excess quantity had been received by the firm.

3.90. Asked about the present position of recovery of excess cost of the pig iron issued to the firm, the witness stated that they were unable to make any recovery but excess of 879 tons was adjusted against a subsequent contract made in 1961.

3:91. The Committee desired that a note might be furnished in consultation with Audit giving full details of the transactions mentioned in this case. The note has been furnished.

3.92. The Committee find from the note that the allotment of 879 tons of pig iron to firm 'A' in excess of what was provided for in the contract was mainly due to the fact that the Deputy Director, Railway Board in the office of the Iron & Steel Controller had failed to take proper action on the letters of 9/57 and 11/57 from Railway Board to Eastern Railway and copy to him. Supplies to the firm were being made from two sources—the Iron & Steel Controller and the Railways themselves. As a result of lack of co-ordination the excess allotment of 879 tons of pig iron not only remained with the firm, but the firm continued to utilise the same for the subsequent orders placed on them. The Committee also find that even though

the firm had informed the Railways about the excess supply as early as 11.9.1958, it took the Railways more than a year, to carry out verifications and to arrive at the actual quantum of pig iron issued in excess to the firm. In his evidence the Iron & Steel Controller stated that the excess had resulted from the issues of 1500 tons made by the Eastern Railway from the Railways' own stock and the Iron & Steel Controller did not come into the picture. The Committee also find that the Railway Board failed to make recoveries from the firm for this-excess quantity of pig iron issued to them, because it was held by the Ministry of Law that "the firm not being responsible for the overdrawal of the pig iron, the supply of which was the sole responsibility of the Iron & Steel Controller and there being no specific provision for laying any claim of the nature put forward by the Board, legally the claim would not be tenable." As a result of this the Railway Board did not pursue the case of recovering of Rs. 2.27 lakhs from this firm.

3.93. The Ministry of Railways, however, have stated in their note that they had initiated action in 1963 as advised by the Ministry of Law to make a specific provision in the standard form of contract that raw materials procured with the assistance of Government should not be disposed of without Government's permission and all surplus material should be returned, if required by the purchaser, on the firm being paid such price as Government may fix. This particular case having occurred prior to 1963, the Government had no legal powers to compel the contractor to return the quantity and also to insist on the contractor to pay any particular price for the excess raw material received by him. The Committee further find that liquidated damages also could not be recovered because the then policy governing such cases did not permit the Railway Board to recover the damages as they had suffered no demonstrable loss, no risk purchase was made on this account and the subsequent orders placed for the manufacture of C. I. sleeper plates were higher than the average rate paid to this firm. In this connection, the Committee in their fifty-first Report (Third Lok Sabha), had suggested that the question of levying liquidated damages might be examined *de-novo* in consultation with the DGS&D and the Ministry of Law. The Railway Board have informed the Committee in their note that the matter is being pursued with the Ministry of Law. The Committee further learn from the note that no action could be taken against the erring officer because he had retired from service some years ago.

3.94. The Committee find that in this case it was primarily the issue of 1500 tons of pig iron by the Railways themselves which was

responsible for the excess issue of 879 tons of pig iron. The Committee are disappointed to note that due to various administrative lapses, the Railways did not ask the Iron & Steel Controller to adjust the excess issue of pig iron to the firm. Corresponding reduction was also not made in the firm's quota against the 1957 order which was still under execution. The subsequent adjustment of this excess against the order placed in 1961 did not curtail the substantial benefit which had accrued to the firm as pig iron was then available at considerably cheaper controlled rates. The unfortunate part of the whole case is that even when the Railway Board came to know that the quantity of pig iron had been issued in excess, they could neither recover the excess cost from the firm nor could they realise any liquidated damage because the Railways could not prove that they had suffered any loss. Even the Railway Board was not prompt enough to initiate any action against the defaulting official with the result that the latter had retired without accounting for the various lapses committed by him.

3.95. The Committee hope that keeping in view the various lacunae found in this case, the Railway Board would issue comprehensive instructions regarding disposal of the surplus materials issued to the contractors at controlled rates by the Railways. This is very essential to prevent misuse of materials in short supply.

3.96. The Committee also hope that in consultation with the Ministry of Law, the Railway Board will devise a suitable procedure regarding levy of liquidated damages. In this connection, the Committee would also like to draw the attention of the Railway Board to their observation contained in Para Nos. 4.144 and 4.156 of their 68th Report (Third Lok Sabha) wherein they have given their comments on the general case of liquidated damages.

Additional expenditure due to inadequate supply of raw materials to firms for the manufacture of C.I. Sleeper Plates—Para 16, pages 21-22:

3.97. (i) Two orders were placed with a firm (Firm 'A') in April, 1960 and April, 1961 for the supply of 30,000 tons of C.I. Sleeper plates by 31st December, 1960 and 15,000 tons by 31st December, 1961 respectively. Against these orders the firm supplied a total of 20,486 tons of C.I. Sleeper plates upto October, 1963, but could not supply any further quantities as adequate quantities of coke and coal were not released to them by the Coal Controller. Repeated complaints by the firm and the Ministry of Railways to the Coal Controller about inadequate supply of these materials did not achieve results. In May, 1964 the Ministry of Railways can-

cancelled a part of the order on this firm to the extent of 18,184 tons, without any financial liability of either side. Without placing any specific replacement order, the cancelled quantity had been procured in 1964 from other sources, 5,000 tons without any additional expenditure and 13,184 tons at the higher rates, involving an additional expenditure of Rs. 5.20 lakhs. The firm had not been able to make any progress in regard to the balance of the order, viz., 6,330 tons of C.I. Sleeper plates till December, 1965 for want of coke and coal though equivalent quantity of pig iron continued to lie with the firm since 1963. No liquidated damages were recovered from firm 'A' on the ground that the delay in supply of part quantity was attributable to inadequate supply of coke and coal.

3.98. (ii) In another case, an order for 1,000 tons of C.I. Sleeper plates was placed in March, 1961 by the Ministry of Railways on a firm (Firm 'B'). The Iron and Steel Controller did not release any pig iron to the firm on the ground that the stock of pig iron with the firm was adequate considering their requirements. The firm after supplying 213 tons of Sleeper Plates upto September, 1962 stopped further supply due to non-availability of pig iron, though the delivery period was extended by the Ministry of Railways, from time to time, upto 31st December, 1963. The Ministry of Railways cancelled the order for the balance quantity of 787 tons in May, 1964, without any financial liability. No specific replacement order for the cancelled quantity was placed but this quantity was subsequently procured in 1964, at a higher rate, involving an extra expenditure of Rs. 26,758.

3.99. The Ministry of Railways explained to Audit in November, 1965 that in both the cases, their decision to cancel orders for the unsupplied quantities without financial liability, was influenced by legal advice that no claims for damages would lie as stoppage or hindrance in the supply of raw materials to the firms, was to be taken as reasonable grounds for the non-execution of the orders by the firms.

3.100. The Committee desired to know the circumstances under which the raw materials were not released to the firms by the Coal Controller and the Iron and Steel Controller. The representative of the Railway Board stated that they were repeatedly pressing the Iron & Steel Controller and the Coal Controller to make the supplies in accordance with the orders which were placed on the firms. The basis of the order was that for 100 per cent pig iron, 25 per cent hard coke and 10 per cent of steam coal were needed. As each order was placed on the firms, the Iron and Steel Controller and the Coal Controller were requested to make the allotment

accordingly. Asked to explain the details of the efforts made by the Railways, the witness stated that the order was placed on the firm on 21st April, 1960 and the Iron and Steel Controller and the Coal Controller were asked to make corresponding supplies to the firm on 22nd April, 1960. A Deputy Director of Railway Board who was posted at Calcutta also functioned as a Liaison Officer for this purpose and was asked on 1st July, 1960 to make enquiries about the progress of the work. Asked whether any letter was written or any record of the meetings that the Liaison Officer had with the Iron and Steel Controller or the Coal Controller was maintained, the witness stated that it was the function of this officer to keep in touch with these offices. On 4th July, 1960 the liaison officer after making necessary enquiries informed the Railway Board that the firm's indent dated 26th April, 1960 had not so far been planned by the Iron and Steel Controller. On 24th September, 1960 the Liaison Officer had replanned the supply of the raw material. On 24th February, 1961 the Railway Board took up the question of supply of Coal and Coke with the Deputy Coal Controller who was informed that the firm had an outstanding of 20,000 tonnes of cast iron sleepers for which 2,000 tonnes of coal and 5,000 tonnes of hard coke were required. The Board recommended to the Deputy Coal Controller that if it was not possible to release the quantity from 1960 quota arrangements might be made to release it from the following year's quota and the firm was informed accordingly.

3.101. In reply to a question the Committee were informed that the firm had not supplied the sleepers till 20th December, 1966. The Board, however, did not place any replacement order as it was not necessary because this order was only fractional in relation to the total requirements of the Railways and they could do without them for some time. Asked whether any damage was claimed from the firm, the witness stated that the Ministry of Law to whom the matter was referred was of the opinion that because the firm had not been able to procure the raw material which was needed for the manufacture of sleepers, the Railways were not in a position to extract any damage from them. When the Committee pointed out that the Railway Board had fulfilled their obligation of the contract by recommending to the Iron and Steel Controller and the Coal Controller about the release of the raw material but the firm did not carry out their obligation, the witness stated that they (the firm) were trying their best. They kept on reminding the Controller of Iron and Steel and the Coal Controller to supply them the commodities in accordance with the Railway Board's request but they failed to get these commodities. In reply to a question, the witness stated that normally when there was a possibility of the firm not fulfilling the con-

tract and there was a likelihood of the firm going to arbitration or to the Court of Law, the Railway Board consulted the Ministry of Law as a precautionary measure. In this case when the firm repeatedly failed to complete the job, the Railway Board consulted the Ministry of Law because the question of realising damages arose at that stage. He, however, added that there was no set procedure laid down as to the circumstances under which the Ministry of Law was to be consulted. Asked whether it was a fact that the Iron and Steel Controller could not make the allocation or deliver the goods because the firm did not make the Financial arrangements, the witness stated that in the beginning the Iron and Steel Controller was unable to make the supply because of lack of material, but subsequently the despatches of pig iron to the firm were stopped as they had not made adequate financial arrangements. Asked whether in these circumstances, the Railway Board controverted the factual mis-statement of the Ministry of Law that the firm had done all that they could do to fulfil the contract and under circumstances beyond their control they could not fulfil their obligation. The witness stated that the Board had brought out the position to the notice of the Ministry of Law in order that they might have a complete picture before giving their view. He also added that in April, 1966 the Board had sent one of its Officers to find out from the Coal Controller whether the delay was due to firm's failure to make initial arrangements or due to the failure of the Controller. The Officer contacted the Coal Controller and also the steel plants on whom the hard coke plant had been ordered by the Coal Controller, but none of them could produce any documentary evidence that the failure was on the firm's account. Asked how the Railway Board held the view that the firm could not make adequate financial arrangements, the Committee were informed that it was on the basis of the information given by the liaison officer of the Board at Calcutta, but when records were verified, it was found that there was no documentary evidence available.

3.102. The Committee desired that a detailed note covering all aspects including the damages incurred might be furnished. Copies of the relevant correspondence exchanged between the Railway Board and the Iron and Steel Controller and the Coal Controller suggesting that the Board had made repeated efforts to press them to release raw material to the firm and the replies received from these two organisations might also be furnished.

3.103. The notes have been furnished by the Railway Board. From the information given in the notes, the Committee find that the Railway Board had requested the Iron and Steel Controller and the

Coal Controller more than once for the supply of raw materials to firm 'A' required for the manufacture of the sleepers. The position as on 31st October, 1963 for the orders placed in 1960 and 1961 regarding the receipt of raw materials and the supply of sleeper plates showed that the firm had received more of pig iron than was necessary for the sleepers manufactured but they had received much less than the quantity of coke/coal required for the sleepers to be turned out. The firm was given nine extensions because the raw materials were not forthcoming and the orders were found to be cheaper than the rates of the subsequent orders because the price of the pig iron had gone up in the meantime, but despite the efforts of the Railway Board, the Ministry of Mines and Metals did not release adequate quantities of coke and coal for this firm.

3.104. The Committee also find from the note that the Deputy Coal Controller informed the Deputy Director Railway Board, Calcutta in 1961 that the short supplies of coal to the firm for 1960 were due to the shortage of rail transport, but if the consumer agreed, a road permit might be issued for the balance quota of coal and coke for 1960. But the firm in a letter to the Board mentioned in May, 1961 that transport of coke by road in trucks from the Coke Plants to their works involved heavy expenses and naturally the firm was reluctant to lift by road. It has also been mentioned in the note that the Ministry of Mines and Metals have also stated that the Coal Controller issued the sanctions for the movement of coal/coke on the recommendation of the various sponsoring authorities but these sanctions did not guarantee actual supplies as it depended on various factors like the placing of indents by the suppliers with the Railways, the interest which the supplier took in the supply which in turn depended on their financial and other terms of supply. Since the supplies depended on various factors and since the procurement of coal/coke had to be made by the allottees themselves, the question of non-supply of coal/coke by the Deputy Coal Controller (Distribution) did not arise.

3.105. The note from the Ministry of Railways further states that an effort was made in April, 1966 to find out from the coal controller whether the delay in supply of coal and coke to the firm was on account of firm's failure to make initial arrangements. The Deputy Director, Truck, Railway Board and the Steel Plants on whom the hard coke was planned by the Coal Controller, but neither could lay hands on any documentary evidence to show that the non-supply of hard coke was on account of the firm's failure.

3.106. Regarding an additional expenditure of Rs. 5.20 lakhs incurred by the Railways owing to the cancellation of the orders on

this firm and placing on the other firms for 13,184 tonnes at higher rates, the Railway Board have stated in the note that this firm practically stopped supplies from September, 1961 and there was hardly any significant supply after that date till May, 1964 when the contracts were finally cancelled. The note further states that the arguments regarding additional expenditure are not tenable for various reasons. "In the first place the performance of the firm since 1960 did not point to any optimism about their being in a position to make any supplies during 1964-65, particularly since the sustained efforts of the Railway Board to procure the necessary coal and coke for the 1960-61 orders with the Deputy Coal Controller had not succeeded. Secondly, if firm 'A' were to complete the contracts, they were also in need of supplies of pig iron, the price of which had increased by Rs. 62 since 1960-61. In fact even in respect of the quantity of pig iron already received by them prior to the increase in prices and for the supplies in respect of which further extension had been granted, the firm was demanding from the Railways the corresponding increase in the contract price for supplies of C.I. Sleepers. This demand was rejected and the firm was told that the Railway Board would consider further extending the contract for the ballance quantity only on the existing term to which there was no reply. It, therefore, appeared that there was no further possibility of getting any supplies from the firm . . ."

3.107. Regarding 6,330 tons of pig iron which has been lying with the firm since 1963, it has been stated in the note that there were two courses which were opened to the Railways on this issue. They could either ask the firm to supply the finished C. I. Sleepers equivalent to the quantity of pig iron remaining with them or ask it to return the pig iron as the same had been received by them on the recommendation of the Railway Board. In regard to the supply of sleepers, the firm stipulated three conditions on 9-4-1965:—

- (a) The price of sleepers be increased to set off the increase in the cost of pig iron with effect from 28-7-1961;
- (b) effective recommendation be made for hard coke and steam coal; and
- (c) delivery period be extended by six months without any reservations.

3.108. The firm was informed that the Board could not agree to their request for increase in the price of sleepers due to increase in the price of pig iron as the pig iron had already been received by

them before price was increased but their request for extensions could be considered subject to reserving the right to recover liquidated damages. After these conditions were agreed to by them, the Board would again recommend to the Coal Controller for supply of coke and coal. The firm was asked to furnish their reply by 15-7-65 but no reply was received from them.

3.109. The Committee have also been informed through the note that the firm 'A' had gone into liquidation in July, 1966 and the Railways were advised to file their claim, if any, before the Receiver/Liquidator for non-returning of 6,330 tonnes of pig iron which had been lying with the firm, as the same was received by the firm on the recommendation of the Railway Board.

3.110. From the details of the case as brought out during evidence and in the subsequent note, the Committee cannot but observe that the existing channels of co-ordination between the Railway Board, the Iron and Steel Controller and the Coal Controller need considerable improvement. It was primarily the lack of coordination which resulted in the non-supply of coal|coke in this case and this enabled the contractor to delay the supply of sleepers. The Committee feel that in the contracts involving heavy quantities of pig iron, coal|coke, it should have been ensured that adequate arrangements for the supply had been made even though it was the responsibility of the contractor to obtain the raw materials.

3.111. Another disquieting aspect of the case is that the supply of pig iron was not related to the supply of coal|coke. As a result of this more pig iron was supplied to the firm though the corresponding quantities of coal|coke were not forthcoming. The Committee feel that this consingency could have been avoided if the Railways had kept a proper watch over the supply of raw materials. The Committee also regret to note that even when the performance of the firm since 1960 did not give any indication about their being in a position to effect the supplies because of the non-availability of coal or coke, the Railway Board did not restrict the supply of pig iron. Alternatively, the firm could have been asked to return the surplus pig iron issued to them on the recommendation of the Railways after 9-4-65 when the firm asked for higher prices for sleepers to be made out of the surplus pig iron as that proposal was not acceptable to the Railways. Even this was not done and the firm was asked to return the pig iron only on 21-5-1966. In the meanwhile, the firm is stated to have gone into liquidation in July, 1966. The failure to take timely action in this case is likely to jeopardise the Financial interest of the Railways to some extent. The Committee hope that the Rail-

ways would now file the claims against this firm before the receiver liquidator and also take adequate action to safeguard their financial interest. The Committee would like to be informed of the final outcome of this case.

3.112. As regards the case referred to in item (ii) of the Audit para, the Railway Board in the note have stated that this firm had been given two earlier orders in 1959 and 1960 for 150 and 500 tons respectively both of which had been successfully completed by them and so another order for 1000 tons of B.G. Sleepers on 100 per cent pig iron basis was placed on this firm on 5-3-61. The Iron and Steel Controller rejecting the two indents of the firm had stated that the quantity in stock or outstanding was adequate to meet the requirements for the year 1962. The Railway Board were also not kept apprised of this position. The Iron & Steel Controller had framed a policy to entertain indents from C.I. Sleeper fabricators only after deducting any outstandings with the Steel Plants either against previous years' allotment or against any other orders irrespective of the actual recommendations of the Railway Board against specific contracts. Even though the Railway Board had taken up the matter with Iron and Steel Controller suggesting that their policy was detrimental to the production of C.I. Sleepers, the Iron and Steel Controller maintained that it was essential in view of the then shortage of foundry grade pig iron in the country. When the firm represented the matter to the Railway Board, the Board felt that no further representations to the Iron & Steel Controller would bring about any results in view of the policy referred to above and the contract was finally cancelled on 4-5-1964 without any financial repercussions.

3.113. The Committee regret to note that due to non-supply of pig iron, Railways had to cancel this contract. They hope that with more co-ordination with the office of the Iron and Steel Controller, such cases will not recur in future.

3.114. The Committee also feel that if the policy adopted by the Iron & Steel Controller was detrimental to the procurement of C. I. Sleepers by the Indian Railways the Ministry of Railways should have pursued the matter with the Ministry of Iron and Steel.

Central Railway—Extra expenditure in a handling contract; Para 17, pages 22-23:

3.115. The goods handling contract at Wadi Bunder, awarded to a contractor in May, 1958, for a period of three years from 1st June,

1958, to 31st May, 1961, provided for specific rates for loading and unloading of consignments and for the right of the Railway Administration to supply cranes at their discretion, hire charges therefor being recoverable at the public tariff rates, notified from time to time.

3.116. In September, 1958, the contractor contended that the Railway was not entitled to recover any crane charges from his bills since recovery for the same service was also being effected from the consignees. The Railway Administration did not accept this contention but a formal reply was sent to the contractor only in April, 1960. When the public tariff for crane hire charges underwent an upward revision from 15th March, 1961, the contractor objected again to the increased recoveries mainly on the ground that when they submitted their tenders, such a steep rise in the crane hire charges was not envisaged. In January, 1962, the Railway Administration approached the Railway Board for continuing to charge at the old rates in respect of this contract till the expiry thereof but after over one and a half years, on 19th August, 1963, the Railway Board turned down the proposal.

3.117. The case was finally referred to an Arbitrator who gave an award in favour of the contractor in August, 1964 refunding the crane charges amounting to Rs. 59,541 previously recovered from him. The Administration failed in an appeal preferred to the High Court against the award.

3.118. The Railway Administration informed Audit in February, 1965 that "the Railway knowingly accepted the comparatively higher handling rate as the Railway stood to recover the crane charges from the contractors." However, as the anticipated recovery of the crane charges could not be enforced, the reduction in the handling rate was not actually realised, in spite of the reduced use of the contractors' labour in cases where crane was used.

3.119. The Committee desired to know, if the intention of the Railway Administration was to get a suitable reduction in the handling rates by "slicing down" the rates fixed for manual handling, why the Administration did not make their intention clear by mentioning reduced rates for consignments to be handled by Railway cranes in the contract agreement. The Chairman, Railway Board stated that before the contract was given in 1958, the Chief Auditor in 1956 had pointed out that the rates given by the contractor were for manual handling and since the Railway supplied its own crane to the contractor, some provision should be made in the contract to get something out of the contractor. Handling of heavy goods by cranes

mechanically meant less use of man-power. Therefore, in the new contract which was entered into with this particular contractor in 1958, a provision was made that the contractor would have to pay crane charges as notified from time to time. This was accepted by this contractor and other tenderers. But within three months after the award of the contract, the contractor made a representation to the Central Railway on the ground that realisation of the crane charges both from the contractor as well as from the consignors and consignees was unfair. At that time the charges amounted to about Rs. 2,500. The Central Railway, however, held that the recoveries were all right as it was provided in the agreement. The contractor made no protest against that particular recovery. In March, 1961 the rate of recovery went up very steeply-about ten times the previous charges, and the contractor protested against it. The Central Railway recommended that in view of the fact that the rise in crane charges was ten times higher, which the contractor could not have envisaged, the Railway Board should waive the recovery of these higher rates and the Central Railway might continue to recover from the contractor at the old rates which were cheaper. The Central Railway had also referred the matter to the Finance, other railways and the legal experts, and their advice was conflicting. According to one authority it was inequitable to charge the crane charges both from the consignors and the consignees as well as from the contractor; whereas according to another view the recovery was quite correct because it was provided in the contract. The Commercial Department in the Railway Board thought that it would be prudent to recover only at the old rates rather than at the higher rates; while the Department of Finance stated that the enhanced charges were to be recovered as provided in the contract. In the meantime the matter was referred to arbitration. The arbitrator held that even though it was provided in the agreement, it was not equitable on the part of the Railway to charge the crane charges both from the consignors and the consignees and also from the contractor. A decree was given against the Railway and a sum of Rs. 59,000 or so which was the total amount charged for a period of 3 years from the contractors was ordered to be refunded. The Railway went to the High Court which also upheld the decision of the arbitrator. The Committee pointed out that if the recovery of charges from the consignors and consignees and also from the contractor was inequitable, why the railway did not refund the money to the consignors and the consignees and why the contractor was given the benefit at the cost of the public. The witness stated that the contractor did not get the benefit at the cost of the public. As a general rule the con-

signor and the consignees had to pay for the crane charges where the consignments were required to be loaded or unloaded by crane by the consignor or the consignee and not by the Railway and as such the consignors or the consignees were not entitled to a refund. He further added that railway also pleaded before the arbitrator that refund of recoveries made from the contractor was not justified. When pointed out by the Committee that the Railway had agreed to give the party a higher rate because the contractor knew that the Railway would be deducting from them the crane charges, the witness stated that because the contractor had to make some payment for the use of the crane which was not there in the previous contracts, it was presumed that in the rates quoted by the contractor he would have taken into account certain charges which were to be paid to the railways and therefore the Railways were entitled to claim these charges in equity also. Asked why legal opinion was not sought when the contractor first raised the objection instead of allowing the cost to accumulate which could have saved the public money and the Railway could have terminated the contract or revised it, the witness stated that because it was provided in the contract it was felt that the Railway was quite right in deducting the amount and had the crane charges not been raised in general all over India, the contractor might not have raised any protest. In reply to a question the Committee were informed that the crane charges had been raised all over the country as a result of a general decision taken by the Committee of Chief Commercial Superintendents in full consultation with the Finance, because the charges had been fixed many years ago and in the mean time the costs had increased. Asked whether the contractors at other places were willing to pay the enhanced rates, the Committee were informed that this provision was there only at four places on the Central Railway; otherwise every where the railways were supplying the crane and nothing was being charged. The increased rate of crane charges was applicable only to the consignor and the consignee. In reply to a question the witness stated that even before the arbitrator had given his award, and as soon as it was found that there was some trouble with regard to this contract, it was realised that the easiest possible solution was to ask the contractor to give certain number of men, which was to be fixed by the Railway from day to day and the Railway were to pay them at the rate of Rs. 3.50 per man per day. The contractor had accepted this. If these men were to be supplied by the Railways the cost would have been double and so the Railway wanted the contractor to do it. In this case, when the contract expired on 31st May, 1961 the contractor was allowed to continue for three months more on the above conditions as other contractor could not be fixed up

immediately. During these months the railway were paying the contractor about Rs. 900 per month and were saving Rs. 500 per month as compared to the contractor's tender. He also added that if this system was not resorted to the Railway would have paid on an average about Rs. 1,400. Asked whether it would be safe to assume that if this position was clarified from the beginning that no charges would be made for the crane, the party would have or could have given lesser rates, the witness stated that it was very difficult to say, what the contractor would have quoted; he could have quoted something higher. The witness also added that the sentence "the Railway knowingly accepted the comparatively higher handling rates as the Railway stood to recover the crane charges from the contractor" was taken from a letter in which the Railway tried to justify their claim for the charges but it was a presumption and there was no record to justify this. Asked how the contractor was doing the same work at a payment of 33 per cent less, the witness stated that the contractor had increased the charges and he was recovering at one end what he was losing at the other end.

3.120. Asked why it was provided in the contract that charges were to be recovered from the contractor when as a general rule those were to be recovered from the consignor or the consignees, the witness stated that as the contractor was using cranes provided by the Railways, the Chief Auditor suggested that the Railways should ask the contractor to pay the crane charges. That suggestion was accepted. The witness added that rightness of the suggestion lay in the fact that the contractor had in fact to use much less manual labour when he handled consignments by crane than he would have to do otherwise. Asked whether it was proper to charge from two sides the same price for the same service, the witness stated that it was for the consignors or the consignees either to bring their own cranes or to ask the Railways to lend the use of their cranes for loading and unloading and the charges had to be borne by the consignors or the consignees! At the time when the agreement was reached, it was not considered to be inequitable. The only element of inequity which probably could not be thought of at that time was that the Railway were recovering from the contractor full crane charges even though he was employing his own men. The Committee pointed out that it would have been better if the agreement instead of suggesting that the crane would be supplied at the discretion of the Railways, would have provided for two rates one in the absence of the crane and the other with the availability of the crane. The witness stated that the Railway had a case to recover something from the contrac-

tor but they failed due to the wordings of the contract which was perhaps defective.

3.121. Asked to explain the delay of 1½ years on the part of the Central Railway and 1½ years delay on the part of the Railway Board to turn down the decision, the witness stated that it was a very difficult decision to take in view of the specific provision in the agreement which was sought to be enforced on the one hand and on the other hand the question of equity was raised i.e. the contractor could not have contemplated such a steep rise. The Central Railway took time because they wanted to know what was being done in other railways and they referred the matter to all Zonal Railways. As regards the second delay the Finance Branch of the Railway Board wanted to know from the Central Railway how much recovery had been made from the contractor and how much from the consignors and the consignees. The Central Railway supplied the information after eight months and when the question was gone into there were two different views which caused the delay.

3.122. From the evidence, the Committee find that even though it was a general rule in all the railways to recover crane charges from the consignors and the consignees, the Central Railway tried to realise the same from the contractor also and incorporated a provision to that effect in the agreement, which later on was contested by the contractor and the Railway lost their case both before the arbitrator and also in the High Court on the grounds of equity and because of defective wordings of the agreement. Since a clause towards realisation of crane charges from the contractor was provided in the contract; it would have been prudent for the Central Railway Administration to obtain legal advice beforehand, as recovery on account of crane charges was being made from the consignors and consignees in all such cases including in this case. The Committee regret that this essential aspect was not given due thought even when the contractor protested in September, 1958. If the legal advice was obtained in time, the Committee feel that a great part of the amount of Rs. 59,000 which was awarded by the arbitrator three years later, could have been reduced, substantially, either by terminating the contract or by amending the provisions of the contract suitably. The Committee hope that the Railway Administration would be more careful in future in such cases. The Railway Administration should also ensure that before any agreement is entered into with any party, all the provisions of the same are spelt out in clear and unambiguous terms. The Committee also feel that the Railways should have asked for two rates—one with supply of cranes and other without

that while inviting tenders initially in this case. This would have avoided later controversy as it arose in this case.

3.123. The Committee are not convinced with the arguments put forward in defence of the delays of 2½ years in this case, and they feel that much of the delay could have been avoided, if prompt action was taken at appropriate stages.

Chittaranjan Locomotive Works—Infructuous expenditure—Collaboration agreement with a foreign Locomotive Manufacturing firm—Para 18, pages 23-24.

3.124. The Ministry of Railways had an agreement with a foreign locomotive firm for a period of ten years upto Dec., 1959, for technical collaboration with Chittaranjan Locomotive Works' for the manufacture of steam locomotives. The collaboration was continued for another period of five years from 1st April, 1960, by a fresh agreement entered into in November, 1960, mainly for the reason that the firm possessed the requisite experience for switching over manufacture from steam to Diesel and Electric Locomotives and that the firm would also be able to help the setting up of indigenous manufacture within a reasonable period. The total fee and premia payable to the firm in sterling had been assessed at about Rs. 10 lakhs during the currency of the agreement.

3.125. The firm went into voluntary liquidation on 19th April, 1962. After a delay of about seven months, a notice of termination of the agreement was served on the firm in November, 1962, and the agreement stood terminated six months thereafter at the end of May, 1963. The liquidators of the firm demanded a sum of £ 2935 as proportionate collaboration fee and premia for the period 19th April, 1962 to 31st May, 1963, though, during this period, the firm was admittedly not in a position to render any assistance to the Chittaranjan Locomotive Works. The Ministry of Railways decided in July, 1964, on legal advice, to effect a compromise payment, which, after negotiations with the firm in November, 1964, was fixed at £ 1750 and paid accordingly.

3.126. During the currency of the fresh collaboration agreement, a total payment of £ 4273 (in addition to the payment of £ 1750 mentioned above) was made to the firm towards collaboration fee and premia and an expenditure of £ 4322 was incurred in addition, towards salary and allowances of some engineers sent by the firm to the Chittaranjan Locomotive Works. Against these payments, the firm submitted a report on planning the manufacture of electric loco-

motives to a limited out-turn of six per month and assisted in assembling 5 D.C. electric locomotives.

3.127. It might be pointed out that more or less similar technical assistance was available to the Chittaranjan Locomotive Works for the manufacture of AC and DC electric locomotives in the agreements entered into in February, 1960 and 1961 with two other foreign firms who supplied DC and AC electric locomotive equipments to the Indian Railways.

3.128. The Committee desired to know the extent of assistance which was actually rendered by the foreign firm during the period April, 1960 to May, 1963. The representative of the Railway Board stated that the firm gave the reports for the planning of the plant and machinery layout with background for flow of work and materials in different sections for the manufacture of electric locomotives, preparing itemised list of machinery and plant and equipment required for the new lines of manufacture, deciding additions and alterations required to be made to the existing shop-building at Chittaranjan, preparing production plans and methods of manufacture and preparing time-schedules for the different stages to be followed for the expeditious progress of production compatible with the plant and machinery available at Chittaranjan. The witness also added that at the time the contract was entered into with the foreign firm, there was only one agreement for the manufacture of D.C. locomotives that was in force. That agreement for the procurement of 10 D.C. locomotives was signed in February, 1960, and the collaboration agreement with the firm was signed in November, 1960, but it was applicable from the date 6-4-1960. At that time there was no second agreement for the A.C. locomotives in question. The A.C. locomotive agreement was entered into later. The collaboration agreement which the Railway had for 10 D.C. locomotive manufacturers was in relation to the supply of electrical equipment and the fitting of that electrical equipment on the mechanical portions as designed by or supplied by the Indian Railways. That agreement with the D.C. locomotive manufacturers was in a different context altogether. It pertained to the manufacture and supply of the electrical portion of the D.C. locomotives, while the collaboration agreement with firm was over a wider range. It was more to adjust the working of the Chittaranjan Locomotive Works, which was at that time only for the manufacture of steam locomotives, for the manufacture of A.C., D.C. metre gauge and broad gauge electric locomotives as also for diesel shunters. Therefore, the agreement was of a much wider scope. He added that it was felt that for getting that sort of assistance, it would

be necessary to have a collaborator who would be able to give maximum assistance in that direction, and it was decided that the foreign firm who had an agreement of collaboration in connection with the manufacture of steam locomotives earlier was the fittest firm who could give the required necessary assistance, particularly because they themselves had a similar experience in their own country.

3.129. In reply to a question, the witness stated that the foreign firm was the planner and not manufacturer as such. They were planning the manufacture of electric locomotives in the Chittaranjan Workshops. In their own country they had switched over from the manufacture of steam locomotive to electric locomotives. The witness further added that the A.C. locomotive contract came in much later and it stipulated that the service was in relation to the manufacture and assembly of electrical portion of the A.C. locomotives and not for the overall manufacture or for increasing the capacity or for switching over the workshop from steam to electric locomotives. Therefore, there was an essential difference between those two contracts, and the contract that was entered into with the foreign firm.

3.130. In reply to a question the witness stated that the collaboration agreement was signed with this foreign firm because they were the oldest locomotive manufacturing company who had successfully rendered collaboration assistance in the past and they had the sufficient resources to give assistance. Asked whether it was verified that the firm had the requisite technical expertise to advise in regard to electric locomotives before assigning the contract, the witness stated that the point was considered and it was felt that since the firm had similar problems, they would be able to give the assistance. Moreover the firm knew all about the capacity of Chittaranjan.

3.131. Asked how a firm without having any experience in the manufacture of electric locomotives, could be a technical collaborator for the manufacture of the same, the witness stated that in the case of manufacture of electric motives, the firm was not giving any technical assistance as to how to manufacture traction motor or other equipment of an electric locomotive but they were giving assistance regarding the manufacture which included the assembly, general arrangement and design of the mechanical portion which they themselves were doing. He also added that the decision to appoint the firm as technical collaborator was taken by the Railway Board. At the instance of the Committee the witness agreed to furnish copies

of the collaboration agreements entered into with the foreign firm and a detailed note stating—

- (i) The points which were considered by the Railway Board to justify the appointment of the foreign firm as their technical collaborator;
- (ii) Why there was a delay of 7 months on the part of the Railway Board in giving notice to the firm;
- (iii) Whether, technically or legally, a firm after it had gone into liquidation was entitled to recover any thing from another party during the period when the firm itself was in liquidation;
- (iv) How the payment of £ 1,750 to the firm was justified even after it had gone into liquidation; and
- (v) How much out of £ 4,320 paid towards the salaries of Engineers sent by the firm, represented the payment made to the Engineers who were detailed for the electric locomotive work.

The notes have been furnished by the Ministry.

3.132. The Committee find from the notes that the C. L. W. had requested the foreign firm on 6-4-1962 to obtain competitive quotations for the supply of 12 items of crimping tools from the U. K. and the continental firms to be purchased through the foreign firm. This was however, met with a delayed reply from the firm. They gave one quotation and requested the C. L. W. to make purchase directly. The Legal Adviser to the High Commissioner in London had held that "this inability to perform the contract fully constituted a breach of contract on the part of the foreign firm" and the Railway Administration "would have been justified in rescinding the contract on such breach". The Railway Board however, terminated the contract by giving six months' notice w.e.f. 31-5-1963.

3.133. The Committee feel that if the Railway Board had taken timely legal advice on 16-4-1962 when they had first received the intimation regarding the firm's proposal to go into voluntary liquidation and keeping in view the breach of contract—committed by the firm, the Railway Board would have been in a better position and the amount of money which was paid to the firm owing to legal implications could have been minimised.

Central and South Eastern Railways—Extra expenditure on earth-work—Para 20, pages 27-28.

3.134. In the following cases, the estimates of the quantity of earthwork to be executed which were made before the invitation of tenders proved to be unrealistic and the quantities were increased considerably during the execution of work:—

(i) *Central Railway.*

3.135. In connection with the doubling work in the Itarsi-Jabalpur Section, an agreement, entered into in January, 1964 with the lowest tenderer (Firm 'A'), provided for the following quantities of earth-work:—

Item (1) Earthwork with earth from Railway lands	86.22 lakhs cft.
Item (2) Earthwork with earth brought by contractor from other sources	0.50 lakh cft.
TOTAL	<u>86.72 lakhs cft.</u>

3.136. In May, 1964, the quantity of earthwork under item (2) was increased from 50,000 cft. to 55,00,000 cft. with a corresponding reduction in item (1). With this modification the Firm 'A' ceased to be the lowest tenderer, the difference in the value of the work between the rates of this firm and those of the next lower tenderer (Firm 'B') working out to Rs. 1.42 lakhs. Nevertheless, the Railway Administration made no attempt either to issue fresh tenders to obtain competitive rates or to negotiate with the original tenderers to obtain their revised quotations. Negotiations were confined to Firm 'A' alone who demanded a rate of Rs. 295 for item (2) as against the rate of Rs. 165 stipulated in the agreement; the Railway Administration finally agreed in May, 1965 that the stipulated rate of Rs. 165 would apply for 16 lakhs cubic feet and that for the excess over that quantity, a rate of Rs. 230 would be allowed.

3.137. At these rates the cost of the work would be ultimately higher by Rs. 4.33 lakhs than that worked out on the basis of the rates quoted by Firm 'B'. The contractor, however, executed only 19 lakhs cubic feet of earth work under this item upto July, 1964 and there had been no further progress till December, 1965.

3.138. The Committee desired to know why the Railway Administration could not assess properly the quantities of earth work to be

executed from the two sources and whether the tender schedules were prepared after site survey. The representative of the Railway Board stated that the work concerned i.e., the doubling was undertaken on the Central Railway on the Jabbalpur Division. The work was undertaken in 1963 under urgency certificate. Tenders were invited in September, 1963 and those were received in October, 1963. The tenderers were asked to quote separately for earth work and bridge work. It was the experience of the Railway Board that when one contractor failed in the bridge work and the other completed the earth work, it involved certain amount of delay and in order to have better co-ordination and speed of work it was proposed to give both the items of work to one agency. There were three tenderers. The first firm quoted only for earth work and it was not considered. Among the remaining two, the third firm was the lowest and the work was given to them.

3.139. As regards the quantum of work, originally when tender schedules were invited, according to the normal practice the quantities were assessed correctly for doing the earth work from the burrow pits. However, many a times it so happened that due to circumstances beyond control it became necessary to ask the contractor to bring earth from else where at a higher rate. The Railway had therefore, put in a token quantity of 50,000 cft. only at a higher rate. The witness further added that the major bridge works were invariably given to independent contractors and the bridge work in this case was given to a second contractor. In the approaches to this bridge many difficulties were encountered in obtaining the land. On the Itarsi approach a land lord declined to allow the Railway staff even to take measurements. Even the revenue authorities who were approached to use their good offices to persuade the land lord felt that the land could be acquired under the urgency clause, but if the land lord went to court it would cause innumerable delays. After a great deal of difficulty the land lord was persuaded to allow the Railway to peg the alignment. After an inspection by the Engineering Chief at Jabbalpur a proposal was made to increase the quantity of outside earth at the Itarsi end and it was increased by 28 lakhs cft.

3.140. On the other side of the bridge there was no suitable land available as the land was inundated by floods. The Engineer-in-Chief after an inspection of the site suggested that in order to have proper stabilisation, the earth work should be done with a better type of soil though it would involve additional expenditure. The Central Railway Administration approved the proposal. The core

of the embankment was later on done with the better type of soil. This accounted for 48 lakhs cft. in all.

3.141. The witness added that in 1926 a bridge was washed away at Juneta and a lot of earth work had to be done from this site. In order to avoid repetition of the same thing, an additional earth work of 7 lakhs cft. was also done at this site by the contractors concerned. This, even though original estimates were much less, it came to 55 lakhs cft. At the Jabbalpur end the quantity originally envisaged as 20 lakhs cft. and the work actually done was 12 lakhs cft.

3.142. Asked when a tender invited on the basis of 50,000 cft. ultimately turned out to be 55,00,000 cft. whether it was not desirable to re-invite tenders, the witness stated that it was their experience that when tenders were re-invited it was disadvantageous to the Railways. It was always to the advantage of the Administration to job analyse the rates and negotiate a reasonable rate with the same contractor. The rate was analysed and the contractor who had asked for Rs. 295 per thousand cft. was given the contract at the rate of Rs. 230 per one thousand cft. He also added that at the time of inviting the tenders the circumstances which led to the increase in the quantities were not envisaged and the Railway had acted in the best interest of the Administration. The Committee pointed out that if it was publicised that the quantum of work would amount to Rs. 55 lakhs cft. perhaps many big contractors could have indented for it and merely the plea that the Railway had acted in the best interest of the Administration did not justify dispensing with the prescribed procedure.

3.143. The witness stated that if the tenders were invited again there would have been delays. He added where they had done it in some cases, they were often faced with the dilemma of higher rates. In reply to another question, the Chairman, Railway Board informed the Committee that they were able to persuade the contractor to accept the old rates upto 10 lakhs cft. earth work and it was only in respect of the remaining 9 lakhs cft. of earth work that they paid higher rates. This higher rate was calculated by the Railways and it did not include any unreasonable margin of profit.

3.144. In this case the Committee feel that even though the increase in the quantum of earth work done at the Itarsi end was caused due to the unexpected resistance of the landlord to allow the Railway to make use of his land, the increase on the other end of the bridge where the work was done with better type of soil, could have

been foreseen and this was also the case with the work done at Juneta. The Committee feel that if the estimates of work done at these two sites were correctly made and tenders were invited on that basis, the Railway Administration could have got better competitive rates. The Committee are not inclined to accept the plea that reinviting of tenders would have been in all cases disadvantageous to the Railway Administration. Even though in the present case the Administration succeeded in reducing the rates quoted by the contractor through negotiation, yet the Committee feel that such a practice of fixing of contract rates through negotiation should be utilised sparingly, with utmost caution and under proper supervision and the practice of inviting tenders should not be dispensed with. The Committee also feel that it would have been more appropriate for the Railway to call for fresh tenders when the quantity of earth work increased from 40,000 cft. to 55 lakhs cft. under item No. 2 mentioned in the Audit para. Alternatively negotiations should have been carried out with all the original tenderers and not with one tenderer only.

(ii) *South Eastern Railway*

3.145. The execution of 90 lakhs cft. of earthwork in banks and cuttings in one of the sections of the new Marshalling Yard at Nimpura near Kharagpur, was entrusted to a lowest tenderer on 5th August, 1963. As a result of a decision taken on the 12th August, 1963 to provide a mechanised hump in this yard the total quantity of earthwork to be executed was thereafter increased to 125 lakhs cft. The quantity was ultimately increased to 160 lakhs cft. in November, 1964. The contract value, originally Rs. 12.21 lakhs, increased to Rs. 19.79 lakhs.

3.146. A large increase (from 10 lakhs cft. to 87 lakhs cft.) occurred in the item "earthwork in banks" for which the rate quoted by the contractor was the highest with a sizable reduction (from 80 lakhs to 73 lakhs cft.) in the item "earthwork in cuttings" for which the contractor's rate was the lowest. Though it became apparent in August, 1963 itself that as a result of increase in the quantities, the contractor became the highest among the tenders, the extra work was allowed to be executed by him and neither fresh tenders were invited nor opportunities given to other interested parties to quote competitive rates. The ultimate cost of the work based on rates of this contractor was Rs. 2.11 lakhs more than the cost worked out at the rates of the lowest tender for the revised quantities. Thus, the consideration on which the work was initially awarded to this contractor, namely that he was the lowest, was not realised.

3.147. The Railway Administration explained in December, 1965 that when the quantum of work increased, the contractor did not agree for any reduction in his rates and the Administration felt that calling for fresh tenders would not reduce the rates, as the market rates were rising.

3.148. The Committee desired to know why the necessity of providing mechanised hump was not considered when the plans for the marshalling yard were finalised and before calling for tenders. The representative of the Railway Board stated that the work in the Nimpura yard was considered to be very urgent for remodelling because unless that work was done, it would not have been possible to go ahead with a work of remodelling in the Kharagpur yard which was required to be completed by about July, 1967 to fit in with the electrification scheme. The scheme of remodelling of the Nimpura yard was approved in October, 1962 at a cost of Rs. 3.55 crores. At the time when the tenders were invited the quantity was computed on the assumption that the normal hump would be provided in the yard. The letter of acceptance was given to the contractors after it was approved by the tender committee on 5th August, 1963. The Railway Administration approached the Railway Board on the 31st August, 1963 stating that it was essential to provide retarders. The scheme was approved in October, 1963, and this necessitated the provision of a higher hump in the yard which increased the quantity from about 90 lakhs to 125 lakhs cft. The Railway obtained particulars of the various types of retarders from foreign countries and the grades substantially varied according to the type of the equipment. This was one of the basic reasons why the final assessment could not be made correctly.

3.149. Asked why the necessity of providing the mechanised hump was not considered when the plans for the marshalling yard were finalised, the witness stated that it was the feeling of the Railway Administration that it was easier to switch over and it could be done without much variation. Normally if the gradients used in Mughal-sarai were used, the variations would not have been so substantial. But the Railway had to provide a gradient of 1 in 1000 and the entire thing had to be changed because the suppliers of the equipment stressed that this gradient was necessary for best results. In reply to a question, the witness stated that the cost had gone up from Rs. 3.55 crores to Rs. 5.3 crores. He however, added that the cost of Rs. 5.3 crores did not include the cost of retarders. The idea of revising the scheme was to have more efficient working of the yard which would yield many advantages. Asked why instead of signing the formal agreement the letter of acceptance was not cancelled, the witness stated that the agreement was executed on 4-12-1963 and even though the Board had approved of the decision

to go in for mechanical retarders the whole thing could not be finalised before November, 1964 as references had to be made by the South Eastern Railway to various firms. The reasons for not cancelling the letter of acceptance were that it would have caused lot of delay if fresh tenders were invited, the contractor had started the work after the tender was accepted and the cancellation of this contract would have retarded the progress of the work at least by one year, and this would have affected the work of remodelling and electrification of Kharagpur yard. In reply to another question, the witness stated that work against this agreement of 4-12-1963 started on 5-12-1963.

3.150. The Committee fail to understand how the South Eastern Railway could finalise a contract on 5th August, 1963 on the assumption that a normal hump would be provided in the Nimpura yard when they themselves approached the Railway Board almost immediately thereafter on 31st August, 1963 that it was essential to provide a mechanised hump there. Moreover, the expectation of the Railway Administration that it would be easy to switch over and the process would not entail much variation does not appear to have been formulated on sound technical advice because the whole scheme could not be finalised before Nov., 1964. As a result of sudden change in the Plan, the cost of the work had gone up from Rs. 3.55 crores to Rs. 5.3 crores. Though it had become apparent to Railway Administration in August, 1963 that as a result of increase in the quantities, this contractor became the highest among the tenderers, the extra work was allowed to be executed by him. The Committee understand from Audit that neither fresh tenders were invited nor attempts were made to negotiate with all the original tenderers and the negotiations were confined to the existing contractors only.

3.151. The Committee feel that there was no justification for the Railway Administration to finalise the contract on 5th August, 1963 when the Administration were well aware that it would undergo substantial changes as a result of their own proposal for the provision of mechanised hump. The contract, as an alternative, should have envisaged the provision of a mechanised hump in so far as the earth works were involved. The Committee would strongly urge upon the Ministry that in all cases where the work varies substantially from the estimates and if calling for fresh tenders is not considered advisable adequate opportunities should be given to all the original tenderers to offer rates for the revised work instead of negotiating the rates with the existing contractors only. The Committee would like the Railway Board to issue suitable instruction in this regard.

**Western Railway-Loss due to defective construction of foundation—
Part 21 Pages 28-29.**

3.152. The supply and erection of three new boilers and two Turboalternators for the Railway Power House at Ajmer was entrusted to a firm in Bombay in August, 1954. The turbines were to be supplied by 31st May, 1956 and erected within six months. The erection of the boilers was to be completed by 31st October, 1957. The Railway Administration was to provide foundations for all equipments.

3.153. According to the firm, the civil engineering works (to be constructed by the Railway) were completed only in April, 1958 and they were able to commence erection only thereafter. In September, 1958, the firm raised some doubts regarding the strength of the turbine foundations but ultimately no modification was made as the firm agreed, after some correspondence, that the foundations conformed to the requirements. The Railway Administration confirmed in June, 1960 that the foundations were according to the specifications and data furnished by the suppliers of the equipment.

3.154. In August, 1963 certain cracks were noticed on the longitudinal beams supporting the turbines. An Engineer of the Maharashtra State Electricity Board whose advice was sought in the matter reported in July, 1964 certain discrepancies between the actual work and the design drawing given by the suppliers. Even the drawing furnished by the suppliers of the turbines in 1957 were reported to have involved some major deviations from the standard practice followed in the execution of such works.

3.155. The construction of new foundations as a permanent measure had thus become necessary. The extra expenditure for certain temporary measures sanctioned in March, 1965 and expected to be completed in June, 1966 had been estimated at Rs. 23,503. An estimate for Rs. 1.44 lakhs for the dismantling of the existing foundations and construction of new foundations prepared in January, 1965 was proposed to be sanctioned, if found necessary, after watching the result of the temporary measures taken.

3.156. Giving the details of the case the representative of the Railway Board stated that the procedure in this case was that the firm supplied certain outline drawings which gave salient features of the design, outside dimensions, the loads and the requirements for designing the foundation. In accordance with these outline drawings the Railway prepared working drawings, which were supplied to the firm for their approval. The firm approved these drawings which meant that the design had been made in accordance with the requirement of the firm. Asked whether the detailed drawings prepared by the Railways were according to standard practice, the witness stated that they were prepared in accordance with the

Standard Practice of the Railways. At the same time, the contract required that the drawings should be approved by the firm and this was done.

3.157. Asked why the Maharashtra State Electricity Board Engineer stated that the drawings were defective, the Committee were informed that there was a difference in the thickness of the bottom slab. The outline drawing of the firm showed that the bottom slab of the foundation should be about 4 ft. thick, while the working drawing prepared by the Railways showed that it was 1 ft. 9 inches thick. The reason was that if there was soil beneath, it was necessary to have 4 ft. foundation, but in this case it rested on rock. Asked whether the deviation which the Railway made of their own, was brought specifically to the notice of the firm, the witness replied in the negative, but added that the drawing prepared by the railway showed the depth of the foundation as 1'-9" and rock below it.

3.158. Asked whether the comments of the firm were obtained as to whether the foundation was all right or not in view of the difference in the thickness of the slab, the witness stated that they had taken measures to correct the cause which led to the crack but they did not make any reference to the firm. He also added that even the DGS&D through whom this order was placed, stated that according to the contract, the firm was required to give or approve the drawings and any defect which developed was the responsibility of the firm. In this case the work was done in 1959 and the cracks started appearing in about 1963. Asked if the responsibility for the cracks was that of the firm, why it was not taken up with the firm. The witness stated that they had heard from the DGS&D only recently and they would now take up the matter with the firm. The Committee were further informed that in the opinion of the Maharashtra State Electricity Board Engineer, the designs should have been made in accordance with certain practices which they followed as the design prepared by the firm was not on the same basis. But in a case like this, it was the supplier who was responsible to produce the drawings.

3.159. The Committee feel that it would have been better if deviations from the original outline drawings (supplied by the firm) which the Railway did at their own initiative in the working drawings were specifically brought to the notice of the firm even though it had been shown in the drawings clearly and was approved by the firm. It appears that in September, 1958, the firm raised some doubts regarding the strength of the turbine foundations, the matter was not very carefully examined. The Committee feel that this aspect needs careful looking into. The Committee are surprised to find that though the cracks started appearing in 1963, it had taken nearly 3 years for the Ministry of Railways to find out from the DGS & D

that the responsibility for the defects rested with the firm. The Committee hope that the Ministry of Railways would now take up the matter with the firm for payment of damages.

3.160. The Committee would like to be informed whether the dismantling of the existing foundations and construction of new foundations was subsequently found necessary, and if the extra expenditure incurred on that account.

South Eastern Railway-Loss due to failure of contracts—Para 22, pp. 29-30.

3.161. Fourteen separate contracts for a total sum of Rs. 52.49 lakhs were entered into with a firm in July-September, 1961 for the execution of earthwork, bridges etc., in Anuppur-Bouridand Doubling and Durg-Kamptee Doubling (Phase II). The works were scheduled to be completed on various dates between June, 1962 and October, 1962.

3.162. The progress of work by the firm was not found satisfactory from the very beginning and as their performance failed to improve in spite of repeated warnings, the Railway Administration rescinded all the contracts in June and July, 1962, retaining the right, in terms of the contracts, to forfeit the security deposits and recover the extra cost in completing the works. The residuary works were completed during May, 1963 to December, 1964 at an extra cost of Rs. 6.48 lakhs, of which a sum of Rs. 2.76 lakhs was adjusted from the security deposits and other amounts due to the firm. The balance of Rs. 3.72 lakhs is still (October, 1965) pending recovery as the firm had no other assets available for the purpose with any of the Railways.

3.163. The Railway Administration explained (October, 1965) that all the 14 contracts were awarded to the firm at about the same time, and not after the performance against any particular contract had become available to the Administration and that this firm was the only tenderer in six of the 14 works and in the remaining eight cases the total value of the next higher tenderer was Rs. 13.34 lakhs more.

3.164. The Committee desired to know whether the capacity of the firm to execute bridge work was fully investigated before the contracts were awarded. The Additional Member, Works, Ministry of Railways (Railway Board) stated that at the time when the tenders of the firm were considered, a reference was made to the Northern Railway (Chief Engineer, Construction) enquiring whether the firm had carried out work on construction there. The Northern Railway informed them that the firm had carried out works to the tune of Rs. 30 lakhs or more, and that the firm had adequate capacity and they could be entrusted with the works. In reply to a question

whether the firm had done bridge work, the witness stated that in the Northern Railway earth work was allotted to them; Bridge works was not entrusted to them. The Committee inquired whether the cases under consideration involved bridge work. The witness stated that there was bridge work as well as earth work. He added that out of 14 items of work, in six items the firm was the only single tenderer and as regards the remaining items, its offers were lower compared to those of other contractors.

3.165. Asked whether at the time of awarding the tender the total work load already with the firm was taken into consideration, the witness replied that at that time that factor had been considered by the Tender Committee and after finding out the capacity and other financial liabilities of the firm they had given the works to the firm. In this connection the witness readout the following portion of the proceedings of the Tender Committee:—

“They have submitted upto date income-tax clearance certificate. From the credentials produced by them, they are capable of completing this bridge work in addition to other doubling work that had been given to them on the South-Eastern Railway”.

3.166. The Committee enquired about the total value of the work already with the firm. The witness readout the following letter addressed by the Chief Engineer, South-Eastern-Railway, to the Chief Engineer (Construction) Northern Railway:—

“The above mentioned firm of contractors have tendered for construction of earth work and bridges on the Durg-Nagpur doubling. They have quoted for all these actions of 35 mile long doubling and have stipulated that they will not be able to undertake the work unless all the sections aggregating about Rs. 25 lakhs in value are awarded. They have given a fairly comprehensive list of earth-moving machines they intend to use on the doubling and have also stated that they are engaged on contract valued at Rs. 25 lakhs on the Robertsganj-Garkwa Road new line construction.

I would be most obliged if you kindly give me your views on the performance and reliability of this firm of contractors along with observations on their financial capacity to undertake works of the order of Rs. 25 to Rs. 30 lakhs. It will be appreciated that unless utmost reliance can be placed on their organisational, executive and financial ability, it would be highly imprudent to put all the eggs in one basket by considering them for award of contracts for the entire doubling”.

3.167. The witness then readout the following portion of the letter written by the Chief Engineer (Construction) Northern Railway in reply to the letter of the Chief Engineer South-Eastern Railway:—

“M/s. are doing these works with machinery excepting in zone CS|12 where they are employing manual labour. Their performance in other zones is quite satisfactory. This firm, however, did not tender for any bridge works on this project and as such no bridge works have been allotted to them”.

3.168. The Committee enquired that in view of the above reply, how bridge work was allotted to this firm. The witness stated that this information was not readily available with him and promised to furnish the information.

3.169. With regard to the recovery of the balance amount of Rs. 3.72 lakhs from the firm, the witness stated that out of the total amount, they had recovered Rs. 2.76 lakhs and Rs. 3.72 lakhs were still to be recovered. For the recovery of the balance amount they had gone in for arbitration on the recommendation of the Law Officer. Later on it was found that the arbitration proceedings would be untenable. In a similar case the High Court had ordered that Railways could not take unilateral action. The Railways were considering whether to file a suit in the court.

3.170. The Committee enquired about the need for going for arbitration for the remaining amount when the firm did not object to the recovery of Rs. 2.76 lakhs already made. The Chairman, Railway Board, stated that they had recovered from the firm whatever their dues were with them. In order to recover the balance amount they tried to locate whether there were any associated departments which had dues to them. The witness added that they could locate some Rs. 2 lakhs or so with DVC. The DVC were asked to withhold that amount and credit it to them. The DVC had informed them that they would not be able to do it unless they had a court order. Before they go to court, they had to take legal opinion. The Committee pointed out that for recovery of remaining amount they could file a suit and there was no need for arbitration. The Financial Commissioner stated that there could have been no arbitration. It was a wrong advice.

3.171. The Committee enquired when Rs. 2.76 lakhs were appropriated from the security deposit of the contractor. The Chairman, Railway Board, stated that the latest position was that the South Eastern Railway was taking action to file a suit against the firm and on the receipt of the court orders they would try to attach that

amount. The Committee pointed out that when the Railway Administration rescinded all the contracts in June-July, 1962, at that time they should have taken action for the forfeiture of the security and recovery of the amount. The witness agreed.

3.172. The Committee desired to have the following information:—

- (i) How, in view of the reply received from the Chief Engineer (Construction) that "this firm (M/s.....) however, did not tender for any bridge on this project and as such no bridge works have been allotted to them", the bridge work was allotted to this firm? Whether the Railway Board had satisfied themselves that the firm had the necessary back-ground for doing this type of work?
- (ii) Whether any inquiry was made with regard to the financial stability of the firm before allotting them the work and whether the firm had assets or property to satisfy the decree of the Court? If so, the details thereof?
- (iii) Whether the firm had done any big work on zonal Railways and if so, the details of the work done?
- (iv) Whether any tender for similar work in the locality was invited by the Railway Administration on or about the same time and if so, how did the rates compare with those offered for the works mentioned in the Audit para?
- (v) Whether the Southern Railway had taken steps to inform other Railways about the non-completion of the work by this firm, so that, no other work was allotted to this firm? What is the responsibility of the Railway Board in this connection? What is the general procedure followed in such cases and whether the Railway Administration consider it adequate or not? The witness promised to furnish notes on the information asked for.

3.173. The information has been furnished and is at Appendix VII.

3.174. The Committee are distressed to find that contracts for a total sum of Rs. 52.49 lakhs were entered into by the Railway Administration, South-Eastern Railway, with a firm for execution of earth work, bridges etc. even though it was brought to their notice that this particular firm had not tendered for bridge work and as such similar work had not been entrusted to them by the Northern Railway to whom a reference was made. The Chief Engineer (Construction) of Northern Railway had clearly stated that the firm had not tendered

for any bridge work. As such, the Committee do not understand how the Tender Committee could come to the conclusion that "from the credentials produced by them, they are capable of completing this bridge work in addition to other doubling works that had been given to them on the South Eastern Railway". The net result of awarding the contract without proper and complete verification of the capacity of the firm to undertake the work was that as the firm could not complete the work, the Railway Administration had to rescind all the contracts and get the work completed at an extra cost of Rs. 6.48 lakhs.

3.175. They are also unhappy to note that the Railway Administration could not recover the balance of Rs. 3.72 lakhs from the firm due to wrong advice given to them by the Law Officer for going for arbitration as it was found later that arbitration proceedings were untenable.

3.176. The Committee trust that the Railway Administration would benefit by the experience gained in this case and would ensure in future that the capacity of the firms to execute particular work is fully and properly verified before awarding contracts to them. They also desire that immediate action should be taken for the recovery of the balance of Rs. 3.72 lakhs.

3.177. In this connection, the Committee suggest that the question of suitably strengthening the Legal Wing of the Railway Administration be considered so as to avoid financial loss to the Railways owing to wrong legal advice.

3.178. The Committee further desire that the question whether all other Railway Administrations should be informed about the non-completion of the work by the firm in the South Eastern Railways, may be examined.

South Eastern Railway—Extra expenditure on account of withholding of the dues of a contractor—Para 23, page 30:

3.179. A contract for the execution of earthwork, bridges, quarters etc., in Bijuri-Karonji construction was awarded to a firm in October, 1958, at a cost of about Rs. 8.22 lakhs. While the work was in progress a sum of Rs. 64,404 was withheld from the running bills of the firm in April, 1959, as a security against recoveries anticipated on account of review in classification of earthwork in a different work covered by an earlier contract of 1956 with the firm. The contractor protested against the recovery, slowed down the work and eventually terminated the contract unilaterally in December, 1959.

The residual works were assigned to two other contractors in June and August, 1960, incurring an extra expenditure of Rs. 1.10 lakhs.

3.180. The dispute went before an Arbitrator appointed by High Court on 21st April, 1964. The Railway lodged a claim for the sum of Rs. 1.10 lakhs being the extra expenditure incurred in completing the works, recoverable from the defaulting contractor; the contractor lodged a counter claim of Rs. 5.16 lakhs, comprising Rs. 1.51 lakhs towards, value of work done but not paid by the Railway and Rs. 3.65 lakhs towards damages for breach of contract and interest charges. The Arbitrator awarded a sum of Rs. 2.43 lakhs in September, 1964, in favour of the contractor and in addition ordered the release of Rs. 15,000 held by the Railway as security deposit.

3.181. The Railway's claim for recovery of over-payment in earth-work in the earlier contract of 1956, could not also be sustained. The firm had filed before an Arbitrator appointed by the Railway Administration on 25th February, 1963, a claim of Rs. 10.05 lakhs with interest thereon amounting to Rs. 2.63 lakhs. While rejecting these claims, the Railway Administration claimed Rs. 89,220 on account of the overpayment. The Arbitrator awarded to the contractor in January, 1964, a sum of Rs. 3.30 lakhs.

3.182. The Committee desired to know why the dues of the contractor against the earlier contract were finally paid before the review of classification of the soil had been undertaken. Additional Member (Works), the Railway Board, stated that the contractor was asked to deposit Rs 3,51,717 as a result of the reclassification. An amount of Rs. 2,62,496 was available with the Railways in respect of security deposits and bills and an amount of Rs. 89,220 became recoverable from the contractor. The contractor filed a suit in the Calcutta High Court in the meantime. The Railway Administration again asked the contractor to arrange for payment which was due as per the final bills. Then the High Court finally disposed of the petition. The High Court ordered that the additional claims put forward by the contractor might be referred to the Arbitrator. In the meantime the contractor had addressed a letter to the Railway Board and the matter was referred to the General Manager, S. E. Railway, who had appointed an arbitrator and the arbitrator had given an award. The witness added that the Law Officer had advised that there was no ground to challenge the award of the arbitrator.

3.183. The Committee enquired whether an assessment had been made as to how many arbitration awards went in favour of the Railways and how many went against the Railways. The witness stated that it was difficult for him to tell off-hand and promised to furnish the information. The Committee desired that an analytical

statement might be furnished showing the number of cases which were referred to arbitration in all the Railways during last five years and the outcome of such cases. The statement furnished is at Appendix VIII.

3.184. The Committee enquired how the amount of Rs. 3·30 lakhs was arrived at by the arbitrator. The witness stated that it was not possible for him to say. It was a single line award that it did not give any details. The C. & A.G stated that the claim of the contractor was for Rs. 10,05,467 as detailed below:

- (i) Refund of security deposit Rs. 2,09,813.
 - (ii) Alleged excess recovery of royalty in respect of certain bridge work Rs. 40,826.
 - (iii) Alleged losses and damages on account of breach of contract. Rs. 88,485.
 - (iv) For works done but not paid as alleged Rs. 6,66,343.
- Total .. Rs. 10,05,467.

The Chairman, Railway Board, added that the total award given by this arbitrator was Rs. 2·63 lakhs against a claim of Rs. 10·05 lakhs. Out of Rs 10·05 lakhs there was refund of security deposit—Rs. 2·09 lakhs. So a very big sum of Rs. 2·09 lakhs out of Rs. 2·63 lakhs consisted only of security that had been deducted from his bills. About that there could be no dispute. The rest of Rs. 54,000 must have been on account of other items.

3.185. The Committee enquired whether for large amounts involved i.e. if the claims exceeded Rs. 50,000 in each case, more than one arbitrators were required to be appointed and the reasons why only one arbitrator was appointed in this case. The witness stated that the agreement form for the contract provided for only a sole arbitrator. In 1961-62 the form of Agreement was revised. In the revised Agreement it was provided that if the value for arbitration was more than Rs. 50,000 then there would be two arbitrators, one from each side.

3.186. The Committee referred to their recommendation made in para 30 of the 32nd Report (Third Lok Sabha) and para 3·39 of the 53rd Report (3rd Lok Sabha) and enquired whether any review had taken place to find out why a majority of cases referred to arbitration went against the Railways. The Chairman, Railway Board, stated that with a view to implement this recommendation of the Committee, the Efficiency Bureau of the Railway Board had been entrusted with this particular task and they were collecting the in-

formation. The review was not yet completed and as soon as it was completed they would take necessary action on that.

3.187. The Committee had expressed their anxiety over a majority of cases referred to arbitration going against the Railways in para 30 of their 32nd Report (Third Lok Sabha) and in para 3.39 of their 53rd Report (Third Lok Sabha). They are perturbed to find that in this case also the award of the arbitrator went against the Railways. The Committee would like the Railway Administration to have this case examined thoroughly once again to see if there were grounds on which the award of the arbitrator could be challenged successfully.

3.188. From the statement furnished at the instance of the Committee, (Appendix VIII), they find that even the provisional figures of cases referred to Arbitration during the last five years (1961-62 to 1965-66) disclose that out of 737 cases, only 119 were decided in favour of Railways as against 459 in which amounts were awarded to contractors, while 158 cases are still pending. These figures indicate an unsatisfactory state of affairs. The Committee would however like to await the result of detailed study and review being made at present by the Efficiency Bureau of the Railway Board on this question. They would like to be informed, in due course, of the findings of the Efficiency Bureau, and the action initiated thereon to improve the position.

*Western Railway—Loss due to reduction in the scope of a contract—
Para 24, page 31.*

3.189. An agreement for providing miscellaneous structures in connection with the yard remodelling at Mehsana at an approximate cost of Rs. 1.70 lakhs, was executed with a contractor in April, 1958. The works were scheduled for completion on or before 21st July, 1958, but extensions upto the end of March, 1959, were given by the Railway Administration due to delays in handing over the site for one of the structures, supply of certain designs and in deciding the site for the compound wall.

3.190. In March, 1959, the Railway Administration decided as a measure of economy, to reduce the scope of the contract by excluding therefrom the construction of the compound wall estimated to cost about Rs. 67,000 and provide a fencing at a cost of Rs. 18,500 by departmental execution. The contractor immediately protested against this decision on the ground that he had been deprived of the element of profit taken into account by him in his overall quotation of rates.

3.191. The dispute was referred to Arbitrators in April, 1963, before whom the contractor filed a claim for Rs. 1.74 lakhs, which

included claims for Rs. 70,000 towards the reduction in the scope of the contract and Rs. 50,000 as damages for delay caused by the Railways in the completion of the work. Eventually, in November, 1963, the contractor obtained an award of Rs. 83,000 in his favour. This amount, along with a sum of Rs. 1,557 towards interest and costs decreed by the court, was paid to the contractor in November, 1964.

3.192. The extra expenditure (after excluding refund of security deposit included in the award) was assessed by the Railway Administration at Rs. 58,103. The Railway Administration explained (December, 1965) that they were under the impression that alterations in the scope of the work were within the contractual rights. The question of safeguarding Railways interests in such cases was stated to be under consideration of the Railway Board (January, 1966).

3.193. The Committee enquired why it was decided to provide the fencing departmentally and whether the contractor was not willing to execute this work. The witness stated that the contractor had not done this type of work before. He added that there were two reasons which were taken together for having fencing instead of a compound wall. Firstly, it was decided only to have fencing and secondly, there was a plot of land which was under acquisition and the acquisition had not since been completed. The Committee enquired why in such a case they entered into the contract at all. The witness stated that they had hoped that they would get the plot of land.

3.194. In reply to a question, the witness stated that they were dissatisfied with the arbitrators' award and, therefore, the matter was taken to a court of law.

3.195. On being asked whether they had entrusted any other work to this contractor, the witness replied in the negative.

3.196. The witness admitted that in the arbitration case while the party was represented by a lawyer, the Railways were represented by an Accounts Officer and this was a handicap.

3.197. The Committee are unhappy to note that without assessing all the factors, an agreement for the work of providing structures, etc., on a piece of land on which acquisition proceedings had not been completed was executed in this case. They feel that had the question of having a fencing instead of a compound wall been decided before awarding the contract, the Government would not have suffered a financial loss of Rs. 58,103 in this case where haste in awarding the contract resulted in waste.

3.198. The Committee regret that in this case also the arbitration award went against the Railways. In evidence, it was stated that in the arbitration case while the party was represented by a lawyer, the Railways were represented by an Accounts Officer and this was a handicap.

3.199. The Committee would like the Railway Board to examine the position obtaining on all the Railways and take steps to remove this handicap.

Northeast Frontier Railway—Loss on account of short receipt or non-receipt of stores—Para 26, page 33:

3.200. 375 claims against the Commercial Department of the Railway involving Rs. 32.50 lakhs pertaining to the period 1958-59 to 1962-63 preferred by the Survey and Construction Organisation either for short receipt of consignments or for their non-receipt were pending settlement (October, 1965). Out of these, 93 claims valued at Rs. 22.10 lakhs were treated as time barred as they were preferred after a period of six months from date of despatch. As a result of investigations made in July, 1964 by a Claims Inspector specifically appointed for the purpose, 118 claims valued at Rs. 26.76 lakhs (including Rs. 21.83 lakhs relating to the time barred claims) were withdrawn by setting off unconnected consignments received by the consignees against the shortages.

3.201. The remaining 257 claims amounting to Rs. 5.74 lakhs which pertain to the period 1958-59 to 1960-61 have not been settled (October, 1965).

3.202. 8 more subsequent claims during the period from September, 1960 to July, 1961 in respect of bridge material estimated to cost Rs. 20,000 have also remained outstanding.

3.203. The Railway Administration stated in October, 1965 that these claims were being pursued with their Commercial Department.

3.204. Explaining the reason for delay in the settlement of claims, the witness stated that this was a case of a construction job. The construction organisation of the Northeast Frontier Railway was established in 1957 which carried out over a small period of two years works of the value of Rs. 67 crores. There were various difficulties in respect of availability of material. So orders were placed for different works at different stations. Indents were placed and orders were sent. From time to time on a number of occasions because the

work on a particular station was considered more important than the other station, the adjustments were made in the sense that a consignment which was going to station A was taken delivery of at station B. Later on adjustments were made by reconciling the entire account.

3.205. In reply to a question, the witness stated that 232 claims totalling Rs. 4.22 lakhs were still under investigation.

3.206. The Committee desire that all efforts should be made to settle the remaining claims as early as possible.

North Eastern and Eastern Railways—Non-levy of ground rent on rejected stores, Para 27, pages, 33-34:

3.207. The Railway Board issued instructions in September, 1961 that the Railway Administrations should fix rates for ground rents to be levied on rejected stores not removed by the suppliers from the Railway premises within the prescribed grace period and that a suitable clause to this effect should be provided in the tender conditions governing the contract. In the North Eastern Railway, instructions for the levy of ground rent and the rates for such charges were prescribed only on 21st January, 1964 as the basis for the calculation of ground rent was stated to be under consideration, in consultation with the Railway Board. A sum of Rs. 4.86 lakhs representing the ground rent on rejected stores which could have been realised upto 30th April, 1965 became irrecoverable due to delay in the implementation of the Board's instructions. A further sum of Rs. 28,400 could not be realised from the suppliers as the conditions stipulating the recovery of ground rent had not been embodied in the Purchase Orders issued even after the 21st January, 1964.

3.208. On the Eastern Railway, although instructions regarding recovery of ground rent for the rejected articles had been issued on 1st September, 1962, a sum of Rs. 8.15 lakhs relating to the period from 1st September, 1962 to April, 1965 remained unrecovered upto May, 1965. The Railway Administration explained that this related to 1350 rejected articles valued at Rs. 1.77 lakhs, which were lying unclaimed by the suppliers, bulk of which were proposed to be disposed of as scrap.

3.209. With regard to the delay of over 2 years by the North Eastern Railway in the implementation of the instructions of the Railway Board to fix ground rent on rejected stores not moved by the suppliers from the railway premises within the prescribed grace

period, the witness admitted that there was a certain amount of delay in the implementation of the orders. He added that these orders were issued by the Railway Board in September, 1961 and the N.E. Railway fixed the rates which were to be recovered by 1-3-1962. But at the time when the orders were going to be issued, there was a meeting of the Controllers of Stores to be held on 16-3-1962. That was within about 16 days' time. So, the Controller of Stores, N.E. Railway thought that this particular matter which otherwise was causing a lot of difficulty in the recovery, because it would have meant a lot of paper work etc., could be discussed there. He thought that he should try to get the rates which were being fixed by individual railways fixed in such a manner that they would be applicable to all railways on a uniform basis. So, he raised this particular issue and suggested that although the orders of the Board meant that the rates would be on the basis of weight or volume, the rates to be fixed should be on the basis of the value of the stores rejected and not on the basis of weight or volume. He thought that the former procedure would be more equitable and it would be easier to recover. At the meeting of the Controllers of Stores it was agreed that it would be better to fix the rates on the basis of the value of the stores rejected and not on the basis of weight or volume. Therefore, they recommended this particular method of approach to the Railway Board. But before the orders were issued by the Railway Board the Controllers of Stores, N.E. Railway on his own got those rates vetted by the F.A.&C.A.O. and got them approved by his General Manager on 17-9-1963 and got the instructions issued to the various depots for the implementation of the orders in early 1964. These particular charges were to be recovered for the stores which were rejected and actually were not as a revenue-earning item. They were only to serve as a deterrent for the purpose of preventing the suppliers from keeping back some stores and using up a certain amount of space. So, it was more from the point of view of a deterrent. Actually, it was initiated at the instance of a remark which had been made by the Auditor on the Western Railway in 1960, and it was on the basis of that remark that the Railway Board had issued these instructions.

3.210. The witness further pleaded that unfortunately, the implementation of the instructions issued meant that each and every case of such rejected stores had to be dealt with for the purpose of assessing and finding out whether the recovery could be made strictly according to the regulation. The number of items that were involved, was of the order of about 1967. The majority of the items was such that the amount to be recovered was very much more than the

value of the stores. Therefore, the total amount that could be expected to be recovered was really very much less than what was shown as due to be recovered.

3.211. Besides this, there were certain items which had been ordered by the DGS&D or were against rate contracts etc. In such cases, there was no stipulation that the ground rent amount would have to be recovered. Those items had to be excluded.

3.212. In reply to a question, the witness stated that now the orders of the Railway Board were being implemented. They judged each and every case on merit and the amount that could be recovered was being recovered.

3.213. The Committee pointed out that since those orders were to act as a deterrent, there was no question of examining the value of the item. The witness stated that there were certain items which were scrap. No firm would like to take it back. If the supplier was really interested in getting back the stores, he would have taken them back within the grace period.

3.214. The Committee desire that instructions should be issued to the various Railway Administration by the Railway Board to the effect that orders issued by them should be promptly implemented by the various authorities and in case of doubt or anomaly it should be brought to the notice of the Railway Board immediately for necessary action.

3.215. The Committee would also like the Railway Board to consider the feasibility of incorporating in their instructions suitable provisions for disposal of rejected stores if they were not removed within a reasonable period.

DUES OUTSTANDING AGAINST GOVERNMENT DEPARTMENTS, PUBLIC UNDERTAKINGS AND OTHERS

Northern, Eastern, South Eastern and Southern Railways: Delays in recovery of the amounts due from other Departments, Governments etc.—Para 28, pages 34—36:

3.216. Delays have occurred in the realisation of amounts due to the Railways as indicated below:—

3.217. (i) *Bhakra Dam Project.*—At the request of the Bhakra Dam Project authorities in September, 1955, the Northern Railway Administration arranged, as very special case, for the haulage of

special type of hopper wagons belonging to the project for the transport of cement in bulk from Surajpur to Nangal Dam, leaving the details of the arrangements to be worked out at the appropriate time. The Railway Administration employed special staff at both the places from April, 1956 for 'fit to run' examination of the wagons but the draft agreement providing for the recovery of the cost of the special staff which had been prepared in 1955-56, has not been finalised so far (November, 1965). The project authorities refused payment of a bill for Rs. 1.45 lakhs for the period September, 1955 to June, 1965 which was preferred by the Railway in July, 1965, pending retification of the draft agreement by the Bhakra Control Board. No bills had been preferred earlier during the period of over 9 years, as the basis for the recovery to be incorporated in the draft agreement could not be finalised till April, 1965.

3.218. (ii) *West Bengal Government*.—(a) The following is the position in respect of the realisation by the Eastern Railway of the dues from the West Bengal State Government in respect of a railway siding referred to in Paras 50(1) of the Audit Report, Railway, 1961 and 37 of the Audit Report, Railways, 1962:—

- (i) The claim of Rs. 14.75 lakhs in respect of rent and municipal taxes for the period 15th February, 1945 to 31st March, 1960 was subsequently reduced to Rs. 7.86 lakhs, which is stated to have been accepted by the State Government.
- (ii) Bills for establishment charges for the period April, 1960 to April, 1965 amounting to Rs. 99,000 were preferred by the Railway Administration in 1965, out of which Rs. 64,707 had been adjusted. The balance of Rs. 34,293 is pending recovery.
- (iii) Claims towards rent for the period April, 1960 to March, 1963 amounting to Rs. 15.02 lakhs had been preferred in June, 1963 at a monthly rate of Rs. 25 per kattah (which represented 6 per cent of market value of the land) but the State Government refused in November, 1963 to make any payment at a rate higher than Rs. 3 per kattah which was in force in 1951. Bills for the period April, 1963 to March, 1965 amounting to Rs. 10.02 lakhs had been preferred in January, 1965 but no payment has so far (December, 1965) been received.

3.219. The question whether the siding used by the State Government should be treated as "Assisted" or "Private", referred by the Eastern Railway to the Railway Board in January, 1964, is still

under consideration (December, 1965). The maintenance charges for the period upto March, 1960 had been paid by the State Government on "Assisted" siding basis. Payments for the period April, 1960 to March, 1963 amounting to Rs. 6,280 claimed in June, 1963 and for the subsequent period upto March, 1965 amounting to Rs. 6,450 preferred in July, 1965, have not yet been received (December, 1965).

3.220. (b) A sum of Rs. 6.74 lakhs was due (as in June, 1961) from Civil Supplies Department of West Bengal Government relating to over 400 cases of short or non-supply of foodgrains to Railway Grain shops upto July, 1954, when rationing was in force. Out of this amount, a sum of Rs. 5.03 lakhs was realised in February, 1963 leaving a balance of Rs. 1.71 lakhs (of which Rs. 96,636 relates to pre-partition period). This amount still remains outstanding (November, 1965) under 'Capital' suspense.

3.221. (iii) *Ministry of Defence*.—(a) 82 acres of Railway land in Waltair were leased to the Defence Department in 1945. The lease was terminated six months after the war but under an agreement entered into from 1st October, 1946, the lease was to continue for so long as the land remained under the occupation of the Defence Services. The area under occupation was reduced to 14.04 acres from March, 1954 and to 13.28 acres from March, 1957. Claims preferred by the Railway in March, 1963 and December, 1964 towards rent, conservancy cess and Municipal taxes for the period from April, 1954 to March, 1964 amounted to Rs. 3.31 lakhs, out of which a sum of Rs. 1.31 lakhs had been adjusted against the Defence Department in March, 1963. The balance of Rs. 2 lakhs is still pending recovery (December, 1965).

3.222. The Railway attempted to obtain release of the land in August, 1962 for their own urgent requirements but as the Ministry of Defence was unable to give up the land, it was proposed to transfer the land permanently to them on payment of the present day cost of the land. The matter has not yet been finalised (December, 1965).

3.223. (b) In respect of certain sidings, platforms, buildings and quarters at Avadi, claims for interest and maintenance charges till March, 1957 were paid by the Defence Authorities. In November, 1956 however, the Defence Authorities desired that the actual cost of works should be from the basis of the charge (instead of the estimated cost as hitherto). Accordingly, the Railway preferred a revised claim in July, 1957 for a net amount of Rs. 14.20 lakhs but the claim on the basis of the actual cost has not so far been accepted on the ground that the completion costs had not been accepted by the

Ministry of Defence. Since 1957-58, some *ad hoc* payments have been received by the Railway but arrears amounting to Rs. 7.35 lakhs upto March, 1965 are still pending settlement (March, 1965).

3.224. The Committee enquired the position of recovery of amount from the Bhakra Dam Project Authorities. The witness stated that Rs. 1.22 lakhs had been recovered. As regards the balance, certain queries had been made by the Bhakra Dam Authorities which had been answered. The Bhakra Dam Authorities were considering them.

3.225. With regards to delay of 9 years, the witness stated that the draft agreement which was prepared by the Railways was sent to the Bhakra Dam Authorities in November, 1956. Thereafter the Bhakra Dam Authorities did not come to an agreement with the Railways. In fact, when the draft agreement was accepted at a lower level, the higher authorities of Bhakra Dam rejected it. Although efforts were made by the Railways consistently at different levels, it was the other party which was not agreeing till the General Manager. Northern Railway, himself went and discussed with the General Manager, Bhakra Dam. Then the latter agreed that the draft agreement as prepared by the Railways would be accepted.

3.226. As regards recovery from West Bengal Government, the witness stated that they had recovered the entire municipal tax of Rs. 0.23 lakh. The State Government had accorded sanction to payment of the entire establishment charges. Bills were now with the West Bengal Government for maintenance charges also for acceptance. So out of 4 items, three had been either already paid for or had been accepted and payment would now be made.

3.227. In reply to a question, the witness stated that out of the total of Rs. 31.09 lakhs, they had recovered Rs. 4.65 lakhs and Rs. 26.44 lakhs were pending. This amount related to the rent of land about which there was an argument. The State Government had paid them at the original rate but had refused to pay at the revised rate.

3.228. The Committee enquired the position of the second case [Sub-para (ii) (b)] where Rs. 1.71 lakhs was to be recovered. The witness stated that the total transactions involved were of the order of Rs. 9.62 crores. In June, 1961 the outstanding amount was Rs. 6.74 lakhs which at the time of audit was reported as Rs. 1.71 lakhs. Since then it had further come down to Rs. 1.59 lakhs. Efforts to recover it were continuing.

3.229. With regard to the recovery from the Ministry of Defence [para 28 (iii) (a)] the witness stated that there had been very little progress. They had been arguing with them but they had not been able to persuade them or convince them. He added that they would have to ask somebody to arbitrate.

3.230. With regard to para 28 (iii) (b), the witness stated that the debit of Rs. 7.35 lakhs raised against the Controller of Defence Accounts, Poona had been adjusted.

3.231. The Committee regret to find that in spite of their recommendation made in para 74 of their 1st Report (Third Lok Sabha), the Railways had not been prompt in realising their dues, and large amounts are still to be recovered from various Governments, Departments, etc.

3.232. In view of the abnormal delays in realising the dues and in settlement of various points, the Committee feel that before entering into any agreement with Government Departments, etc. the Railways should ensure that there are no lacunae which might come in the way of prompt realisation of the dues.

3.233. The Committee also desire that a some special steps should be taken at a sufficiently high level to liquidate old outstanding.

Eastern Railway—Outstanding dues from National Coal Development Corporation for works done by the Railway—Para 29, pages 36—38:

3.234. In the following cases, the cost of certain works carried out by the Eastern Railway on behalf of the National Coal Development Corporation is pending recovery from the National Coal Development Corporation for several years and no settlement has been arrived at so far (December, 1965):—

3.235. (i) *Karanpura Coal-Fields.*—The construction of five sidings in Karanpura Coal-fields area on behalf of the National Coal Development Corporation was sanctioned by the Railway Board in April, 1959 at an estimated cost of Rs. 296 lakhs, of which a sum of Rs. 129 lakhs was to be borne by National Coal Development Corporation. The lines were opened in June, 1961. On the basis of actual work done, the share of cost payable by National Coal Development Corporation was worked out as Rs. 186.74 lakhs, against which the National Coal Development Corporation had deposited Rs. 163:10 lakh (in instalments from November, 1959) leaving a balance of Rs. 23.64 lakhs. The National Coal Development Corpora--

tion raised some objections in April, 1962 against this claim by the Railways for the balance and desired some changes in the allocation of costs in the portion of the lines within the premises of the collieries.

3.236. During a discussion with the Railway Board in November, 1963, the National Coal Development Corporation agreed to the principles for the allocation proposed by the Board, but the balance amount due to the Railways has not been paid by them so far as a final decision has not been taken by the Railway Board (October, 1965) on a proposal made by the National Coal Development Corporation in November, 1963, that a portion of the lines constructed as sidings, should be treated as a branch line of the Railway.

3.237. (ii) *Bhurkunda and Bokaro Collieries.*—The construction of a submersible bridge on the Damodar river at an estimated cost of Rs. 1.46 lakhs was undertaken by the Railway Administration in February, 1957 at the instance of the Ministry of Production for sand stowing arrangement in Bhurkunda Colliery. The work was abandoned in March, 1958 after an expenditure of Rs. 81,987 had been incurred as the National Coal Development Corporation (to whom the colliery was transferred in October, 1956) was not interested in executing the work. The National Coal Development Corporation was asked by the Railway Administration in August, 1963 to reimburse the amount already expended by them but so far (December, 1965) the amount has not been recovered. Two other amounts of Rs. 71,711 being the cost of certain works involving extension of sidings and temporary facilities and Rs. 6,435 being the cost of renewal of sleepers etc., in the sidings, are also pending recovery from 1945 and 1957 respectively.

3.238. The Committee enquired why the question of allocation of charges was not settled with the National Coal Development Corporation before the construction was started and why the Railway Board could not settle the question of allocation of cost with the NCDC for a long period of seven years. The witness stated that the dispute had arisen actually as to whether a certain portion of the siding should be treated as branch line of the railway or as a siding. The point was brought up in 1962 and there was a meeting held in the Board's Office with the officers of N.C.D.C. when certain proposals were made. He added that they were trying to find out the implications of accepting the proposals on other similar transactions, because if they decided this case purely on its own merits, it might have repercussions on other sidings. They were examining that and

expected that in the course of about a month or so they would be able to come to a final decision.

3.239. The Committee desired that a note might be furnished stating how the delay of 7 years in settling the question of allocation of cost with the N.C.D.C. was considered justified. The note furnished is at Appendix IX.

In reply to a question, the witness stated that the line was built at the request of N.C.D.C. The original siding was built for N.C.D.C. Before the question of its allocation was decided, another party asked for a connection. The N.C.D.C. had five sidings and there was only one other party having a siding. The question was whether in those circumstances it was to be treated as a branch line.

3.240. The Committee enquired whether they had realised anything from the other party. The witness stated that they were realising siding charges at the moment. They were also charging from the N.C.D.C. more or less on the same basis.

3.241. In reply to a question, the witness added that they were trying to make recoveries of the sum of Rs. 1.60 lakhs, which were pending for a long time. The position was not very clear now.

3.242. From the detailed note furnished at the instance of the Committee (Appendix IX), it is seen that while as a result of discussions at meetings attended by representatives of Ministries of Finance, Mines and Fuel and Railway Board, NCDC were advised in April, 1960 about the Board's decision regarding basis for allocation of costs for NCDC sidings, in 1961 NCDC objected to the revised estimate prepared on that basis. In November, 1963, a meeting was held at Railway Board's office with the Chairman of the NCDC. The specific issue relating to two particular collieries was considered by the Board in June/July 1964 on the basis of the meeting held in November, 1963 and Eastern Railway were asked to intimate the financial implications. This they did in January, 1965. The Eastern Railway were asked to work out the financial implications separately for this work instead of grouping it with others as they had done. The revised financial implications were reported in October, 1966.

3.243. The Committee regret to find that there has been delay at various stages, with the result, that 7 years had passed and yet the Railways had not been successful in coming to a final settlement with the National Coal Development Corporation. They hope that there would be no further delay in the matter now.

3.244. As regards recovery of an amount of Rs. 1.60 lakhs (Para 29(ii)), the Committee learn with regret that the position was still not clear. They would like this matter which is pending for a long time to be finalised.

North-east Frontier Railway—Non-recovery of license fee and rent on Railway Bazars—Para 30, page 38.

3.245. In paragraph 31 of the Audit Report, Railways, 1962 it was mentioned that in respect of lands and stalls leased out in the Railway bazars on the North-East Frontier Railway, a total sum of Rs. 3.46 lakhs was outstanding at the end of March, 1960 on account of license fee and rent due for the period 1950-51 onwards.

3.246. The position at the end of July, 1965, was that a total sum of over Rs. 6 lakhs was pending recovery on this account from 903 occupants. Against the old outstanding of Rs. 3.46 lakhs in March, 1960, a sum of Rs. 97,264 still remained uncollected by July, 1965. In respect of claims amounting to Rs. 5.35 lakhs for the period April, 1960 to March, 1965, only a sum of Rs. 28,471 had been recovered upto July, 1965.

3.247. The Railway Administration explained in November, 1965 that the arrears in collection were increasing year after year as the current rent could not be realised from parties unless they cleared up the arrears, that agreements for the current periods could not be entered into with the plot holders without forfeiting the claims for arrears and that action for eviction could not be taken against the defaulters as the whereabouts of the original occupants of many of the plots were not known as the structures had changed hands (some of them many times) without the knowledge of the Administration. It has also been stated that with the sanction of a whole time Estate Officer the situation was likely to improve.

3.248. Explaining the present position in regard to the recovery of outstanding dues from the occupants of lands and stalls, the representative of the Railway Board informed the Committee that a whole-time Estate Officer had been appointed with effect from 28-10-1965. Subsequently, there was some difficulty in finding additional staff for the purpose. A Law Assistant and certain other officers were posted from time to time between October, 1965 and May, 1966. Cases which were before the Estate Officer were at different stages of completion. This process was going on for the last 9 months and it was expected that in the next 6 months, there would be considerable improvement in the actual finalisation of the cases.

During the period of 9 months a sum of Rs. 46,804 had been recovered. In reply to a question, the witness stated that the stalls were set up in the middle of Railway colonies as a measure of assistance to Railway staff. After Partition, refugees came to India from East Pakistan and a number of them had occupied these bazars. From time to time, the stalls changed hands and there was difficulty in finding out the actual owners of the stalls. A number of stall holders were unauthorised persons.

3.249. The Committee pointed out that according to the Audit para, the Railway Administration had explained in November, 1965 that the arrears in collection were increasing year after year as the current rent could not be realised from parties unless they cleared up the arrears and enquired as to why the arrears could not be collected. The witness stated that the matter had to be taken up with each plot-holder for the grant of licence. The plot-holders had refused to enter into further agreement unless the arrears were written off. On being pointed out that stall-holders were unauthorised persons and the matter could be settled in a Court, the witness stated that the difficulty was that the Railways had to establish their right to the land occupied by the stall-holders in a court. Special staff had to be appointed to go into these details. In reply to a question, the witness stated that current agreements were executed promptly to avoid further accumulation of arrears. A register showing the details and other particulars of lessees had been maintained. From time to time checks were also made in order to try to prevent sub-letting.

3.250. In reply to a further question, the witness stated that the original outstading of Rs. 8.81 lakhs had come down to Rs. 5.65 lakhs. About 755 persons were involved in these arrears. On being asked about the expenditure on this account, the witness stated that the Railway Administration had not to incur any additional expenditure so far, because the work was done by the normal railway staff but now with the establishment of the Estate Officer and his staff some expenditure had to be incurred.

3.251. In reply to a question, the witness stated that efforts were being made to recover the arrears but where it was absolutely irrecoverable, the arrears would have to be written off. The witness further added that in regard to the current licenses, advance deposit for the one year was taken. The period of lease was only for one year which was extended every year.

3.252. The Committee regret to observe that at no time during these years any serious attempt seems to have been made by the Railways to maintain a proper and up-to-date record of the occu-

pants of the lands and stalls in the bazaars. Proper steps were also not taken to prevent the accumulation of the arrears. They note that only with effect from 28th October 1965, a whole-time Estate Officer was appointed to finalise these cases and that there were also some difficulties in finding additional staff to attend to these cases. The Committee hope that vigorous attempts would now be made to liquidate the arrears without further delay. They trust that the steps, such as the introduction of checks to prevent sub-letting, obtaining advance deposits etc. taken would improve the position.

North Eastern Railway—Inadequate utilisation of Broad Gauge Line between Barauni and Samastipur—Para 31, pages 38—40.

3.253. The construction of a Broad Gauge line between Barauni and Samastipur, side by side with existing Metre Gauge line, was taken up on urgency certificate sanctioned in November, 1959 for meeting the "immediate needs of traffic, consequent on the opening of the Ganga Bridge at Mokameh and extension of Broad Gauge upto Barauni Junction." The construction was completed at a cost of about Rs. 1.83 crores and the line opened for passenger traffic on 7th February, 1962. It has not so far (December, 1965) been opened for goods traffic although Government had announced on 9th March, 1960 that goods trains were expected to run on this line towards the end of 1960, or early in 1961.

3.254. The Railway Administration informed Audit in December, 1963 that the introduction of goods service on the Broad Gauge line was not an economical proposition for the following, among other reasons:—

- (i) no provision had been made in the estimates for terminal facilities at five stations upto Samastipur, estimated to cost Rs. 7.13 lakhs;
- (ii) the traffic to and from stations beyond Samastipur would get diverted to road resulting in loss of revenue estimated at Rs. 2.18 lakhs per annum; and
- (iii) the cost of running of one goods train for the meagre traffic expected in the Broad Gauge section would be prohibitive, being Rs. 4.58 lakhs per annum.

3.255. The booking of Parcel traffic between Barauni and stations upto but not including Samastipur by all Broad Gauge routes was opened on 3rd August, 1964, and the question of extending this facility to Samastipur was stated to be under consideration.

3.256. The ultimate objective was to extend the Broad Gauge line upto Darbhanga and Muzaffarpur, as it was considered in December,

1958 that if the Broad Gauge line terminated at Samastipur, it would encourage the trade to book goods to Samastipur and move them onward by road instead of resorting to transshipment to the Metre Gauge at that station. It was also anticipated that by extending the Broad Gauge line to Darbhanga a saving of Rs. 2.17 lakhs per annum could be achieved by avoiding transshipment at Garhara (near Barauni) for goods booked upto Darbhanga. The extension of Broad Gauge line beyond Samastipur had, however, not yet been taken up (December, 1965) and the saving anticipated in transshipment charges at Garhara had not yet been realised.

3.257. A return of 5.06 per cent on the Broad Gauge line was worked out in January, 1963 and the Broad Gauge line was considered remunerative, assuming normal goods traffic over the line in addition to the passenger traffic.

3.258. The Ministry of Railways stated in January, 1966 that the Broad Gauge line was being used for moving Railway coal wagons (computed at 3437 wagons during the year 1965) to Samastipur and that investigations were on hand for further extension of the Broad Gauge line to Raxaul *via* Darbhanga or Muzaffarpur.

3.259. As a consequence of the Broad Gauge line not being opened to goods traffic so far, a Broad Gauge engineering siding 1975 feet long constructed in 1961 at Samastipur at a cost of Rs. 70,000 also remained unutilised. The question of utilising this for dealing with parcel traffic and Railway materials received through the Broad Gauge line was stated to be under consideration in November, 1965.

3.260. Explaining the position in regard to the construction of a Broad Gauge line between Barauni and Samastipur, the Chairman, Railway Board informed the Committee that the justification for the opening of this Broad Gauge line was that the capacity of the single Metre Gauge line between Barauni, Bachhwara and Samastipur was not sufficient. The alternatives before the Railway Board were either to extend the second Metre Gauge line which existed between Barauni and the next station to Samastipur or to convert into a Broad Gauge line the existing Metre Gauge line between Bachhwara and Samastipur—*or* to have a Broad Gauge line from Barauni to Samastipur. Development of traffic and the importance of this region was great, so it was considered that it would not be correct to extend the second Metre Gauge line upto Samastipur and thence to Darbhanga, Muzaffarpur and Naharkatiyaganj. Since the traffic was developing fast in this area, it was considered advisable to construct a Broad Gauge line. At that time, there was a proposal to connect Samastipur and Darbhanga on account of heavy traffic, by a Metre Gauge line which

was given up, when it was not possible to carry the traffic in this area on the single Metre Gauge line. The intention of having a Broad Gauge line was to take the line upto Darbhanga and Muzaffarpur as the traffic developed. Now it has been felt that it might be necessary to extend this line upto Raxaul or Naharkatiyanj. Since sufficient funds were not available to extend the line upto Darbhanga, it was decided to terminate it at Samastipur which was only a temporary terminal. Terminal facilities were not provided by the Railways in the intermediate stations because of small traffic. With the opening of the Ganga bridge at Mokameh, a very big transshipment point had developed at Garhara. It was not considered advisable or commercially justifiable to have another transshipment point at Samastipur which would have been necessary, if goods traffic had been allowed. But most of the traffic which went from Garhara through Metre Gauge would have gone upto Samastipur by rail and thereafter by road. The traffic consisted of only 8.8 inward wagons and about two outward wagons. The traffic for the whole week would not have been sufficient to run one goods train. It was, therefore, considered that it would not be advisable to take away the transshipment point from Garhara. In reply to a question, the witness stated that four passenger trains had been taken away from Metre Gauge line and put on the Broad Gauge line and thus additional capacity had been created on the Metre Gauge for extra goods trains.

3.261. The Committee pointed out that the Government had announced in March, 1960 that goods trains were expected to run on this line towards the end of 1960 or early in 1961 and enquired the position in regard to the running of goods trains. The Chairman, Railway Board stated that in the normal circumstances when a line was opened it was expected that it would be opened to goods traffic at the earliest possible moment. Immediately the line could not be opened to heavy goods traffic as the bank had to be consolidated. Three months after the announcement of the Government, the General Manager, North Eastern Railway stated that if the line was to carry goods traffic a sum of Rs. 7.5 lakhs would be required for providing facilities at intermediate stations and at Samastipur. Then there was the fear of traffic being moved by road from Samastipur, if the line was not extended upto Darbhanga and Muzaffarpur; so it was decided to open the line to passenger traffic until it was extended further.

3.262. In reply to a question, the witness stated that investigation was going on and a decision might be taken early next year to project the line further. Till then it would not be economical to open the line to goods traffic. On being asked whether the entire line was a new construction or it was only a conversion, the witness stated that.

a distance of about 10 miles was not conversion. Broad Gauge line had been put on both sides of the Metre Gauge line for operational facility; Metre Gauge line was used for through movement of traffic.

3.263. The Committee pointed out that the Broad Gauge line was constructed at a cost of about Rs. 1.83 crores and enquired the financial return on the investment. The witness stated that the financial return on this investment for the year 1964-65 was 5.06 per cent. The return was calculated on the basis of the actual traffic that was moved on this particular section. In reply to a question, the witness stated that on a re-examination it was seen that the line was intended to cater to the needs of the anticipated traffic. On the basis of the statistical data for 1961-62, 1962-63 and 1963-64, it was assumed that it would give a return of 5.6 per cent, 5.9 per cent and 5.83 per cent respectively. This return was on the extra traffic that had been carried. On being asked whether the return on Rs. 1.83 crores was calculated taking into consideration the additional goods traffic carried by the Metre Gauge, the witness stated that the return was calculated on the total additional passenger traffic that had been carried on that section as a result of the Broad Gauge line. In reply to a question, the witness stated that the original decision did not make any distinction between Broad Gauge and Metre Gauge lines. On being asked to indicate the actual earnings on the Broad Gauge section for which Rs. 1.83 crores was spent, the witness urged that it would not be a fair assessment of the return. In reply to a further question, the witness stated that when the proposal was submitted for approval, a financial return of 5.2 per cent was expected. The financial return was not worked out on the basis of traffic that had been actually carried but the return was worked out on the basis of the anticipated traffic.

3.264. The Committee desired to be furnished with a note stating:—

- (i) the financial returns from the Broad Gauge line from February, 1962 till the year for which the accounts were completed;
- (ii) the actual traffic that had been carried both by the Metre Gauge and Broad Gauge lines;
- (iii) the returns that were received on the Broad Gauge line alone;
- (iv) how the figure of 5.2 per cent as the return was arrived at and on the same basis of calculation what was the present position; and

- (v) also the figures of goods and passenger earnings separately for this period.

3.265. The note has been furnished (Appendix X). The Committee find from the note that the complete figures of actual earnings from goods and passenger traffic have not been furnished. The Committee also find that the financial returns are not based on figures of actual additional earnings but earnings estimated on the basis of statistical data.

3.266. The Committee would like to be furnished with a detailed and comprehensive note giving the figures of financial returns from February, 1962 till the year for which accounts are complete, as prescribed in the Rules.

3.267. The Committee fail to understand as to why the line had not been opened to goods traffic when the line was considered financially justified on the basis of normal goods and passengers traffic. When it was known that the traffic would be diverted if the line was not extended beyond Samastipur, the Committee fail to understand as to why steps were not taken during all these years to extend the line. Further, it appears that the question of road competition was not examined by the Ministry of Railways at the proposal stage. All these indicate that a thorough examination of all aspects of the project was not made before it was taken up for execution.

3.268. The Committee pointed out that as a consequence of the Broad Gauge line not being opened to goods traffic, a Broad Gauge siding constructed at a cost of Rs. 70,000 had not been used for a period of five years and enquired whether it was now being used. The Chairman, Railway Board stated that what had been stated in the audit para was not factually correct. The siding was completed sometime in 1963; when a new line was constructed, certain extra facilities which might be used during a breach or an accident or in an emergency were also provided. This particular siding had been used in the last emergency and full train loads of goods had been unloaded on this siding.

3.269. On being asked as to why the date mentioned in the Audit Report was not corrected, the witness stated that the Railway Board did not have the record when the draft para was received. In the course of scrutinising certain cases, it was found that during 1963, the Direc-

tor, Telephones were asked to remove certain poles in order to enable the Railways to complete the siding.

3.270. The Committee would like the Ministry of Railways to ensure that correct and complete factual information is furnished to Audit when draft Audit paragraphs are sent to the Ministry and that such instances would not recur.

Northeast Frontier Railway—Sleeper Creosoting Plant at Naharkatiya—Para 32, page 40.

3.271. Scheme for the expansion of the existing Sleeper Creosoting plant at Naharkatiya by erecting another plant with a capacity of 5 lakhs cubic feet per shift per year was included in the Final Works Programme of 1958-59 at an estimated cost of Rs. 9.93 lakhs. According to the financial implications worked out by the Railway Administration in December, 1959, the scheme was expected to result in a saving of about Rs. 6 lakhs per year due to longer life of sleepers and also ensure a return of 51.9 per cent on the capital invested.

3.272. The Ministry of Railways, however, instructed the Railway Administration in February, 1958 not to start the work as the justification was to be examined in greater detail. After a delay of over 2 years, the Ministry accepted the proposal in March, 1960. A further delay of two years occurred in calling for tenders (February, 1962 and July, 1962) for the supply of machinery required for that scheme and the lowest tender of a firm was finally accepted after another year's delay on 25th May, 1963. The estimated cost of the Scheme, which was Rs. 9.93 lakhs originally, had in the meanwhile been increased to Rs. 17.11 lakhs, which was sanctioned by the Ministry in May, 1963. The agreement with the firm was executed about a year later on 21st March, 1964. The work was scheduled to be completed in two months by 25th May, 1964 but had not been completed even 1½ years thereafter upto December, 1965.

3.273. Meanwhile, to cope with the demand for treated sleepers by the various railways, arrangements had to be made from November, 1962 with a private firm to treat 27.65 lakhs cubic feet of sleepers upto May, 1966. The cost of about 24.65 lakhs cubic feet of sleepers treated by the firm to end of December, 1965 worked out to Rs. 47 lakhs with the additional expenditure of Rs. 13.80 lakhs in handling charges etc. It was estimated that the Railway had incurred a loss of over Rs. 3 lakhs in 1964 and 1965 by the treatment of the sleepers being entrusted to the contractor.

3.274. Explaining the position, the representative of the Railway Board stated that the scheme was for the treatment of wooden sleepers on a very big scale. In this case, the proposal was started with a provision for the treatment of 3 lakh cubic feet of sleepers every year. Essential things were to ensure a smooth flow of sleepers at the envisaged rate for a larger number of years and the location of the plant. In reply to a question, the witness stated that the initial proposal was in the nature of a general proposal. The system was that when a works programme was prepared, the Railways sent the proposal in general terms and the proposals were discussed at the meeting of the works programme which was done in February, 1958 in this case. Further details in regard to the project with a view to ensure that the project would prove useful as envisaged had to be gone into. The Railway Board had suggested that instead of spending money on additions to the existing plant at Naharkatiya sleepers might be sent to an existing plant near Bareilly at Clutterbuckganj.

3.275. In regard to the delay in the setting up of the plant, the witness stated that the delay in this case was 4½ years which was in two stages. The first stage was from April, 1961 to May 1963 when the matter was finalised in respect of tenders, the reasons for the delay were that for the first time they made their own designs and as far as possible the components required for the establishment of the plant were obtained locally. Then they had to be satisfied about the technical particulars and make reference to other Railways which already had imported plants. Further, the question of the flow of sleepers was also considered and it was decided that the capacity of the plant should be raised from 5½ lakh cubic feet to about 7 lakhs cubic feet. Another aspect was the location of the plant. All these questions were gone into, which took time.

3.276. On being pointed out that due to the delay in setting up the plant, the estimated cost of the scheme which was Rs. 9.93 lakhs had increased to Rs. 17.11 lakhs and the Railways had also incurred a loss of over Rs. 3 lakhs in 1964 and 1965 by the treatment of the sleepers being entrusted to the contractor, the witness stated that some delays could have been reduced but certain amount of substantial delay was unavoidable.

3.277. On being asked about the present position of the plant, the witness stated that the equipment had arrived and it was expected that the trial operation of the plant would start in February, or March, 1967.

3.278. The Committee note that a scheme for the expansion of the existing Sleepers Crossotting Plant at Naharkatiya by erecting

another plant with a capacity of 5 lakhs cubic feet per shift per year was included in the Final Works Programme of 1958-59 at an estimated cost of Rs. 9.93 lakhs. The Ministry of Railways instructed the Railway Administration in February, 1958 not to start the work as the justification was to be examined in greater detail. After a delay of over 2 years the Ministry accepted the proposal in March, 1960. A further delay of 2 years occurred in calling for tenders for the supply of machinery required for the scheme and the lowest tender of a firm was accepted after another year's delay on 25th May, 1963. The agreement with the firm was executed about a year later on 21st March, 1964. They further note that the financial implication of the Plan worked out by the Railway Administration had shown that the scheme was expected to yield a return of 51.9 per cent on the capital investment and also a saving of about Rs. 6 lakhs per year due to longer life of sleepers treated in the plant. The Committee fail to understand as to why the Railways did not take steps to eliminate the delays that occurred at various stages in this case, when the scheme was considered to be a highly remunerative one. The Committee are not convinced with the arguments in justification of the delays that took place in this case. It is unfortunate that due to delays which occurred at various stages the estimated cost of Rs. 9.93 lakhs had increased to Rs. 17.11 lakhs and the Railways had also to incur a loss of over Rs. 3 lakhs in 1964 and 1965 by the treatment of the sleepers being entrusted to the contractor. The Committee suggest that the Ministry of Railways should investigate in detail the reason for the delay of several years and take steps to locate the responsibility for the abnormally long time taken in the execution of the scheme.

*South Eastern Railway—Loss due to misappropriation of stores—
para 33, page 41:*

3.279. In April, 1961, it was noticed that a Stores Issuer had misappropriated during the period August, 1960 to March, 1961 stores valued at Rs. 34,232 drawn by him from the Central Stores Depot, Kharagpur for use in the Loco shed at the same place. The stores were drawn against 37 issue notes and at least on six occasions the letters of authority were suspected to have been forged. On further investigation by a Departmental Enquiry Committee, constituted in April, 1962, a further loss of stores valued at Rs. 7,643 drawn on two occasions in August and September, 1960, was detected bringing the total loss of Rs. 41,875. The Stores-issuer was reported to have absconded from 17th March, 1961.

3.280. The Railway Administration explained in September, 1965 that the Loco Foreman had reported to the Stores Depot on a number of occasions, the non-receipt of the stores but as the latter had

not dealt with these references promptly, the fraud remained undetected. The procedure for checking the receipt of stores from the Central Stores Depot drawn by special messenger was not also free from defect. Remedial action to prevent recurrence of such losses had been taken by the Administration in December, 1964.

3.281. Among the staff found responsible for lack of supervision, one Loco Inspector and a Stores Clerk of the Loco shed, had been dismissed from service and it was proposed to recover Rs. 3,177 from one of the Ward Keepers, from whom recovery at Rs. 30 p.m. was being made from September, 1963. The question of recovering the balance amount of loss from the Provident Fund bonus of the dismissed employees and of the absconding Stores-Issuer was under consideration of the Railway Administration (September, 1965).

3.282. Explaining the action taken against the persons involved in the misappropriation of stores valued at Rs. 41,875 the representative of the Railway Board informed the Committee that the Loco Inspector, Maintenance and the Senior Stores clerk who were found responsible had been dismissed from service. The responsibility was decided upon after an enquiry conducted by two Deputy Heads of Departments. Besides these two persons, responsibility was also fixed on two Stores Depot Ward Keepers. One of the Stores Depot Ward Keepers had been charge-sheeted for dismissal. A recovery at the rate of Rs. 30 per mensem was being made from the salary of the other Stores Depot Ward Keeper on account of the value of stores issued by him without keeping proper check which amounted to Rs. 3,177.19. The Stores Issuer, the main culprit had been absconding since 1961. He had not been found by the Police so far. He had been removed from service with effect from the 14th March, 1966 because the period of continuous absence had exceeded the limit of five years beyond which the Railways had the authority to dispense with the services.

3.283. In reply to a question, the witness stated that the Ministry had considered the question of the recovery of the balance from the Provident Fund and the bonus of the dismissed employees. The amount of provident fund and bonus was of the order of Rs. 15,000 and the State contribution was of the order of Rs. 10,800 which would be adjusted against the total loss. In addition to that, there was the possibility of realising another Rs. 12,881 from the other person who had been charge-sheeted for removal from service.

3.284. While the Committee are glad to note that suitable action has been taken against delinquent officials and steps were being taken to recover the amounts from the officers responsible, they would

like to point out that the following lapses had occurred in this case:

- (i) no record of the authority letters issued to the Stores Issuer was being maintained by the Loco shed;
- (ii) proper arrangement for the safe custody of important forms and rubber stamps did not exist in the office of the Loco Foreman;
- (iii) the procedure for checking the receipt of stores drawn by special messenger was not effective in the Loco shed; and
- (iv) the Loco Foreman reported to the Local Stores Depot on a number of occasions the non-receipt of stores for which debits had been received, but the latter did not deal with the reference promptly.

3.285. The Committee desire that all these defects be remedied early. The Committee would also like the Ministry of Railways to examine in general what further steps are needed to plug the loop holes to avoid such instance in the various Stores Depots under the Railway Administrations.

Other miscellaneous irregularities, losses etc.—Para 34, page 41—Expenditure incurred on opening ceremony of Robertsganj—Garhwa Road Railway Project; Item 2—Annexure I, page 44:

3.286. In paragraph 17 of their Twenty Sixth Report (1963-64) the Public Accounts Committee welcome the steps taken by the Ministry of Finance in fixing a ceiling limit of Rs. 500 for expenditure on ceremonial functions like the inauguration of Government Buildings and Projects. Instructions to this effect were issued by the Ministry of Railways also in March, 1963.

3.287. For the inauguration ceremony of the Robertsganj-Garhwa Road Railway Link held in April, 1964, the Railway Administration incurred an expenditure of Rs. 11,195 out of which Rs. 398 was accounted for under inauguration expenses and the balance of Rs. 10,797 under publicity expenses.

3.288. It was explained by the Railway Administration that the large expenditure was incurred for giving suitable publicity to the Project and for the Railway working as a whole.

3.289. Asked how an expenditure of Rs. 11,195 was incurred on inauguration in April, 1964 when instructions were issued by the Ministry of Railways in March, 1963 restricting such expenditure of

Rs. 500, the representative of the Railway Board stated that the major portion of the expenditure was on account of publicity. Certain brochures were published and certain guests were invited on that occasion. It was thought that the opening of the new line 162 km. long in a virgin area at a cost of approximately Rs. 20 crores was a suitable occasion on which there should be a bit of publicity activity. In reply to a question the witness stated that the break-up of the expenditure under the various main heads were as follows, printing and stationery Rs. 3,157, taxi hire Rs. 215, catering Rs. 3,950, loud speaker Rs. 1900, silver memento presented to the Vice-President Rs. 1,575, labour charges Rs. 280 and the use of railway vehicles Rs. 118.

3.290. The Committee are not convinced with the arguments advanced that a major portion of the expenditure incurred in the opening of the Robertsganj-Garhwa Road Railway Project was on publicity activity. In their opinion all the items of expenditure related to inauguration ceremony. The Committee regret that the Railway Administration did not abide by the instructions issued by the Ministry of Railways in March, 1963 restricting the expenditure on inauguration ceremony to Rs. 500 only. In the opinion of the Committee, in case there was difficulty on the part of the Railways in restricting the expenditure to the ceiling fixed, the matter should have been taken up with the Department of Finance and suitable relaxation obtained instead of violating the instructions issued by the Ministry of Railways themselves.

Other losses—Para 35, pages 41—43:

3.291. A summary of the cases of losses adjusted in the accounts for the year has been mentioned in Annexure—H to the Appropriation Accounts of Railways in India—Part II—Detailed Accounts and Annexure II to the Audit Report. The total amount of losses adjusted during the year was Rs. 244.12 lakhs which was the highest during the last five years as shown below:—

Year	No. of items	(Amount in lakhs of rupees)
1960-61	1,55,580	64.21
1961-62	1,10,992	96.04
1962-63	76,930	159.73
1963-64	1,04,219	158.65
1964-65	1,31,936	244.12

3.292. The major reasons for the losses and the amounts involved were as under:—

Particulars	(Amount in lakhs of rupees)
1. Cost of certain consignments of coal not received at the destination station	94·85
2. Losses attributed to natural calamities such as fire, flood, storm, breaches, etc.	60·02
3. Losses and damages due to accidents	34·37
4. Thefts (including deficiencies in fittings of Rolling Stock attributed to thefts)	30·95
5. Inefficient balances under suspense heads and irrecoverable overpayments to staff, contractors etc., written off	9·93
6. Losses due to miscellaneous causes such as shortages, loss in transit, breakages, etc.	14·00
TOTAL	244·12

3.293. The losses due to accident related mainly to Central (Rs. 7·30 lakhs), Southern (Rs. 12·94 lakhs) and Northern (Rs. 5·69 lakhs) Railways.

3.294. If the total loss of Rs. 30·95 lakhs attributed to thefts, a sum of Rs. 27·65 lakhs (or 89 per cent of the total loss) occurred on three Railways (*viz.* Central Rs. 11·81 lakhs; Southern Rs. 10·62 lakhs and Northern Rs. 5·22 lakhs).

3.295. Besides the losses mentioned above, 20,159 items amounting to Rs. 19·35 lakhs as on 31st March, 1965 on five Railways had not been written off as losses. Of these, 2,607 items for Rs. 9·41 lakhs were more than two years old on 31st March, 1965.

3.296. Explaining the position in regard to the losses particularly in Central, Southern and Northern Railways, the Chairman, Railway Board stated that one of the major reasons was that the consignments of coal were not received at the destination stations. The witness stated that this matter had come before the PAC earlier also. Then they had submitted that as against the missing wagons there were on the other hand unlinked wagons. From year to year, it had been found that the losses on account of missing wagons were off-set by the credit obtained on unlinked wagons. He added

That mechanised system of linking the two items had been started from August, 1966. It was expected that it would be possible to bring down the losses on this account by linking these two items much earlier. It was very difficult to have any control over the natural calamities such as fire, flood, storms and breaches etc. In regard to the losses due to accidents, the witness stated that the number of accidents was coming down every year although owing to the use of costly, wagans engines etc. the cost was going up. Efforts were made to control accidents. There was safety organisation on all the Railways to create greater safety consciousness amongst the staff.

3.297. As regards losses due to thefts, the witness stated that there was the Railway Protection Force to prevent the thefts. Number of Checks had been increased. But a good deal of thefts took place in the running trains. It was very difficult to localise the thefts that took place enroute because it was necessary to have detailed checks on each and every coach at intermediate points so that section-wise detection could be made which was not possible because the compartments were full. There was check on the fittings in every compartment at the originating and destination points. The witness added that there has been slight reduction in regard to thefts of fans, bulbs etc., but the problem remained. The number of detection staff had been increased, but the cost of components had also gone up and therefore although there was reduction in the number of cases of thefts, the amount involved had gone up.

3.298. As regards the write off of losses, the witness stated that when each case of loss was written off, facts of the case were gone into minutely to locate the responsibility. It was also seen whether it was possible to recover the loss and it was only at the final stage that the loss was written off.

3.299. The Committee hope that with the introduction of the mechanised system of linking the losses due to missing wagons and the credit due to unlinked wagons, the losses on this account would be eliminated. The Committee feel that the increase in the amount of loss due to thefts in the Railways indicates the lack of proper vigilance by the Railway Protection Force. They hope that with the increase in the detection staff, the Railways would be in a position to reduce thefts of Railway property substantially.

3.300. The Committee also note that out of the total loss of Rs. 30.795 lakhs attributed to thefts, 89 per cent of this loss occurred on three Railways (Central, Southern and Northern). The Committee would like the Ministry of Railways to investigate the reasons for such a disproportionately high incidence of thefts on these three Railways and take suitable remedial measures.

IV

OUTSTANDING RECOMMENDATIONS

Action taken on the recommendations of the Public Accounts Committee contained in their 53rd Report (Third Lok Sabha)

Replies received from the Ministry of Railways (Railway Board) showing action taken or proposed to be taken on the recommendations of the Committee pertaining to the Railway Accounts have been included in Part III* of this Report.

4.2. The Committee note that the action taken notes on the following recommendations are still pending from the Ministry of Railways (Railway Board) and Ministry of Supply and Technical Development. They desire that notes on these items may be furnished immediately and delays in submission of action taken notes avoided in future.

S. Nos. 38, Appendix XIX. 53rd Report (Third Lok Sabha)—
Ministry of Railways.

S. No. 17 (Paras 3.67 to 3.69). Appendix XIX, 53rd Report
(Third Lok Sabha)—Ministry of Supply and Technical
Development.

4.3. In a written note the Ministry of Railways (Railway Board) have stated that replies to the following recommendations are provisional:

S. Nos. 18 to 22 and 41, Appendix XIX to 53rd Report (Third
Lok Sabha).

4.4. The Committee find that in the following cases the replies furnished are of an interim nature:

S. Nos. 19, 22, 24, 33 (Para 3.207), 34 and 39 Appendix XIX
to 53rd Report (Third Lok Sabha).

4.5. The Committee would, therefore, await further notes on these items.

*Not printed (one cyclostyled copy laid on the Table and five copies placed in Parliament Library.)

Southern Railway—Non-recovery of expenditure incurred on repairs of private irrigation works for the protection of the Railways—Para 25 of Audit Report (Railways) 1965, pp. 18-19 (S. No. 16, paras 3.47—3.51), Appendix XIX to 53rd Report (Third Lok Sabha).

4.6. A sum of Rs. 1,60,570 relating to the period from 1943-44 to 1961-62 was outstanding in the Railway's books from the State Governments of Madras and Andhra Pradesh on account of amounts realised from the land holders in lieu of repairs carried out to the private irrigation works such as tanks, river channels, embankments etc. by the District Collectors. Of this amount Rs. 1,42,970 was more than 5 years old.

4.7. The Committee (1965-66) were informed in evidence that the Railway Administration had been trying for the last many years to get these amounts through the State Governments. In a number of cases the owners had refused and in some cases they had gone to the court of law and the cases were still pending. The Madras Government had informed the Railway Administration that the previous arrears would be cleared in the course of 2 years. Andhra Pradesh Government had tentatively agreed to pass on credit provided the Railway Administration agreed to reimburse the Andhra Government subsequently in case the amounts became ultimately irrecoverable.

4.8. The Committee (1965-66) in para 3.51 of 53rd Report (Third Lok Sabha) had desired to be informed of the latest position regarding the realisation of the amounts outstanding.

4.9. The Ministry of Railways (Railway Board) have stated in a note (Appendix XI) that the outstanding amount from the State Governments of Madras and Andhra Pradesh which was Rs. 1,58,213 as on 31-1-1965 had come down to Rs. 1,53,273 as on 30-6-1966. They had also brought the Committee's observations to the notice of the two State Governments.

4.10. The Committee are unhappy to note that out of Rs. 1,58,213 outstanding from the State Govts. of Madras and Andhra Pradesh as on 31-1-1965, only Rs. 4,940 have been realised upto 30-6-1966. They are not satisfied with the progress made in this direction.

4.11. The Committee desire that special steps should be taken by the Railways so that the full amount is recovered from the State Govts. expeditiously.

Information in respect of Stores purchased from abroad (S. No. 41 paras 4.16—4.19), Appendix XIX to 53rd Report (Third Lok Sabha).

4.12. The Public Accounts Committee (1958-59) were informed that the DG., ISD., London was not furnishing to the Ministry of Railways information regarding the availability of stores and shipments made at periodic intervals. The Committee, therefore, suggested that the purchase Organisations abroad should in this connection furnish to the indenting Ministries fortnightly reports from the end of January and weekly reports in the month of March, as it would enable them to estimate their financial commitments more precisely.

4.13. The Ministry of Railways had stated in a note that in pursuance of the recommendations of the PAC a procedure had been formulated and had been working for the last four years under which the Railways were receiving information through periodical Reports from the Purchase Organisations abroad about the placement of orders, despatch particulars and payments effected.

4.14. The Committee (1965-66) in para 4.19 of their 53rd Report (Third Lok Sabha) had desired that the intervals at which the information was being supplied by the purchase organisations, the nature of the Reports (whether they contain up-to-date information or not) and number of Reports received by the Ministry in the last six months of the financial year 1965-66 might be intimated to them. They also wanted to know if the Ministry of Railways had formulated any plans/proposals for the improvement of the existing procedure and if so the details thereof might be furnished.

4.15. The Ministry of Railways (Railway Board) have stated in a note (Appendix XII) that there were two Supply Missions abroad one located at London and the other at Washington. The procedure of periodical reports from the Supply Missions abroad had been in vogue for over five years now, and the Supply Missions were expected to furnish monthly reports from April to January, fortnightly reports in February, and weekly reports in March each year. Thus 10 reports should have been furnished by them to each of the Railways in the latter half of the year 1965-66. The actual number of reports submitted by the I.S.M., Washington/London was 88. The information furnished by these Missions to some of the Railways was incomplete and this fact had also been recently brought to their notice with a view to effecting improvement in the accuracy and utility of future reports.

4.16. The Railways had also been instructed to bring any lacuna in the reports promptly to the notice of the Supply Missions and obtain the missing information so that their budgeting did not suffer from avoidable inaccuracies.

4.17. The possibility of obtaining forecasts of likely payments during the last two months of the year in addition to the particulars of actual payments now received through the periodical reports was being explored. The Ministry have stated that if a refinement of procedure in this direction became possible, it might help to improve the accuracy of estimation towards the close of the year.

4.18. The Committee regret to find that the India Supply Mission, London and India Supply Mission, Washington, had furnished during the six months (October, 1965 to March, 1966) 88 periodical reports to different Railways against 200 such reports which they were supposed to send. They also find that the information furnished by these Missions to some of the Railway was incomplete.

4.19. The Committee need hardly emphasise that in order to avoid wide variations between estimates and actuals on account of materials purchased from abroad, it is essential for the Supply Missions abroad to furnish the periodical reports about the placement of orders, despatch particulars and payments effected promptly and regularly. They also desire that such reports should be complete in all respects so that the Railways may be able to estimate correctly their financial commitments.

NEW DELHI;

28th January, 1967.

Magha 8, 1888 (S).

R. R. MORARKA,

Chairman,

Public Accounts Committee.

APPENDIX I

(Ref. Para No. 2.14 of the Report)

Explanatory Notes on excesses over voted grants and charged appropriations during 1964-65 vide para 5 (pages 5 to 7) of Audit Report (Rlys.), 1966.

During 1964-65, actual expenditure exceeded the voted amount under four grants, viz. grants No. 5, 8, 12 and 15. There was no excess under any of the "Charged" appropriations.

1.1. The excess was less than one per cent of the total grant in all the cases, being only 0.30 per cent, 0.76 per cent, 0.39 per cent and 0.61 per cent of the respective grants. In absolute figures the excess was Rs. 47 lakhs against the sanctioned grant of Rs. 159 crores under Grant No. 5—Repairs and Maintenance, Rs. 24 lakhs against the sanctioned grant of about Rs. 32 crores under Grant No. 8—Operation other than Staff and Fuel, Rs. 40 lakhs under Grant No. 12—Payments to General Revenues against the sanctioned grant of about Rs. 105 crores, and Rs. 303 lakhs against the sanctioned grant of over Rs. 494 crores under Grant No. 15—Open Line Works—Additions and Replacements.

In considering the excess under Grant No. 15 mentioned above, it has to be borne in mind that funds for works on the Railways in 1964-65 fell under four grants, namely, Grant No. 13 for Open Line Works charged to Revenue, Grant No. 14 for the Construction of New Lines charged mostly to Capital, Grant No. 15 for Open Line Works of Additions charged to Capital and Replacements charged to the Depreciation Reserve Fund, and Grant No. 16 for Open Line Works charged to the Development Fund, the distinction being mainly on the basis of the allocation of the cost of individual works. The final allocation of cost, on the basis of the detailed estimates and financial implications, is sometimes different from the provisional allocation of cost shown in the works programmes, according to which the demands for grants are prepared. The possibility of reducing the number of grants for works was, therefore, examined in consultation with Audit, and from 1965-66 the expenditure on all Open Line Works chargeable to Capital or the Depreciation Fund or the Development Fund is being voted and accounted for under Grant No. 15, Open Line Works charged to Revenue being provided for under Grant No. 13 and Construction of New Lines under Grant No. 14. However, there is some

overlapping still between the content of Grant No. 14—Construction of New Lines, and that of Grant No. 15—Open Line Works, because it has been the practice to include in the former not only the new lines going into virgin territories but also schemes of electrification of sections of Open Line. Accuracy of budgeting for works expenditure as a whole can also be judged by taking all the four grants for works together. Against the total provision of the four voted works grants of Rs. 621.14 crores, actual expenditure in 1964-65 totalled only upto Rs. 611.40 crores and there was a saving of Rs. 9.74 crores or 1½ per cent on the total (details shown below).

(Rs. in crores)

	Budget Estimates	Final Appropriation (Budget plus Suppl.)	Actual Expenditure
13—Open Line Works Revenue	13.00	13.00	10.63
14—Construction of new Lines	80.84	80.84	75.20
15—Open Line Works— Additions and Replacements	489.24	494.29	497.31
16.—Open Line Works— Development Fund	33.01	33.01	28.26
TOTAL	616.09	621.14	611.40

1.2. As the excesses to be regularised by Parliament have to take account of any erroneous adjustments as between demands, the figures listed in Annexure 'A' to this memorandum are of the excesses as shown in Para 31 of the Appropriation Accounts for 1964-65—Part I—Review and Para 5 of the Audit Report (Railways) 1966 in which the items of mis-classification of expenditure have been taken into account.

1.3. The causes of the excesses under individual grants are explained in greater detail in the attached notes on each grant.

1.4. As stated in the memorandum on excesses in 1963-64, every care is taken in assessing the expenditure under the various grants as precisely as possible and to provide extra funds by taking supplementary grants where necessary so that excesses over voted grants/charged appropriations are obviated as far as possible.

1.5. This memorandum has been seen by Audit.

Sd/- K. S. A. PADMANABHAN,
Director, Accounts, Railway Board.
17-5-1966.

I. Excess of Rs. 47,23,623 under Grant No. 5—Revenue—Working Expenses—Repairs and Maintenance (in relation to the voted final Grant of Rs. 1,59,22,11,000)—0·30 per cent.

(a) This grant deals with expenditure on repairs and maintenance of Railway assets all over the entire system and the excess of Rs. 47 lakhs is less than one third of one per cent of the grant of 1,59,22 lakhs. It occurred mainly on the Central Railway (18 lakhs), the Eastern Railway (14 lakhs) and the North Eastern Railway (12 lakhs), the balance of three lakhs being the aggregate of comparatively small variations on other Railways.

(b) Heavier expenditure towards the close of the year in the sheds and work-hops on rolling stock which depends on the actual physical condition of rolling stock coming in for attention and on repairs to workshop machinery and on the maintenance of electrical and signal and telecommunication services including renewal of parts etc. found necessary accounted for the major portion (43 lakhs) of this excess. Heavier debits received and more expenditure incurred on stores, including surgical instruments, furniture etc. (5 lakhs) were offset by an equivalent increase in the credits for adjustments made through the stock adjustment account. The balance of 4 lakhs excess was due to other minor variations.

As shown in Annexures 'A' and 'B' excess actually requiring regularisation is Rs. 46,49,848 (after taking into account, certain erroneous adjustments) in relation to a voted grant of Rs. 1,59,22,11,000 or 0·29 per cent.

II. Excess of Rs. 24,08,807 under Grant No. 8—Revenue—Working Expenses—Operation other than Staff and Fuel (in relation to the voted final grant of Rs. 31,54,80,000)—0·76 per cent.

(a) This grant is for railway miscellaneous operational expenditure on items like stationery, forms and tickets, handling, collection and delivery of goods and expenses at out-agencies, compensation for goods lost or damaged, including amounts kept in suspense pending settlement of inter-railway liability. Electrical general services, Clothing and stores and other miscellaneous operational expenses. The excess of Rs. 24·09 lakhs works out to about 0·76 per cent of the final grant of Rs. 31,54·80 lakhs, which included a supplementary grant of Rs. 42·78 lakhs. (This compares with an excess of Rs. 59,50

lakhs in the previous year, which worked out to 2·03 per cent of the final grant).

This is an omnibus grant covering divergent items of expenditure not always susceptible of close assessment and the excess during the year under report was the aggregate of small variations under Compensation for goods lost or damaged, including inter-railway claims debited to Suspense pending settlement of the responsibility and share of each Railway, fluctuations in the adjustments of conference hire and penalty charges on rolling stock interchanged among Railways etc.

(b) The railway-wise break up of excess under final heads is as under:—

The Northern Railway (17 lakhs), the North Eastern Railway (2 lakhs), the Southern Railway (2 lakhs), the Western Railway (2 lakhs), the Central Railway (2 lakhs) and the South Eastern Railway (1 lakh); partly offset by savings (4 lakhs) on the Eastern Railway and about half a lakh on the North-east Frontier Railway. The increase in expenditure on the Northern Railway amounting to about 17 lakhs out of the total excess of 24 lakhs under this grant resulted chiefly from adjustment of heavier debits raised by other Railways for compensation paid for goods lost or damaged (8 lakhs) along with less credit received on account of conference hire and penalty charges on stock interchanged with other Railways (8 lakhs) and heavier expenditure on clothing and other stores towards the close of the year (3 lakhs); partly counterbalanced by savings on account of fluctuations in adjustment of expenditure on account of handling charges (2 lakhs) and electric energy consumed at stations, yards etc. (2 lakhs).

(c) The variations on other Railways were of comparatively small magnitude and call for no special remarks. The excess (7 lakhs) under suspense occurred chiefly on the Central Railway (6 lakhs), due mainly to more payments on compensation claims involving inter-railway transit pending ascertainment of the incidence on each Railway.

(d) After including the net amount of misclassifications indicated in Annexures 'A' and 'B', the excess actually requiring regularisation by the Parliament works upto Rs. 24,30,157 in relation to the voted final grant of Rs. 31,54,80,000 or 0·77 per cent.

III. Excess of Rs. 40,49,900 under Grant No. 12—Payments to General Revenues (in relation to the voted final grant of Rs. 1,04,52,44,000)—0·39 per cent.

(a) The excess of about Rs. 40 lakhs was less than half a per cent of the final grant of Rs. 104·52 crores. This was chiefly due to the increase in the Capital-at-Charge on which dividend is payable i.e. Capital-at-Charge to end of the previous year plus half the capital expenditure during the year. At the time the budget for 1964-65 was originally prepared, the Capital-at-Charge at the end of 1963-64 assessed (in the revised estimates for that year) was Rs. 2136 crores but the actuals came out to be Rs. 2160 crores. The actual Capital expenditure during the year under report was Rs. 275 crores as against the original budget estimate of Rs. 253 crores and the revised estimate of Rs. 252 crores. The increase in the Capital-at-Charge upto the end of 1963-64 was covered by a supplementary grant obtained from Parliament but the increase of about Rs. 23 crores in the actual Capital expenditure for 1964-65 over the revised estimates, involved additional payment of dividend of about Rs. 159 lakhs as against Rs. 95 lakhs provided for on this account in the supplementary grant of Rs. 1·29 crores, thus causing an excess of about Rs. 64 lakhs over the final grant.

(b) The aforesaid excess was, however, partly offset by two factors:—

Firstly, only a smaller amount became due as deferred dividend on the basis of actual earnings on lines newly opened to traffic. Dividend on Capital invested on new lines is deferred during the period of their construction and for five years after the opening of those lines for traffic; from the sixth year onwards, if the net income of those lines leaves a surplus after the payment of current dividend, deferred dividend (calculated at the rate of interest charged to Commercial departments) has to be paid besides the current dividend.

Secondly, the loss in the working of unremunerative strategic lines, which is adjustable against the Dividend payable under the recommendations of the Railway Convention Committee 1960 was Rs. 8 lakhs higher than anticipated.

IV. Excess of Rs. 3,02,69,195 under Grant No. 15—Open Line Works—Additions and Replacements (in relation to the voted final grant of Rs. 4,94,28,78,000)—0·6 per cent.

This grant deals with expenditure on additions to and replacements of railway assets such as rolling stock, machinery and works. It also includes debits and credits to suspense accounts for stores, manufacture and miscellaneous advances.

The excess of Rs. 303 lakhs absolute figures works out to only 0·6 per cent of the final grant of Rs. 4,94,29 lakhs. The excess expenditure on the Southern (1·92 crores), the Western (1·40 crores), the Northern (1·28 crores), the Central (98 lakhs), the South Eastern (93 lakhs), the North-east Frontier (66 lakhs) and the North Eastern (26 lakhs) Railways was partly offset by savings under Rolling Stock bulk orders (2·89 crores), Integral Coach Factory (1·23 crores), the Eastern Railway (24 lakhs) and the C.L.W. (5 lakhs).

The excess was under "Rolling Stock" (5,55 lakhs) and "Works" (98 lakhs) and was partly counterbalanced by savings under "Misc. Advances" (2,48 lakhs), "Manufacture Suspense" (69 lakhs) and "Stores Suspense" (34 lakhs).

The excess of 5,55 lakhs under "Rolling Stock" was chiefly due to accelerated production of wagons and collection of more raw materials (2,48 lakhs) and cost of spares such as wheels etc., underframes and wagon components etc. accommodated under "Misc. Advances—'Capital'" during the previous years, transferred under this sub-head of grant (in the accounts of all other railways) (2,91 lakhs); this was offset by the saving of 2,91 lakhs explained in the succeeding sub-para so that the net offset of this adjustment under the grant as a whole was 'nil'.

The savings of 2,48 lakhs under 'Misc. Advances' occurred chiefly due to transfer from this head to the Railways concerned of certain expenditure relating to wheelsets and underframes etc. pertaining to the previous years at the close of the year; this was taken in reduction of expenditure within the grant under this head according to a decision taken after the final modification (2,91 lakhs); partly offset by certain debits taken under this head pending acceptance etc. (43 lakhs).

The excess of 98 lakhs under 'Works' was against an aggregate final allotment of 1,47,04 lakhs and occurred mainly on the S.E. Railway (95 lakhs) due to adjustment of more debits for materials than anticipated and also due to better progress on certain work than expected owing to improved supply of materials etc.

The other saving of small magnitude occurred under 'Manufacture Suspense' (69 lakhs) and 'Stores Suspense' (34 lakhs).

As shown in Annexures 'A' and 'B', the excess actually requiring regularisation is Rs. 3,02,39,043 (after taking into account, certain erroneous adjustments) in relation to a voted grant of Rs. 4,94,28,78,000 or 0·6 per cent.

ANNEXURE 'A'

Statement showing excess over voted Grants as shown in para 3 of the Railway Audit Report 1966 as well as excesses worked out after taking into account Items of Misclassification

Sl. No. and Name of Grant.	(Figures in units of rupees)									
	Original grant	Supplementary Grant	Final Grant	Expenditure	Excess	Real Excess after taking into account misclassification	%age of Excess (Col. 7 to Col. 5)	%age of real excess (Col. 8 to col. 5).	9	10
1	2	3	4	5	6	7	8	9	10	
1	5—Revenue— Working Expenses— Repairs and Maintenance	1,51,58,21,000	7,63,90,000	1,59,22,11,000	1,59,69,34,623	47,23,623	46,49,848	0.30	0.29	
2	8—Revenue— Working Expenses— Operation other than staff and Fuel.	31,12,02,000	42,78,000	31,51,80,000	31,78,88,807	24,08,807	24,30,157	0.76	0.77	
3	12—Payments to General Revenues	1,23,23,45,000	1,28,99,000	1,04,52,44,000	1,04,92,93,900	40,49,900	40,49,900	0.39	0.39	
4	15—Open Line Works Additions and Replacements	4,89,23,32,000	5,05,26,000	4,94,28,78,000	4,97,31,47,195	3,02,69,195	3,02,39,043	0.61	0.61	

ANNEXURE 'B'

Grant No. 5—Revenue—Working Expenses—Repairs and Maintenance.

S. No.	Particulars	Amount
		Rs.
1	Excess shown in the Appropriation Accounts	47,23,623.
2	(a) Deduct :—	
	(i) Expenditure relating to grant 8 (Rs. 12,000), grant 10 (Rs. 88,747), grant 13 (Rs. 1,494), grant 15 (Rs. 1,494 + Rs. 81,880) and grant 16 (Rs. 1,353) booked under grant No. 5	1,86,968.
	(ii) Expenditure erroneously booked twice under grant 5	11,328.
		1,98,296.
	(b) Add :—	
	Expenditure relating to grant 5 booked under grant 8 (Rs. 19,000), grant 13 (Rs. 2,414), grant 15 (Rs. 75,297) and grant 16 (Rs. 21,927 + Rs. 5,883)	1,24,521.
	Real excess to be regularised by Parliament (1)—2 (a) + 2(b).	46,49,848

Grant No. 8—Revenue—Working Expenses—Operation other than staff and fuel

1	Excess shown in the Appropriation Accounts	24,08,807
2	(a) Add :—	
	Expenditure relating to grant 8 booked under grant 5 (Rs. 12,000) and grant 9 (Rs. 29,369)	41,369.
	(b) Deduct :—	
	Expenditure relating to grant 5 (Rs. 19,000) and grant 9 (Rs. 1,019) booked under grant 8	20,019.
	Real excess to be regularised by Parliament 1 + 2(a) — 2(b)	24,30,157

Grant No. 15—Open Line Works—Additions and Replacements

S. No.	Particulars	Amount
1	Excess shown in the Appropriation Accounts	3,02,69,195
2	(a) Deduct :—	
	(i) Expenditure relating to grant 2 (Rs. 1,032), grant 5 (Rs. 75,297), grant 9 (Rs. 24,545), grant 13 (Rs. 5,361) and grant 16 (Rs. 33,132 + 531) booked under grant 15.	1,39,898
	(ii) Expenditure erroneously booked twice under grant 15	69,119
		2,09,017
	(b) Add :—	
	(i) Expenditure relating to grant 15 booked under grant 4 (379) grant 5 (81,880 + 1,494), grant 9 (25,104 + 5,741); and grant 16 (34,843 + 128)	1,49,569
	(ii) Wrong adjustment of certain credit as reduction of expenditure instead of credits or recoveries outside the scope of grant.	29,296
		1,78,865
	Real excess to be regularised by Parliament (1)—2(a) + 2(b)	3,02,39,043

APPENDIX II

(Ref. Para No. 2.29 of the Report)

Para 6 (c)—Savings in Grants & Appropriations

(a) What is the total number and amount of the cases pending in the courts in respect of each of the four charged Appropriations namely, Revenue—Administration, Revenue—Repairs and Maintenance, Revenue—Operating Staff and Revenue—Operation (Fuel) on the Eastern Railway, Northeast Frontier Railway, Southern Railway and South Eastern Railway?

(b) Have the Ministry enquired into the reasons for the non-finalisation of any of the pending cases during the last three years or was the provision made without ascertaining the number of cases likely to come up for final settlement?

(a):—No cases were pending on the four railways referred to and the amount is also nil.

2(b):—Token provision for 'charged' appropriations in the Demands for Administration (4), Repairs & Maintenance (5), Operating Staff (6) and Operation (Fuel) (7) was being made *ad hoc* by the Railway Board for all railways including the Eastern, N.F. Southern and South Eastern Railways commencing from the budget year 1962-63 for the reason explained hereunder.

Up to 1961-62 budget, no provision for 'charged' expenditure was being made in the demands 4 to 7 except where the expenditure arose directly out of court decrees. However, in August 1961 before the preparation of the revised estimates for that year, a decision was communicated by the Ministry of Law in consultation with the Comptroller & Auditor General of India that all awards given by Arbitrators appointed for settlement of disputes should be classified as 'charged' within the meaning of Article 112(3) (f) of the Constitution. Following this decision, some of the railways included some provision under Demands 5 and 6 in their revised estimates for 1961-62. The provision so made was fully utilised. There was even an excess under Demand 6 and also under Demand 7 in which no provision was included in the revised estimates. Simultaneously with the inclusion of provision for 'charged' expenditure in the revised estimates, it was decided to include an *ad hoc* provision of one lakh every year under each of the demands 4, 5, 6 and 7 distributed over the various railways in order to avoid the possibility of sup-

plementary or excess demands having to be presented later. However, late in 1964 the Ministry of Finance in consultation with the Ministry of Law redefined the term 'Arbitral Tribunal' to mean a tribunal constituted by the State and invested with the State's inherent judicial powers. In view of this restricted definition of the term 'Arbitral Tribunal', the number of cases requiring provision under 'charged' appropriation has also come down substantially. It is, therefore, proposed to discontinue the procedure of making *ad hoc* provision for 'charged' expenditure commencing from the budget estimates 1967-68. Another factor which has weighed in the proposed decision to discontinue this procedure is a recent clarification of the Contingency Fund rules which permits withdrawals from the Contingency Fund for covering inescapable excess expenditure not covered by the voted grant. The railways will hereafter be required to make 'charged' provision only on the basis of their anticipation of amounts payable during the year in satisfaction of decrees in suits pending before Courts.

APPENDIX III

(Ref. Para No. 2·44 of the Report)

Para. 7.—Control over Expenditure :—

POINTS	REPLY
(i) What is the overall percentage of the foreign equipment in the Research, Design and Standards Organisation ?	82 per cent.
(ii) Whether there has been any increase in the foreign equipment during the last five years ?	76 per cent of this foreign equipment has been procured in the last five years.

APPENDIX IV

(Ref. Para No. 2.50 of the Report)

Para 7— Control over expenditure.

POINT 4:

How much overtime allowance was paid to the railway staff in 1965-66 as compared to 1954-55?

REPLY:

During the year 1965-66 the railway staff were paid Rs. 4,74,48,794.77 as overtime under various Labour Laws or departmental orders. The Railway-wise break-up is indicated in the statement attached. As for the year 1954-55, figures at this distant date are not readily available.

*Statement showing the figure of overtime paid to the staff on Railway during
1965-66**

Sl. No.	Railway	Amount of overtime paid to staff during 1965-66	
		Rs.	P.
1.	Central	81,94,787	64
2.	Eastern	99,42,342	57
3.	Northern	39,58,154	82
4.	North Eastern	18,42,000	00
5.	Northeast Frontier	35,81,347	00
6.	Southern	72,37,049	12
7.	South Eastern	69,56,433	00
8.	Western	37,88,613	62
9.	C.L.W.	10,52,000	00
10.	D.L.W.	19,000	00
11.	I.C.F.	8,72,267	00
12.	D.B.K. Project	Nil	
13.	Railway Electrification	4,800	00
		4,74,48,794	77

*Figures for 1954-55 not available.

NOTE.—South-Central Railway was formed only on 2-10-1966 and the information is covered in Central and Southern, Railways' figures.

APPENDIX V

(Ref. Para No. 2.52 of the Report)

Para 7—Appropriation No. 8—Revenue Working Expenses—Operation other than Staff and Fuel.

POINT:

How many cases relating to the Northeast Frontier Railway were pending in the courts at the end of each year since 1961-62?

REPLY:

The number of cases relating to Northeast Frontier Railway—App. No. 8 pending in the courts at the end of each year since 1961-62 is given below:—

At the end of

1961-62—Nil.

1962-63—7.

1963-64—Nil

1964-65—17.

This does not include cases of compensation claims for which payments under court decrees/awards were made by other Railways on behalf, *inter alia*, of this Railway.

Para 7—Appropriation No. 8—Revenue Working Expenses—Operation other than Staff and Fuel.

POINT:

Have the Ministry enquired into the reasons for the non-finalisation of the pending cases or was the provision made on an *ad-hoc* basis without ascertaining the number of cases likely to come up for final settlement?

REPLY:

The provision for 'charged' expenditure under this demand is mainly against payment in satisfaction of court decrees to compensa-

tion for goods lost or damaged. The provision made in each of the years since 1961-62 has been with reference to the cases pending, trend of expenditure in the past, and advices received from other railways regarding the extent of the N. F. Railway's share of debits likely to be adjusted during the year. For 1961-62 and 1962-63 the charged expenditure actually booked was close to the budget estimate; but in the subsequent two years there have been some noticeable variations. The variations are mainly due to two factors, viz. (a) the revised definition of the term 'Arbitral Tribunal' communicated by the Ministry of Finance in consultation with the Ministry of Law late in the financial year 1964-65 (November 1964) as a result of which many items which used to be classified as 'charged' came to be classified and provided as 'voted' expenditure (b) delays/shortfalls in the receipt of the N. F. Railway's share of debits relating to claims settled initially by other Railways.

To a smaller extent the variation is also due to fewer cases being decided by courts during the year than was anticipated.

In this connection, the Ministry would also like to invite the Committee's attention to the general point made by this Ministry in the memorandum furnished in reply to the Committee's recommendation No. 4 in their 53rd Report (Annexure A).

ANNEXURE A

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Action taken on the recommendations of the Public Accounts Committee.

RECOMMENDATION OF THE COMMITTEE

The Committee would, reiterate their recommendation contained in para 5 of 32nd Report (Third Lok Sabha) and suggest that the reasons for such inaccurate assessment particularly on the Northern Railway, year after year, should be looked into and suitable steps taken to improve the position.

(S. No. 4, Appendix XIX
to 53rd Report, 1965-66).

ACTION TAKEN BY GOVERNMENT

In the light of the recommendation of the Committee, the problem of improvement in the estimation of the number of Court cases etc. expected to be finalised during the year and the corresponding monetary provision has been tackled, and the Northern Railway has taken various steps including the introduction of special control registers in the Claims Branch of the Commercial Deptt. to watch the settlement of Court cases.

In view of the uncertainties inherent in legal proceedings, it is obviously difficult to estimate precisely at the stage of preparing the original budget the amount likely to be required, and any estimate must inevitably involve a large element of approximation and it is only at the later stages of the Revised estimate and Final modifications that closer accuracy can be attained. In this particular Grant, the Northern Railway's original budget provision was Rs. 950 thousands and this had to be increased to Rs. 1401 thousands in the final allotment. Against this, the actual expenditure was Rs. 1397 thousands and the variation from the final allotment was thus very marginal.

The need for ensuring the maximum accuracy possible in budgeting for Charged Expenditure has been repeatedly impressed on the Railways.

This has been seen by Audit.

K. S. A. PADMANABHAN,
Director, Accounts
17-12-1966.

APPENDIX VI

(Ref. Para No. 2.57 of the Report)

Appropriation Accounts (Railways), 1964-65—Part II—Detailed Accounts. Pages 76-77—Profit and Loss Account of Railway Catering

POINT (a):

Did the Ministry enquire into the reasons for not collecting the sales tax from the customers immediately after the issue of notification by the State Governments imposing sales tax on edibles etc., supplied by the Departmental Catering Units?

(b) Why did it take more than three years for the Ministry of Railways to decide the issue of collecting sales tax on commodities sold by the Railways in their Departmental Catering?

REPLY (a) & (b):

The general issue of sales tax on departmental catering sales arose out of a meeting of the Informal Consultative Committee of the Southeastern Railway held in December, 1959. The Board asked the Railways in January 60 to report the exact position about collection and levy of sales tax on their catering sales. Replies received from the Railways indicated that some State Governments were not levying sales tax while some had exempted Railway catering sales from the levy and certain States had not raised the issue of sales tax till then. The practice in regard to the collection of sales tax followed by the Railways therefore, varied from Railway to Railway and from State to State even on the same Railway. In some cases, the Railways had contested the liability to sales tax on the catering sales on legal advice as the catering units were being run on a 'no profit no loss' basis and they were not strictly 'dealers' carrying on any business with a profit motive.

Detailed information could only be collected from the Railways by July' 60. The legal and administrative aspects of the policy to be adopted about sales tax on Railway departmental catering sales, were considered and instructions issued by the Board in May' 61 that:

where Railways are legally liable to pay sales tax, the Railways should approach the concerned State Governments for exemption and if they are not agreeable to grant exemption, sales tax may be paid to the State Governments and the same should be collected from the passengers. After the information had been collected in July '60 from the Railways, the matter remained under the consideration of the Board only for a few months till May 1961 when the policy directive was issued.

The reasons for the non-collection of sales tax to the extent of Rs. 4 lakhs mentioned in the foot-note to the Profit & Loss Account of Departmental Catering for 1964-65 on the four Railways—Southern, Central, Eastern and North-eastern, are three-fold:—

- (i) Doubts about the legal liability of the Railways to pay sales tax on their catering sales under the respective State Sales Tax Acts as they existed at that time;
- (ii) Practical difficulties in the realisation of sales tax separately on items sold from platform stalls and trolleys, like sweets, milk, coffee, tea, for which no cash voucher is issued and any single sale is also generally for a small fraction of a rupee;
- (iii) Railways' efforts to secure exemption from the levy of sales tax on the catering sales as the service is an amenity to the public and Railways were not engaged in this activity with a profit motive.

Out of the amount of Rs. 4 lakhs mentioned in the Profit & Loss Account, the Southern Railway had to make a payment of Rs. 1,25,235 under protest to the Madras Government. The Railway's contention has been that no sales tax was leviable on their catering sales prior to 1.4.62, when the Act was amended. The levy of sales tax has been contested in the Madras High Court in a writ petition.

The Southern Railway had to pay Rs. 83,321 to the Mysore Government as its contention that Railway catering sales were not liable to sales tax under the Mysore Sales Tax Act was not accepted by the Sales Tax Authorities and the Railway's petition before the Appellate Authorities also did not succeed. The Mysore Sales Tax Act was amended in 1963 to cover sales made in the course of business with or without profit motive.

The Central Railway had to make an arrear payment of Rs. 13,352 under protest. On the advice of their Law Officer and the Ministry of Law, they are contesting the assessment. As the legal opinion

obtained earlier in 1957 by the Railway was that it need not register itself as 'dealer' under the Maharashtra Sales Tax Act, the Railway was not collecting any sales tax prior to 15-7-62 from which date the Bombay Sales Tax Act was amended to include Central Government Departments as 'dealers.'

The payment of sales tax by the Eastern Railway (Rs. 1,55, 858) and North-eastern Railway (Rs. 24,988), was on the total turn-over of their sales for items like tea, coffee, milk, sweets etc., which were sold from their platform stalls and trolleys without cash vouchers and sales tax could not be recovered from the passengers. These Railways were also representing to the State Governments for the grant of exemption. The State Governments did not agree to the Railways' request. The Railways then brought their difficulties in the realisation of sales tax for such items to the Board's notice and instructions were issued in January' 64 that the tariff on such items should be suitably increased to cover the element of sales tax.

APPENDIX VII

(Ref. Para No. 3.173 of the Report)

Para 22—S. E. Railway—Loss due to failure of contracts.

POINT:

The Chief Engineer Northern Railway in a letter to the Chief Engineer (Construction) had stated that "this firm (M/s..... however did not tender for any bridge on this project and as such no bridge works have been allotted to them."

- (i) How in view of the above, the bridge work was allotted to this firm? Whether the Railway Board had satisfied themselves that the firm had the necessary background for doing this type of work?
- (ii) Whether any inquiry was made with regard to the financial stability of the firm before allotting them the work and whether the firm had assets or prospect to satisfy the decree of the Court? If so, the details thereof?
- (iii) Whether the firm had done any big work on Zonal Railways and if so, the details of the work done?
- (iv) Whether any tender for similar work in the locality was invited by the Railway Administration on or about the same time and if so, how did the rates compare with those offered for the works mentioned in the Audit para;
- (v) Whether the South Eastern Railway had taken steps to inform other Railways about the non-completion of the work by this firm, so that, no other work was allotted to this firm? What is the responsibility of the Railway Board in this connection? What is the general procedure followed in such cases and whether the Railway Administration consider it adequate or not?

REPLY:

(1) M/s..... had stated in their covering letter dated 20-3-1961 to the tender that they were assigned contracts of the value of Rs. 25 lakhs on the Robertsganj-Garhwa Road (new line) Construction on

the Northern Railway. The South-Eastern Railway administration made a confidential reference to the Northern Railway to ascertain the firm's financial capacity, performance and reliability. The Chief Engineer (Construction), Northern Railway stated in reply to this reference that the performance of the firm M/s. . . . (in respect of earth work information) in all the sections allotted to them was quite satisfactory and that they had not tendered for any bridge work. The firm had also indicated in their covering letter for the tender that both the Technical Directors of the Company were Engineers with more than 15 years' experience and they had successfully carried out various major earth moving projects. On these facts the Tender Committee felt that this firm was capable of completing the bridge work in addition to the other doubling works allotted to them.

(ii) As already mentioned in reply to part (i) of the Question, the financial capacity, performance and reliability of the firm were verified by the South Eastern Railway Administration by the confidential reference made to the Chief Engineer (Construction), Northern Railway for whom this firm was carrying out several major works. The Chief Engineer, Northern Railway had advised in his reply that this Contractors' performance was quite satisfactory in all the sections where work had been allotted to them. Besides, this firm had also indicated that they had more than 15 years' experience in handling heavy earth moving machinery and had carried out various large and important earth moving projects successfully and they were currently engaged in carrying out large scale land reclamation works for the Bihar Government. They had also submitted along with their tender, a list of costly earth-moving machinery which were available with them. In view of this the Railway administration was satisfied about the financial stability of the firm before allotting the works to them. No other specific enquiry was made with regard to the financial stability of the firm.

(iii) This firm had not done any big work on the Zonal Railways other than the Northern Railway. The works awarded to this firm on the Northern Railway, which were in progress at the time their

tenders for the works on the South Eastern Railway were being considered are listed below:

Robertsganj-Garhwa Road New Line Construction

Sl. No.	Description	Approximate value of the work
		Rs.
1	Earthwork in zone CS/5	5.00 lakhs
2	Earthwork in zone CW/9	8.9 lakhs
3	Earthwork in zone CS/12	6.6 lakhs
4	Earthwork in zone CS/14	1.9 lakhs
5	Earthwork in zone CS/15	9.92 lakhs
TOTAL		32.32 lakhs

(iv) The South Eastern Railway had invited tenders simultaneously for all the sections of the Durg-Kamptee patch doubling as well as the Anuppur-Boaridand doubling. For earthwork contracts the Durg-Kamptee doubling had been divided into 14 sections including the Railway Bridge across the Bagh-Nadee. Contracts for 12 sections were awarded to M/s. . . . The remaining two sections were awarded to two other contractors. The Anuppur—Baoridand doubling was divided into 8 sections of which contracts for two sections were awarded to M/s. Heavy Construction Corporation (P) Ltd., contracts for the remaining six sections being awarded to other contractors. A comparative statement is attached as Annexure 'A' of the estimated cost, the cost as per the accepted tender and the percentage variation between the estimated cost and that of the accepted tender, in the various sections of these two doubling works. It will be seen from the statement that out of 13 sections (excluding the bridge across Bagh Nadee) awarded to M/s. . . . the rates in 11 sections were in the region of 17 per cent to 44 per cent over the estimated cost. The same margin of variation is noticeable in 4 out of 8 remaining works awarded to other contractors.

(v) In June 1963, all Railway Administrations were addressed by the South Eastern Railway to withhold any dues available with the Railways in favour of the firm in question. The Railway Administrations replied to say that no assets of the contractor were available with them.

It will be appreciated that contracts are dealt with at various levels of each Zonal Administration. Where formal black listing of firms is ordered on the circumstances of the case, suitable advice is sent to all concerned; in other cases where contractors fail but are not black listed, the matter is—and has necessarily to be—left to individual Tender Committees to decide with reference to the nature and magnitude of the particular works in question and the antecedents of the contractor whether they have the capacity to undertake the work. It is usual, however, to ask the contractor about his previous experience and what works he has executed before, and where the contractor refers to work he has done for other Railways or Government Departments etc. their experience of the contractor's work is enquired into to the extent necessary.

Annexure A

Section	Estimated cost	Value of work as per lowest tender	Name of the lowest tenderer	Value of next highest tenderer	Percentage increase/decrease between Columns
	Rs.	Rs.		Rs.	2 & 3
I	2	3	4	5	6
<i>Durg-Kamptee Patch doubling Phase II</i>					
A	1,75,521	2,11,008	M/s. C. Deoji & D. Kunwarji	Only one tender received	+22%
B	1,06,553	1,33,412	Deoji Gopal	Do.	+25%
C	1,65,251	2,19,080	M/s. Heavy Construction Corporation (P) Ltd.	2,49,409	+32.5%
D	97,335	1,31,589	Do.	Only one tender received	+35.2%
E	1,48,295	2,10,098	Do.	Do.	+41.6%
F	2,12,286	2,82,526	Do.	Do.	+33%
H	1,27,677	1,51,666	Do.	Do.	+18.7%
I	1,81,024	2,28,159	Do.	Do.	+26%
J	75,765	88,684	Do.	Do.	+17%
K	2,07,527	2,57,821	Do.	4,18,832	+24.2%
L	2,10,311	2,22,972	Do.	3,62,459	+6.1%
M	94,970	1,16,000	Do.	1,89,829	+22.1%
N	1,81,106	1,78,974	Do.	3,12,374	-1.2%

1	2	3	4	5	6
<i>Anuppur—Bairidand doubling</i>					
I	9,97,890	13,13,480	M/s. Heavy Construction Corporation (P) Ltd.	17,45,450	+32%
II	8,09,550	11,65,305	Do.	14,22,200	+44%
III	4,18,300	5,82,310	Dhamji- bhai Khimji	6,69,606	+39%
IV	9,53,000	15,86,000	Pethaji Khimji	16,04,500	+66%
V	11,91,050	17,94,250	Raipur Provincial Engg.	22,35,300	+51%
VI	6,73,500	9,23,900	D. Shamji Chawda	9,53,500	+37%
VII	10,90,000	19,74,000	M/s. Madhani Engg. (P) Ltd.	20,66,000	+81%
VIII	12,65,400	22,89,900	Do.	23,81,300	+89%

APPENDIX VIII

(Ref. Para No. 3.183 of the Report)

Para 23-S. E. Railway—Extra expenditure on account of withholding of the dues of a contractor.

POINT:

An analytical statement showing the number of cases, which were referred to arbitration in all the Railways during the last five years and the outcome of such cases may please be furnished.

REPLY

As desired by the Committee an effort has been made to collect statistics from the Railway Administrations. The information in the attached statement (Annexure 'A') was collected at short notice and has to be treated as provisional subject to full verification, but may help to give the general background. The Ministry of Railways would however submit that, pursuant to the Committee's observations in their 53rd Report, the Railway Board have entrusted the Efficiency Bureau with the detailed study of this question, vide the attached copy of the reply to the relevant recommendation. (Annexure 'B') The Ministry of Railways would respectfully urge that the Committee may be pleased to await the results of the above detailed review.

ANNEXURE 'A'

Statements showing the number of cases referred to Arbitration in the last 5 years (ending 31-3-1966) on all Railways and the outcome of such cases.

	Total No. of cases referred to Arbitration during 1961-62 to 1965-66	No. of cases decided in favour of Railways	*No. of cases in which some amounts were awarded to contractors	No. of cases still pending	Remarks
1 Central	55	6	29	19	1 case has been withdrawn by the firm
2 Eastern	109	44	35	30	
3 Northern	142	17	93	32	
4 North Eastern	78	9	59	10	
5 Northeast Frontier	14	1	13	..	
6 Southern	11	6	4	1	
7 South Central	..	..	..	..

S. C. Railway was formed only on 2-10-1966 and the information is covered in C & S Railways figures.

8 South Eastern	202	23	145	34
9 Western	102	11	68**	23
10 C.L.W.	7	1	5	1
11 D.L.W.	3	..	2	1
12 I.C.F.	..	..	..	..
13 Railway Electrification	2	1	1	..
14 D.B.K. Railway Project	12	..	5	7
TOTAL	737	119	459	158@

@ Excludes one case on the Central Railway which was withdrawn by the firm

*The actual amounts awarded to the contractors are often much less than what was claimed by them. Precise information on this point of claims made and claims awarded would take some more time to collect.

ANNEXURE 'B'

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Action taken on the recommendations of the Public Accounts Committee

RECOMMENDATION OF THE COMMITTEE

This is yet another case in which there has been inordinate delay on the part of the Railways at every stage in the finalisation of plans. A scrutiny of the sequence of events shows that there was delay of (i) nearly 3 months in communicating the acceptance of the tender, (ii) 6 months in settling the final drawings, (iii) 3 years in terminating the contract, (iv) nearly one year and 8 months in completing a part of the work departmentally, (v) more than a year in preferring the claim against the contractor, (vi) 5 years in completing the entire work. The Committee feel that no satisfactory explanation has been given by the Ministry for any of the delays mentioned above. They also feel that the representations made by the contractors from time to time were not given proper attention they deserved. The Committee would also like the Railway Board to undertake a proper examination of the reasons why a majority of cases referred to arbitration go against the Railways and take suitable remedial measures.

(S. No. 14, Appendix XIX to 43rd Report, 1965-66).

ACTION TAKEN BY GOVERNMENT

The Committee's observations in the earlier part of the recommendation touching on the question of delay on the part of the Railways in the finalisation of plans etc. are noted.

As per Committee's suggestion that the Railway Board should undertake a proper examination of the reasons why a majority of cases referred to arbitration go against the Railways and take suitable remedial measures, the Ministry of Railways have decided to entrust the Efficiency Bureau with a detailed study. This study

would, *Inter alia* cover the whole gamut of work connected with arbitrations including whether any particular provisions of the contract or procedural requirements tend to force cases into arbitration, whether there are any other elements which lead to this result, whether the method and approach of presentation of cases to arbitrators on behalf of the Railways are satisfactory etc. and any other aspects germane to the issue.

This has been seen by Audit.

Sd/- K. S. A. PADMANABHAN,
Director, Accounts,
Railway Board.
10-1-1967.

APPENDIX IX

(Ref. Para No. 3.239 of the Report)

Para 29—Eastern Railway—Outstanding dues from N.C.D.C.

POINT:

A note may be furnished stating how the delay of 7 years in settling the question of allocation of cost with the National Coal Development Corporation was considered justified?

REPLY:

Extension of the Patrattu-Damodar line beyond the Damodar river by about 3 miles, was initially taken up as a branch line in 1959 to provide a siding for Gidi 'A' colliery of N.C.D.C., treating the allocation of cost between the NCDC and the Railways as provisional pending decision on the general issue in respect of all colliery sidings of NCDC which was then under examination. As a result of discussions at meetings attended by representatives of the Railway Board, the Ministry of Finance, and the Ministry of Mines & Fuel, NCDC was advised in April 1960 of the Railway Board's decision to adopt generally the same basis for the allocation of costs in the case of N.C.D.C. sidings as for sidings of other industrial undertakings. By this decision, the siding upto the point of entry into the NCDC's premises would be constructed as an 'Assisted siding', and the portion beyond this point would be a 'Private siding'. This was a departure from the procedure followed in the case of smaller collieries where sidings have been provided on 'Assisted siding' basis right upto the buffer end.

2. While construction of the Gidi 'A' siding was in progress, and before the general principle of allocation of cost referred to above was accepted by NCDC in respect of this siding, M/s. Bird & Co., requested for a siding to serve their Religora (Gidi 'B') colliery, taking off from a point on the Gidi 'A' Colliery siding. This siding was sanctioned in June 1960 as an 'Assisted Siding' upto the buffer-end in accordance with the procedure followed for collieries other than those of the NCDC. Before the construction of this siding was completed, NCDC asked for another siding to serve its Gidi 'C' colliery taking off from a point on the Gidi 'B' colliery siding. The siding was sanctioned and constructed as a 'Private siding' of NCDC.

3. Meanwhile, based on the general decision in respect of the NCDC's colliery sidings referred to in Para 1 above, the Eastern Railway had been asked by the Board in August 1966 to recast the allocation of sidings for NCDC. The Railway accordingly prepared

in 1961 a revised estimate of the cost for Gidi 'A' and Gidi 'C' sidings starting from the terminal point of the branch line existing prior to the construction of the Siding, and sent it to the NCDC for acceptance of their share of the cost of the work. The NCDC objected to the revised estimate on various grounds, their main objection being that since the siding was merely an extension of the Patratu-Damodar branch line and would serve other collieries besides the NCDC's Gidi 'A' and Gidi 'C' collieries the siding should be treated as a branch line. The matter remained under correspondence between the Eastern Railway and NCDC and the various points of dispute could not be resolved despite discussions with NCDC at the level of the Eastern Railway administration.

4. In November 1963, a meeting was held in the Board's office with the Chairman of the NCDC to consider the controversy regarding the share of the cost of sidings to be borne by the NCDC. At the instance of the NCDC, the Board agreed to consider on merits any specific proposals which the NCDC may make for treating a siding as a branch line if the load of traffic justified such treatment. The specific issue of Gidi 'A' and 'C' sidings was considered by the Board in June/July, 1964 on the basis of the minutes of the above meeting and the Eastern Railway was asked to intimate the financial implications of NCDC's request to treat the sidings as an extension of the branch line in this case.

5. In working out the financial implications called for by the Board, the Eastern Railway, however, grouped these sidings along with other line capacity works of the Railway and intimated in January 1965 that the provision of the sidings as a branch line at Railway's cost was financially justified. The Railway was asked to work out the financial implications separately for this work instead of grouping it with other line capacity works since this work had to be considered on its own merits, and because the additional burden to the railways by treating the sidings as extension of the branch line would be quite considerable. The matter was gone into in detail by the Eastern Railway and, after collecting the relevant commercial and engineering data, they reported the revised financial implications in October 1966, recommending that the siding upto the take-off point of Gidi 'C' colliery siding should be treated as an extension of the branch line.

6. It will be clear from the above chronological enumeration of the processing of the case that the delay in settling this case was mostly unavoidable.

APPENDIX X

(Ref. Para No. 3.265 of the Report)

Points on which the Public Accounts Committee desired to be furnished with further information at their sitting held on 21st December, 1966.

Para 31—North Eastern Railway—Inadequate utilisation of broad gauge Line between Barauni-Samastipur.

A note may be furnished stating:

- (i) The financial returns from the Broad Gauge line from February, 1962 till the year for which the accounts are complete;
- (ii) The actual traffic that has been carried both by the Metre Gauge and Broad Gauge lines;
- (iii) The returns that were received on the Broad Gauge line alone;
- (iv) How the figure of 5.2 per cent as the return for the year 1964-65 was arrived at and on the same basis of calculation, what is the present position; and
- (v) Also the figures of goods and passenger earnings separately for this period.

REPLY:

(i) The information is furnished below:

(a) (From 7-2-62 to 31-3-62)		.32%
(b) 1962-63	—	2.91%
(c) 1963-64	—	3.57%
(d) 1964-65	—	5.13%
(e) 1965-66	—	5.55%

The financial results for each year have been worked out on the basis of the statistical data for that year. In respect of the period

7th February 1962 to 31st March 1962, the calculation has been made *pro-rata* (i.e., for 53 days) on the statistical data for 1961-62.

In working out the financial results of the Broad Gauge line, account has been taken of the (i) extra earnings from goods trains run on the M.G. line (utilising the M.G. line capacity released by the diversion of some of the existing passenger traffic from M.G. to B.G. trains) and (ii) the reduction in passenger earnings on the M.G. due to the diversion of some of the passenger traffic to B.G. trains and (iii) the savings on account of departmental coal being taken by B.G. trains.

(ii) The actual traffic carried over this section both by Broad Gauge and Metre Gauge is shown in the statements at Annexures 'A' & 'B'. Information about the B.G. traffic is readily available, but in assessing the traffic moving over the M.G. Section difficulty has been experienced due to the fact that some of the traffic moving over the Barauni Jn.-Bachhwara Section is carried beyond Bachhwara on the main line. i.e., from Barauni Jn.-Bachhwara-Shahpur-Patoree-Hajipur & Sonopore to the Barauni Jn.-Bachhwara section. It is difficult to isolate the traffic for the main line beyond Bachhwara from the traffic moved on the Bachhwara-Samastipur Section alone. Credit for the portion Barauni-Bachhwara has therefore been taken approximately for the traffic moving over the Bachhwara-Samastipur section on the assumption that the traffic between Bachhwara and samastipur originated at Barauni Jn. itself. and proportionate Credit on Kilometerage basis is due for the portion Barauni Jn. to Bachhwara for the through traffic on the Bachhwara-Samastipur Section.

(iii) The return for the B.G. line alone without taking into account its effect on the M.G. Section was as follows. (In assessing net result for the relevant periods, the same data which was taken into account in assessing the combined return, has been adopted).

1961-62 (From 7-2-62 to 31-3-62)	·37%
1962-63	3.55%
1963-64	3.09%
1964-65	3.44%
1965-66	4.09%

(iv) The detailed calculations made in working out the financial implication of B.G. line for 1964-65 viz. 5.13 per cent are given in the Annexure 'C'. Working on the same lines but on the statistical data for 1965-66 the financial return for 1965-66 as stated in reply to item (i) above is 5.55 per cent. (Please see detailed calculations at Annexure 'D').

(v) The reference is apparently to the figures of the goods and passenger earnings for the years 1962-63 to 1965-66. The entire number of passengers with earnings (without apportionment) booked from stations on Barauni-Samastipur section *via* Barauni are detailed in Annexure 'E'. Further communication will follow on receipt of the details from the railway about (a) the inward passenger traffic, (b) the passenger traffic moving within the section Barauni-Samastipur and (c) the goods traffic on the B.G. Section.

ANNEXURE 'A'

Statement showing the figures of Passenger train Kilometres, Goods train kilometres and Net tonne kilometres on account of B.G. trains running on Barauni Jn-Samastipur during the year 1962 to 1966.

Year	Pass & Prop. of Mixed Train Kilometres	Prop. of Mixed Train Kilometres	Net tonne Kilometres
From 7-2-62 to 31-3-62. . . .	16,531	269	68,288
1962-63	1,81,030	6,205	2,305,211
1963-64	1,94,717	10,894	2,840,124
1964-65	2,16,867	6,772	1,626,112
1965-66	2,14,347	14,007	4,245,845

ANNEXURE ' B '

Statement showing the figures of Passenger train Kilometres, Goods train kilometres and Net tonne Kilometres on account of M.G. trains running on Barauni Jn.-Samastipur Section during the years 1962 to 1966.

Year	Barauni Jn.—Samastipur		
	Pass & Prop. of Mixed Train Kilometres	Prop. of Mixed Trains Kilometres	Net Tonne Kilometres
February, '62 . . .	7253	5165	54476769
March, '62 . . .	5996	5811	51490121
1962-63 . . .	113692	86552	58164359
1963-64 . . .	112906	98008	67636829
1964-65 . . .	112676	117576	
1965-66 . . .	113034	135409	

ANNEXURE 'C'

Financial implication based on statistical data of 1964-65.

1. Cost of construction of BG line between Barauni & Samastipur . Rs. 1,83,65,869/- (including interest during the construction period).
2. Length of Section 50.70 Km. (as per Working T. Table)
3. (i) No. of addl. goods train run daily 1 train
4. No. of additional passenger train each way per day (6 BG—4 MG)
5. *Additional annual gross earnings.*

A. Goods

- (i) Average No. of goods wagon per train 40
- (ii) Average load of wagon on run 10.9
- (iii) Total daily additional net ton Km. $1 \times 2 \times 50.70 \times 40 \times 10.9$
=Rs. 44,210/-
- (iv) Average rate charged for carrying 1 ton of goods per Km. =4.93 Paise
- (v) Additional annual gross earnings $=1 \times 2 \times 50.70 \times 40 \times 10.9 \times 4.93 \times 365$

100
=Rs. 7,95,536/-

B. Passenger

- (i) Additional daily passenger train Km.

BG	MG
$2 \times 6 \times 50.70$	$2 \times 4 \times 50.70$
	=405.6
=608.4	
- (ii) Coaching earning per train Km =BG=10.84 MG=9.16
- (iii) Additional gross earning from Passenger $=2 \times 6 \times 50.70 \times 365 \times 10.84$
 $-2 \times 4 \times 50.70 \times 365 \times 9.16$
 $=2407195-1356083=10,51,112$

- C. Goods and Passenger . =Rs. 7,95,536 = 10,51,112
=Rs. 18,46,648.
6. Working Expenses :
- (i) Cost of hauling one tone (Goods) per train . = 3.88 paise
- (ii) Dependent cost of hauling one ton per Km @ 75% = 3.88×75

= 2.91 Paise
100
- (iii) Total annual cost of hauling additional anticipated ton K . = $1 \times 2 \times 50.70 \times 40 \times 10.9 \times 2.91 \times 365$

=Rs. 4,69,576/-
100
- (iv) Cost of hauling a passenger Train per Km. . = MG—9.80 (P)
BG—10.39(P)
- (v) Dependent cost of hauling passenger train per Km. @ 75% . = $MG \ 9.80 \times 75$

= 7.35 (P)
100
BG 10.39×75

= 7.79 (P)
100
- (vi) Total annual cost of hauling additional passenger train Km
- | | BG | MG |
|--|--|--|
| | $= 2 \times 6 \times 50.70 \times 7.79 \times 365$ | $= 2 \times 4 \times 50.70 \times 7.35 \times 365$ |
| | = 17,29,894 | = 10,88,123 |
| | = Rs. 64,17,71. | |
- (vii) Total annual cost of hauling additional passenger and goods train = Rs. 4,69,576 + 64,17,71 = 11,11,347
7. Hire charges of Rolling Stock @ 5 % of gross earnings 1846648 \times 5
= $\frac{1846648 \times 5}{100}$ = Rs. 92,332.
8. Annual saving from wagon and engine vide Annexure C-I = Rs. 2,17,559.
9. Annual saving on account of Departmental coal to SPJ vide Annexure 'CII' = Rs. 82,067.
10. Net Additional, annual earning . = (1846648 + 217559 + 82067) — (1111347 + 92332)
= Rs. 9,42,595.
11. Return on Capital = $\frac{942595 \times 100}{18365869}$ = 5.13%.

ANNEXURE 'C-1'

Saving from usage of wagons and engine on BJU-SPJ Section

Due to strained capacity on Barauni-Samastipur Section speeds of goods train was very low. The average speed of goods train during 1959-60 was as under :—

Type of trains (Goods)	Average speed per hour
Through train	13·1
S.V.G.	7·2

It is, however, observed that after completion of the double line (BG) over this section, the average speed has improved as under :—

Through	21·45 Km. P.H.
S.V.G.	9·73 Km. P.H.

On the basis of the goods train services materialised on the section during 1964-65, the daily saving in engine and wagon hours as a result of speeding up of trains are as under :—

Through	$50·70(1/13·1 - 1/21·45) \times 2 \times 3$ hrs. = 9·00 hrs.
S.V.G.	$50·70(1/7·2 - 1/9·73) \times 2 = 3·66$ hrs.

(i) Total engine hours saved daily on account of 4 goods train = 9·00 + 3·66 = 12·66 Engine hrs.

(ii) Total wagon hours saved daily on the basis of average load of 74 wagons = 12·66 × 74 = 936·84 wagon hrs. per train.

I. (a) Average engine hrs. saved daily = 12·66 hours.

(b) Average wagon hrs. saved daily = 936·84 hrs.

II (i) No. of wagon hrs. saved daily = 936·84

(ii) No. of wagon saved' = 936·84
= 39·03 wagon.

24

(iii) Add. 3·5 % for repairs based on the % of wagon under or awaiting repairs to effective wagons
= $39·03 \times 3·5$
= 1·36 wagons.

100

(iv) Total no. of wagon saved = 39·03 + 1·36 = 40·39 wagons.

III. Saving under 1 wagon

(i) Cost of one wagon = 13,200
(ii) Saving on account of non-payment of dividend at @ 5.75% $\frac{13200 \times 5.75\%}{100}$ = Rs. 759

(iii) Total repairs and Maintenance charges 6879891

= Rs. 202.7

Total no. of wagon -B/Van 33941

(iv) Sinking fund @ 3.75% assuming the life 40 years & scrap value Rs. 800 $= (13200 - 800) \times 0.112 = 138.88$

(v) Total saving under 1 wagon = Rs. 759 + 202.7 + 138.88 = Rs. 1100.58

(vi) Total saving under wagon = 1100.58 \times 40 = 44,452

IV

(i) Total engine hrs. saved daily = 12.66 hrs.

(ii) No. of hrs. worked per day per engine = 10.7

(iii) No. of engine saved daily $12.66 / 10.7 = 1.18$ engine

(iv) Add. 17.6% for repairs based on the % of engine under or awaiting repairs to engine available for use. $\frac{12.66 \times 17.6}{10.7 \times 100} = 2$

(v) Total No. of engine saved = 1.18 + 2 = 1.38 engines

V. Saving under 1 engine (YG).

(i) Cost of one engine = Rs. 4,10,000/-

(ii) Saving on account of non-payment of dividend @ 5.75% $\frac{410000 \times 5.75}{100}$ = Rs. 23,575

(iii) Total repairs and maintenance 17552159

= 20845.8

Total No. of engines on line for operation 842

(iv) Total operating expenses $\frac{64540397}{842}$ = Rs. 76651.3

Total no. of engines on line 842

(v) Sinking fund payment @ 3.75% life 40 years and scrap value Rs. 20,000/- $(410000 - 20000) \times 0.112$ = Rs. 4,368

(vi) Total saving under engines = 23575 + 20845.8 + 76651.3 + 4368 = Rs. 1,25,440.1

VI	(i) No. of engine saved	. = 1.38
	(ii) Saving under engine saved	. = Rs. $125440 \cdot 1 \times 1 \cdot 38 =$ Rs. 173107/-

VII	Saving under engines and wagons saved	. = Rs. $44,452 + 1,73,107$ = Rs. 2,17,559/-
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ANNEXURE C-II

1964-65

Earning on account of departmental coal to Samastipur

Earning from	5.6 B.G.	. = 11.2 M.G.
1	Average load of wagon on run	. = 10.9 tonnes
2.	Distance from Barauni to SPJ	. = 50.70 Km.
3.	Total additional net ton	. = $10 \cdot 9 \times 11 \cdot 2 \times 50 \cdot 70 \times 365$ = 22,59,151/-
4.	Average rate charged for carrying one tone coal	. = 2.67 Paisa.
5.	Net additional annual earning from coal	. = $2 \cdot 67 \times 22,59,151 =$ Rs. 60,319/-

100

II	Cost of transhipment saved on account of 11.2 M.G. = 5.6BG coal wagons per year (at Rs. 10.64 per wagon.	. = $5 \cdot 6 \times 10 \cdot 64 \times 365 =$ Rs. 21,748.-
III.	Total additional earnings	. = Rs. 21748 + 60319 = Rs. 82,067/-

The capacity of M. G. Train services on the section was only 15 trains each way per day. Had the B. G. line not been there it would have been necessary to run 16 trains each way to clear the traffic offering. As such there was no scope for moving the departmental traffic by the M. G. route.

ANNEXURE 'D'

Financial implications based on statistical data of 1965-66

1. Cost of construction of BG line = Rs. 1,83,65,869 (including interest between Barauni & Samastipur during the construction period).
2. Length of section = 50.70 Km.
3. No. of additional goods trains run = 1 train daily.
4. No. of additional passenger trains each way per day = (6BG—4 MG)

5. *Additional annual gross earnings —*

- (i) Average No. of goods wagons per train = 41
- (ii) Average load of wagon on run in tonnes all traffic = 11.0
- (iii) Total daily additional net ton kilometre = $1 \times 2 \times 50.70 \times 41 \times 11 = 45,731$
- (iv) Average rate charged for carrying one tone goods per kilometre = 5.03 Paise.
- (v) Additional annual gross earnings from goods = $1 \times 2 \times 50.70 \times 41 \times 11 \times 5.03 = 365$

100
=Rs. 8,39,605

B. PASSENGER.

- | | BG | MG |
|--|---|--|
| (i) Additional daily passenger train km. | $2 \times 6 \times 50.70 = 2 \times 4 \times 50.70 \times 608.$ | $4 = 405.6$ |
| (ii) Coaching earning per train Km. | = 11.59 | = Rs. 10.04 |
| (iii) Additional gross earnings from passenger | = (Rs. $2 \times 6 \times 50.70 \times 365 \times 11.59$) — | = (Rs. $2 \times 4 \times 50.70 \times 365 \times 10.04$) |
| | = 25,73,744 | = 14,83,611 |
| | | = Rs. 10,87,383. |

C. Goods & Passenger = Rs. 8,39,605 + 10,87,383 = Rs. 19,26,988.

6. *Working Expenses.*

- (i) Cost of hauling one tone of goods per Km. = 4.03 Paise.
- (ii) Dependent cost of hauling per km. 1 ton = $4.03 \times 75 = 3.02$ Paise.
- (iii) Total annual cost of hauling addl. anticipated tone Km. = $1 \times 2 \times 50.70 \times 41 \times 11 \times 3.02 = 365$

100
=Rs. 5,04,097

(iv) Cost of hauling a passenger = MG Rs. 10.04, BG Rs. 10.68 train per Km.

(v) Dependent cost of hauling passenger train per Km. @ $\text{MG } 10.04 \times 75 = 7.53$

$$\begin{array}{r} 100 \\ = \text{BG } 10.68 \times 75 = 8.01 \end{array}$$

100

(vi) Total annual cost of hauling = BG $2 \times 6 \times 50.70 \times 8.01 \times 365$
 additional passenger train Km. — MG $2 \times 4 \times 50.70 \times 365 \times 7.53$
 = Rs. 17,78,748 — 11,14,771
 = Rs. 6,63,977/-

(vii) Total annual cost of hauling = Rs. 5,04,097 + 6,63,977 = 11,68,074/
 additional passenger and goods Traffic.

7. Hire charges of rolling stock @ 5 % = $19,26,988 \times 5 = \text{Rs. } 96,349.$

100

8. Annual savings from wagon & Engine *vide* Annexure D-I . = Rs. 2,48,388 -

9. Annual saving on account of Departmental coal to Samastipur *vide* Annexure D-II . = Rs. 1,07,581/-

10. Net additional annual earnings . = (Rs. 19,26,988 + 2,48,388 + 1,07,581) — (Rs. 11,68,074 + 96,349)
 = Rs. 10,18,534

11. Return on capital . . . = $1018534 \times 100 = 5.55\%$

18,36,58,69

ANNEXURE D-1

1965-66

Saving from usage of wagons and Engine on Barauni-Samastipur Section

Due to strained capacity on Barauni Samastipur Section, speeds of goods train was very low. The average speed of goods train during 1959-60 was as under :—

Type of trains (Goods)	Average speed in hrs.
Through Trains	13.1
S.V.G.	7.2

It is, however, observed that after completion of the double line (BG) over this section, in 1965-66 the average speed has improved as under :—

Through	21.45 Km. P.H.
S.V.G.	10

On the basis of the goods train services materialised on the section during 1965-66 the daily saving in engine and wagon hours as a result of speeding up of 3 goods trains and one S.V.G. are as under :—

Through	= 50.70(1/13.1 — 1/21.45) × 9.00 hrs.
S.V.G.	= 50.70(1/7.2 — 1/10) × 2 × 1 = 3.9 hrs

(i) Total engine hrs. saved daily = 9.00 + 3.9 = 12.9 Engine hrs.
on account of 4 goods train.

(ii) Total wagon hrs. saved daily
on the basis of average of load
of 74 wagons per train = (74 × 12.9) = 954.6 Wagons hrs.

2. (a) Average engine hrs. saved daily = 12.9 hrs.

(b) Average wagon hrs. saved daily = 954.6 hrs.

3. (i) No. of wagon saved = $\frac{954.6}{24} = 39.78$

24

(ii) Addl. 4.2% for repairs based
on % of wagon under or await-
ing repairs to effective wagons = $39.78 \times 4.2 = 1.67$

100

(iii) Total No. of wagon saved = 39.78 + 1.67 = 41.45

4. *Savings under 1 wagon*

- (i) Cost of one wagon = Rs. 13,200
 (ii) Savings on account of non-payment of dividend @ 5.75% = $13200 \times 5.75 = 759$

100

- (iii) Total repairs & maintenance charges = $\frac{7890035}{100} = 270.5$
29165

Total No. of wagons—Brake/Van.

- (iv) Sinking fund @ 3.75% assuming the life 40 yrs. scrap value = Rs. $800 (13200 - 800) \times 0.112 = 138.88$
 (v) Total saving under one wagon = $(759 + 270.5 + 138.88) = \text{Rs. } 1168.38$

5. (i) No. of wagons saved = 41.45
 (ii) Total saving under wagons saved = Rs. $1168.38 \times 41.45 = 48.429$.

6. (i) Total engine hrs. saved daily = 12.9 hrs.
 (ii) No. of hrs. worked per day per engine = 10.7
 (iii) No. of engines saved daily = $\frac{12.9}{10.7} = 1.21$ Engines.

10.7

- (iv) Add 14.7% for repairs based on % of engines under or awaiting repairs to engines, available for use = $1.21 \times 14.7 = 0.18$

100

- (v) Total number of engine saved = $1.21 + 0.18 = 1.39$

7. *Saving under one engine—*

- (i) Cost of one Engine (Y.G) = Rs. 4,10,000 -
 (ii) Saving on account of non-payment of dividend @ 5.75% = $4,10,000 \times 5.75 = 23,575$

100

- (iii) Total repairs & maintenance = $\frac{2,23,53,197}{100} = \text{Rs. } 26,485$

Total No. of engines on line for operation.

844

- (iv) Total operating expenses = $\frac{7,54,77,448}{844} = \text{Rs. } 89,428$.

844

- (v) Sinking fund payment @ 3.75% (life 40 years) and scrap value Rs. 20,000. = $(4,10,000 - 20,000) \times 0.112 = \text{Rs. } 4,368$

- (vi) Total saving under Engine = $23,575 + 26,485 + 89,428 + 4,368 = \text{Rs. } 1,43,856$

8. (i) No. of engine saved . . . 1.39
(ii) Savings under engines saved . . . = $1,43,856 \times 1.39$ = Rs. 1,99,959.
9. Net savings under engine
and wagons saved . . . = Rs. 48,429 + 1,99,959 =
Rs. 2,48,388.
-

ANNEXURE—D-II

Earning on account of departmental Coal to Samastipur

Earning from	13 BG=26 MG
1. Average load of wagon on run in tonnes	=11 tonnes.
2. Distance from Barauni to SPJ	=50.70 Km.
3. Total additional net tone Km.	$11 \times 26 \times 50.70 \times 365 = 52,92,573$
4. Average rate charged for carrying one tone coal	=2.69 Paisa
5. Net additional annual earning from coal	=2.69=52,92,573
	100
	=Rs. 1,42,370
(ii) Cost of transhipment saved on account of 26 MG 13.0 BG coal wagon per year @ Rs. 10.64 per wagon.	=13 × 10,64 × 365 = Rs. 50,487
(iii) Total additional earnings	=Rs. 1,42,370 + 50487 =Rs. 1,92,857
6. Working expenses on the haulage of 1165 Box wagons moved by Goods train during the period from 19-11-65 to 31-3-66	
(a) Tonnage hauled in 1165 box wagons	=1165 × 55 = 64,075 tonnes.
(b) Cost of hauling one tonne of goods per Km.	=3.50 Paisa*
(c) Dependent cost of hauling one tonne per Km @ 75 %	=3.05 × 75
	100
	=2.625 P.

*By applying to the figures for 1964-65, the percentage increase that the figures of 1963-64 borne to the figures for 1964-65

(d) Total cost of hauling 1165 × 55
tonnes of coal brought in box
wagons by goods train

$$= 1165 \times 55 \times 2.625 \times 50.70$$

$$= \text{Rs. } 85,276$$

7. Net earning = Rs. 1,92,857 — Rs. 85,276 = Rs. 1,07,581

ANNEXURE 'E'

Statement showing number of passengers with earnings booked from stations on Samastipur-Barauni Jn. Section via Barauni for 62-63, 63-64, 64-65, and 65-66.

Stations	1962-63		1963-64		1964-65		1965-66	
	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.
I	2	3	4	5				
Samastipur	125,230	12,02,108	135,192	12,97,343	149,947	14,39,291	152,207	14,61,187
Ujjiarpur	4,042	29,784	4,183	30,995	4,981	36,929	5,512	47,222
Nazirganj	2,385	18,435	2,654	19,592	7,475	43,581	6,312	54,593
Dalsing Sarai	23,811	1,59,705	25,936	1,72,247	29,897	21,053	28,256	20,343
Sethajagat	695	3,152	999	4,504	1,768	8,417	2,323	8,559
Bachhwara	32,171	1,73,300	35,377	1,89,924	43,883	19,888	33,210	27,525
Teghra	12,816	42,315	13,525	44,866	14,653	47,781	14,115	51,238
Barauni Flag	2,216	5,851	3,560	14,979	4,603	16,162	4,358	18,195
TOTAL	2,03,366	16,34,650	2,21,426	17,74,950	2,57,207	16,33,102	2,46,293	16,88,862

APPENDIX XI

(Ref. Para No. 4.9 of the Report)

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

Action taken on the recommendations of the Public Accounts Committee

RECOMMENDATION OF THE COMMITTEE

(Southern Railway: Non-recovery of expenditure incurred on repairs of private irrigation works for the protection of the Railway).

The Committee would like to be informed of the latest position regarding the realisation of the amounts outstanding. They trust that the arrears would be cleared in the course of 2 years as decided. They are glad to note that both the Madras and Andhra Governments have assured the Railways that such cases would not arise in future.

(S. No. 16, Appendix XIX to
53rd Report, 1965-66).

ACTION TAKEN BY GOVERNMENT

The observations of the Committee are noted. The outstanding amount from the State Governments of Madras and Andhra Pradesh which was Rs. 1,58,213 as on 31-1-1965 has come down to Rs. 1,53,273 as on 30-6-1966. The Committee's observations have also been brought to the notice of the two State Governments and it is hoped that the balance of outstandings will be cleared early.

This has been seen by Audit.

Sd/- K. S. A. PADMANABHAN,
Director, Accounts, Railway Board.
24-9-1966.

APPENDIX XII

(Ref. Para No. 4.15 of the Report)

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

*Action taken on the recommendations of the Public Accounts
Committee*

RECOMMENDATION OF THE COMMITTEE

In this case also it is not clear from the reply whether the procedure is being properly followed or not and what is the periodicity of the Reports sent by the Purchase Organisations abroad to the Railway Board. The Committee desire that the intervals at which the information is being supplied by the Purchase Organisations, the nature of the Reports (whether they contain upto date information or not) and the number of Reports received by the Ministry in the last six months of the financial year 1965-66 may be intimated to them. They would also like to know if the Ministry of Railways have formulated any plans/proposals for the improvement of the existing procedure and if so the details thereof may be furnished.

(S. No. 41, Appendix XIX
to 53rd Report, 1965-66).

ACTION TAKEN BY GOVERNMENT

There are two Supply Missions abroad—one located at London and the other at Washington. The procedure of periodical reports from the Supply Missions abroad has been in vogue for over five years now, and the Supply Missions are expected to furnish monthly reports from April to January, fortnightly reports in February, and weekly reports in March each year. Thus 10 reports should have been furnished by them to each of the Railways in the year 1965-66. The actual number of reports submitted by the I.S.M., Washington/London are indicated in the statement enclosed. The information furnished by these Missions to some of the Railways was incomplete and this fact has also been recently brought to their notice with a view to effecting improvement in the accuracy and utility of future reports.

The Railways have also been instructed to bring any lacunae in the reports promptly to the notice of the Supply Missions and obtain the missing information so that their budgeting does not suffer from avoidable inaccuracies.

The possibility of obtaining *forecasts* of likely payments during the last two months of the year in addition to the particulars of actual payments now received through the periodical reports is being explored. If a refinement of procedure in this direction becomes possible, it might help to improve the accuracy of estimation towards the closing of the year.

This has been seen by Audit.

Sd/- K. S. A. PADMANABHAN,
Director, Accounts, Railway Board.
21-1-1967.

Railways	Total number of reports expected to be received from the Indian Supply Missions abroad, during the last 6 months of 1965-66		Number of reports received from the Indian Supply Missions abroad, during the 6 months (Oct.'65 to March 1966.	
	ISM/ London	ISM/ Washing- ton	ISM/ London	ISM/ Washington
Central	10	10	7	4
Eastern	10	10	2	..
Northern	10	10	6	4
North Eastern	10	10		
Northeast Frontier	10	10	8	5
Southern	10	10	8	7
South Eastern	10	10	8	5
Western	10	10	8	..
I.C.F.	10	10	8	..
C.L.W.	10	10		
			8	

APPENDIX XIII

Summary of main conclusions/recommendations of the 72nd Report of the Public Accounts Committee on Appropriation Accounts (Railways) 1964-65 and Audit Report (Railways), 1966.

S. No.	Para No.	Ministry Concerned	Conclusions/Recommendations
1	2	3	4
1	1.9	Railways	<p>The Committee note that the Railway Board were unable to achieve their target of carrying additional goods traffic during 1964-65. The actual increase in the originating traffic was 2.7 million tonnes only while the target for additional goods traffic during the year was fixed at 17 million tonnes. Since this target was fixed in consultation with various other Ministries etc., which made their own assessments in respect of various items, it would seem that the assessments made by the other Ministries etc. were wide off the mark. The shortfall in the originating traffic occurred mainly under coal and general merchandise including Railway's own traffic of coal. The Committee feel that the Railways, could have foreseen the decrease in their own coal traffic at least and could have suitably reduced the target of goods traffic to that extent. They feel that the</p>

reasons for such a huge shortfall in the target for goods traffic as well as in respect of other farmings require to be gone into in greater details by Railway Board for future guidance. It is worth nothing in this connection that but for the increased actual earnings of the Railways from the passenger traffic, which amounted to Rs. 15.28 crores over the budget estimates, the gap between the budget estimates and the actuals would have been further accentuated.

1.10 -do- The Committee also make a note of the increasing percentage of variations between the budget estimates and the actuals from year to year (-3% in 1961-62 to +5.3% in 1965-66), and feel that the percentage of variation between the budget estimates and the actuals could be reduced by having closer co-ordination with other concerned Departments/Ministries in assessing the position better.

2.14 -do- At the instance of the Committee notes explaining the reasons for the excesses over Voted Grants and Charged Appropriations during 1964-65 have been furnished by the Railway Board (Appendix I). The Committee note that after taking into account the misclassifications, the real excess comes to Rs. 4,13,68,948.

2.15 -do- The Committee regret to note that excess expenditure in respect of these four Voted Grants are recurring although the percentage of excess expenditure in these cases has gone down from the previous years. It is all the more surprising that the Supplementary Grants obtained in March, 1965 under each of these grants proved

inadequate. This leads to the conclusion that the expenditure in respect of these grants was not properly assessed at the time of preparing budget estimates and the time of preparation of estimates for supplementary grants.

2.16 Railways

The Committee hope that in view of the excesses recurring year after year in 'open line works', the Railway Board would frame their budget estimates on a more realistic basis.

2.17 -do-

The Committee recommend that subject to these observations, the excess expenditure of Rs. 4,13,68,948 under Voted Grants Nos. 5, 8, 12 and 15 incurred during 1964-65 be regularised by Parliament in the manner prescribed under Article 115 of the Constitution.

3 2.27 -do-

The Committee are surprised to find that the savings, which was 8.6% under these 14 voted grants, was the highest during 1964-65 as compared with previous years. The Committee would like the Railway Board to take suitable measures to bring down the percentage of savings by improving the technique of budgeting and by exercising more effective financial control over the expenditure on Railways.

4 2.31 -do-

The Committee hope that with the implementation of the proposed decision, the situation will improve and no unnecessary provision will be under "charged appropriations".

5 2-42

-do-

The Committee feel that the continuous saving during the last five years in respect of grant No. 2 relating to the non-utilisation of funds by the Research, Design and Standard Organisation and attribution of more or less the same reasons during the previous four years for the savings under this grant clearly indicates that the provisions are being made year after year without relation to facts. Similarly, the extent of savings that occurred on the four Railways, under Grant No. 13 particularly on the Southern and South Eastern Railways during the last five years indicates that the control over expenditure is far from satisfactory. Such a situation needs to be remedied forthwith.

179

6 2-44

-do-

From the note furnished in this connection (Appendix III) the Committee learn that the percentage of foreign equipment now, in use in the Research, Design and Standard Organisation is as high as 82%. Since it is desirable that the Research, Design and Standard Organisation should lay more stress to design and develop indigenous parts and equipment for use by the Railways, the Committee view with concern the use of such a high percentage of foreign equipment by that Organisation. The Committee feel that greater reliance on indigenous equipment should be encouraged. The Committee would like the Railway Board to apply their mind to this question and take suitable steps in the matter.

7 2-46

Railways

The Committee note with concern that under grant No. 13, apart from the saving due to economy measure, a number of savings were attributed to slow progress of works due *inter-alia* to non-receipts or delay in the receipt of materials, late finalisation of plans, estimates, contracts etc. These savings, therefore, reflect lack of proper planning. The delays in obtaining raw materials and other delays require the immediate attention of the Railway Administrations so that progress of work does not suffer on these grounds.

8 2-50

-do-

According to the note furnished (Appendix IV) the total overtime allowance paid to the railway staff during 1965-66 amounted to Rs. 4,74,48,794.77 p. This amount appears, *prima facie*, to be on the high side what is more, the amount paid as over time fluctuates very widely from Railway to Railway. The Committee suggest that the question of the incidence of over time work on the Railways may be analysed by the Efficiency Bureau of the Railway Board.

9 2-53

-do-

The Committee hope that with the changes in definition of "arbitral Tribunal" there will be improvement in the position.

10 2-59

-do-

The Committee are not convinced of these reasons, especially when definite instructions were issued by the Railway Board in 1961 with regard to collection of sales tax. In case of doubts and difficulties, these should have been referred by the Railway Administra-

tions to the Railway Board for directions. The Committee hope that such cases will not recur in future.

2.60 -do-

The Committee regret the delay on the part of the Railway Board in issuing instructions to all General Managers to recover sales-tax from passengers if the State Governments refused to grant exemption for payment of sales tax to the Railways. The Sales Tax was levied by some of the States as early as 1956 but the Railway Board issued instructions only in 1961. Not only that, inspite of this directive to recover sales tax, no sales tax was recovered by Railway Administration on sales for which cash vouchers were issued but the Administration had to pay sales tax on the total turnover of all the sales made by their catering units.

2.61 -do-

The Committee would like to be informed of the final outcome of the cases taken up with State Governments and in Courts with regard to payment of sales tax amounting to Rs. 4 lakhs.

2.62 -do-

They hope with the issue of instructions in January, 1964 by the Railway Board for including in the tariff the element of sales tax, there would be no further difficulty.

11 2.67 -do-

The Committee appreciate the efforts being made by the Railway Board in improving their catering but they feel that much remains to be done yet particularly in maintaining hygienic conditions in their catering units. The Committee trust that greater attention will be paid to this aspect of the problem also.

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|----|------|---------|---|
| 12 | 2.70 | Railway | The Committee feel that more effective checks should be provided so that these under charges are detected immediately and are not allowed to accumulate. |
| 13 | 2.71 | do. | They would also like to be informed of the steps taken for the expeditious recovery of the undercharges. |
| 13 | 3.33 | do. | From the evidence and the notes furnished to them, the Committee find that there were various irregularities in allotting works to firm 'A' the highest tenderer in this case. Briefly, they are as under:— |
- 1, The Tender Committee rejected the offer of firm 'B' (4th lowest) which has all the requisite qualifications to undertake the job mainly on the ground that there had been a labour trouble in a sister concern of the firm and they had apprehension that because of this firm 'B' would not be able to carry out the work involved in the contract. Curiously enough, the Committee find that the same sister firm were able to procure orders for steel castings and wheel centres valued at Rs. 1.74 lakhs from the Chittaranjan Locomotive Works during the same period viz. November/December, 1962. In view of this, the Committee

feel that the plea about their rejection of the offer of firm 'B' on ground of labour trouble in a sister concern lacked justification.

2. The quantum of work involved was revised piecemeal. Initially the tenders were invited for 1425 tons of steel structures in connection with electric locomotive project. They were opened in May, 1962. Before a decision was taken on these tenders, quantum of fabrication work to be done underwent an increase from 1425 tons to 2100 tons. Subsequently, this fabrication work was increased from 2100 tons to 2800 tons in August, 1963. Similarly the quantum of work was revised in the case of Steel Foundry Project from 1530 tons, at the time of invitation of tenders to 3009 tons. Every time the estimates were revised upwards, the Chittaranjan Locomotive Works got the approval of the Railway Board to negotiate with the firm 'A'. The Committee have not been given any justifiable reasons for this upward revision of the fabrication work piecemeal. Had the estimates been prepared realistically *ab-initio*, the Committee feel that better competitive rates could have been obtained.

3. In October, 1962 when estimate of the fabrication work was revised from 1425 tons to 2100 tons, the Railway Board suggested negotiations with the present tenderers. It is strange to note that the negotiations were carried out only with firm 'A' which was the highest and not with firm 'C'

which was the lowest and with firm 'B', which even according to the initial assessment of the Tender Committee in August, 1962, had all the requisite qualifications to carry out the work and was proposed to be accepted. The Committee have not been given any convincing justification for carrying out negotiations with the highest tenderer only to the exclusion of other tenderers. This, the Committee feel, was a violation of the directive of the Railway Board.

4. The Committee have also not been given conclusive evidence that the firm 'C' the lowest tenderer, was totally incapable of undertaking the work. On the other hand, they find that the Hindustan Steel had recommended this firm for being relied upon to do any big works and the technical officers of Diesel Locomotive Works, Varanasi, who inspected the firm's workshop on 24th November, 1962, had found the fabrication work in progress satisfactorily. It is also evident from the notes furnished and the evidence tendered that the delay in carrying out the works in the case of a contract placed by the Southern Railway in April, 1959 was mainly due to the delay in supply of the matching steel items to the firm. Adequate justification therefor did not exist for the Chittaranjan Locomotive Works to reject the lowest tender.

5. In October, 1964, General Manager, C.L.W. wanted to allot work for additional 1200 tons of steel fabrication to firm

'A' after negotiations, but the Railway Board favoured calling of limited tenders. No reasons were recorded for this decision.

6. The Committee also learn from Audit that the tenders were considered in this case on the basis of steel being procured by the contractors themselves and one of the reasons for not considering certain tenderers was that they had no stock of steel. After allotting the contract to firm 'A', the Railway Board arranged the requirements of steel for the works. This aspect also needs looking into.

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3.34. The Committee understand from the evidence and the notes furnished by the Ministry that they had decided not to investigate further so far as consideration of various factors concerning the tenders is concerned but the procedural lapses noticed are under examination by a high level Committee of two additional members of the Railway Board. In view of the various irregularities mentioned above, the Committee feel that the entire transaction leading to the allotment of the contract to the firm 'A' which was the highest ten-

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3.34

derer, needs further investigation. The Committee suggest that a representative of Audit should also be associated with this body and this transaction should be examined in all its details, keeping in view the various lapses mentioned above. The Committee also desire that learning from the experience of this case, the Railway Board should also streamline their procedure to avoid recurrence of such cases.

14 3-45 do. The Committee feel that the omission on the part of the tenderers in not supplying the samples as required under the terms of the tenders should have been noticed at the time of opening the tender on 15th September, 1964 and immediate action taken to call for the samples. They regret to note that samples were not immediately called at the time of opening the tenders. If that had been done, a period of 5 weeks which the authorities of the Chittrajan Locomotive Works took in calling for the samples could have been saved. The Committee feel that this period of avoidable delay of 5 weeks was one of the important contributory reasons which made the offer of the acceptable tender time-barred and thus enabled him to get out of his offer. As a result of that Government had to get the material at higher prices which involved avoidable extra expenditure of Rs. 2.57 lakhs. The Committee cannot but deprecate the careless manner in which this case was handled in the office of the Chitta-

ranjan Locomotive works. This clearly indicates that there was a lack of proper supervision on the part of those who were responsible for finalising the tender. The Committee are, however, glad to note that the matter was investigated and the persons responsible for mis-handling the case have been punished.

The Committee are also not convinced that because of the ban on the export of tapioca by the Government of Kerala, the tender had to be treated as frustrated since there is nothing in the evidence to show that any effort was made by the Railway Administration to obtain enough material to meet their requirements either by negotiations with the Kerala Government direct or at Government level. The Committee feel that had the administration made such an effort they would have been able to persuade the tenderer not to increase the prices till the outcome of their negotiations was known. They desire that the Railway Board should take necessary action to avoid repetition of such cases in future.

The Committee regret to find that it was because of lack of coordination between the DGS&D and the Railway Administration that there was considerable delay in finalising the tender and this delay ultimately led to an extra expenditure of Rs. 25,855. The DGS&D should have given full technical data to the Railways when acceptance of Railways was asked for the deviations in specifications. The Railways should also have not taken 13 weeks or so in communicating their acceptance. The Committee hope that there will be better coordination amongst the concerned Ministries/Departments in future and that such cases will not recur.

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Supply & Technical Development

1	2	3	4
16	3.64	Railways	The Committee regret to note that the Railway Board could not finalise the itemwise distribution of imported steel items for which global tenders were invited within the period the lowest offer was open for acceptance even though they were aware that the overseas supplier was not prepared to extend the delivery period beyond a certain date. As a result they had to obtain certain items of steel at higher price than what was offered by the lowest tenderer. The Committee desire that the Railway Board should take suitable steps to ensure that tenders of such nature are processed more expeditiously and within the prescribed time limit, to avoid the possibility of loss due to the validity period of the tender expiring.
17	3.67	do.	The Committee feel that the Railway Board could have saved some valuable time by seeking all the clarifications at one time instead of in piecemeal. In this way they could have reduced the period of two months which they otherwise took in finalising the tender.
18	3.68	do.	The Committee hope that the Railway Board would issue instructions for the expeditious processing of such tenders in future so that piecemeal clarifications are not sought from tenderers.
18	3.94	do.	The Committee find that in this case it was primarily the issue of 1500 tons of pig iron by the Railways themselves which was respon-

sible for the excess issue of 879 tons of pig iron. The Committee are disappointed to note that due to various administrative lapses, the Railways did not ask the Iron & Steel Controller to adjust the excess issue of pig iron to the firm. Corresponding reduction was also not made in the firm's quota against the 1957 order which was still under execution. The subsequent adjustment of this excess against the order placed in 1961 did not curtail the substantial benefit which had accrued to the firm as pig iron was then available at considerably cheaper controlled rates. The unfortunate part of the whole case is that even when the Railway Board came to know that the quantity of pig iron had been issued in excess, they could neither recover the excess cost from the firm nor could they realise any liquidated damage because the Railways could not prove that they had suffered any loss. Even the Railway Board was not prompt enough to initiate any action against the defaulting official with the result that the latter had retired without accounting for the various lapses committed by him.

The Committee hope that keeping in view the various lacunae found in this case, the Railway Board would issue comprehensive instructions regarding disposal of the surplus materials issued to the contractors at controlled rates by the Railways. This is very essential to prevent misuse of materials in short supply.

The Committee also hope that in consultation with the Ministry of Law, the Railway Board will devise a suitable procedure regarding levy of liquidated damages. In this connection, the Committee

Railways

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would also like to draw the attention of the Railway Board to their observation contained in Para Nos. 4.144 and 4.156 of their 68th Report (Third Lok Sabha) wherein they have given their comments on the general case of liquidated damages.

From the details of the case as brought out during evidence and in the subsequent note, the Committee cannot but observe that the existing channels of co-ordination between the Railway Board, the Iron and Steel Controller and the Coal Controller need considerable improvement. It was primarily the lack of coordination which resulted in the non-supply of coal|coke in this case and this enabled the contractor to delay the supply of sleepers. The Committee feel that in the contracts involving heavy quantities of pig iron, coal|coke, it should have been ensured that adequate arrangements for the supply had been made even though it was the responsibility of the contractor to obtain the raw materials.

Another disquieting aspect of the case is that the supply of pig iron was not related to the supply of coal|coke. As a result of this more pig iron was supplied to the Firm though the corresponding quantities of coal|coke were not forthcoming. The Committee feel that this contingency could have been avoided if the Railways had kept a proper watch over the supply of raw materials. The Committee also regret to note that even when the performance of the

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Railways

Iron & Steel

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Railways

firm since 1960 did not give any indication about their being in a position to effect the supplies because of the non-availability of coal or coke, the Railway Board did not restrict the supply of pig iron. Alternatively, the firm could have been asked to return the surplus pig iron issued to them on the recommendation of the Railways after 9th April, 1965, when the firm asked for higher prices for sleepers to be made out of the surplus pig iron as that proposal was not acceptable to the Railways. Even this was not done and the firm was asked to return the pig iron only on 21st May, 1966. In the meanwhile, the firm is stated to have gone into liquidation in July, 1966. The failure to take timely action in this case is likely to jeopardise the Financial interest of the Railways to some extent. The Committee hope that the Railways would now file the claims against this firm before the receiver/liquidator and also take adequate action to safeguard their financial interest. The Committee would like to be informed of the final outcome of this case.

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Iron & Steel

The Committee regret to note that due to non-supply of pig iron, Railways had to cancel this contract. They hope that with more co-ordination with the office of the Iron and Steel Controller, such cases will not recur in future.

3-114

do.

The Committee also feel that if the policy adopted by the Iron and Steel Controller was detrimental to the procurement of C.I. sleepers by the Indian Railways the Ministry of Railways should have pursued the matter with the Ministry of Iron and Steel.

From the evidence, the Committee find that even though it was general rule in all the railways to recover crane charges from the consignors and the consignees, the Central Railway tried to realise the same from the contractor also and incorporated a provision to that effect in the agreement, which later on was contested by the contractor and the Railway lost their case both before the arbitrator and also in the High Court on the grounds of equity and because of defective wordings of the agreement. Since a clause toward realisation of crane charges from the contractor was provided in the contract; it would have been prudent for the Central Railway Administration to obtain legal advice beforehand, as recovery on account of crane charges was being made from the consignors and consignees in all such cases including in this case. The Committee regret that this essential aspect was not given due thought even when the contractor protested in September, 1958. If the legal advice was obtained in time, the Committee feel that a great part of the amount of Rs. 59,000 which was awarded by the arbitrator three years later, could have been reduced, substantially, either by terminating the contract or by amending the provisions of the contract suitably. The Committee hope that the Railway Administration would be more careful in future in such cases. The Railway Administration should also ensure that before any agreement is entered into with any party, all the provisions of the same are spelt out in clear and unambiguous terms. The Committee also feel that the Railways should have asked for

two rates—one with supply of cranes and other without that while inviting tenders initially in this case. This would have avoided later controversy as it arose in this case.

3.123 do.

The Committee are not convinced with the arguments put forward in defence of the delays of 2½ years in this case, and they feel that much of the delay could have been avoided, if prompt action was taken at appropriate stages.

22 3.132 do.

The Committee find from the notes that the C.L.W. had requested the foreign firm on 6th April, 1962 to obtain competitive quotations for the supply of 12 items of crimping tools from the U.K. and the continental firms to be purchased through the foreign firm. This was however, met with a delayed reply from the firm. They gave one quotation and requested the C.L.W. to make purchase directly. The Legal Adviser to the High Commissioner in London had held that "this inability to perform the contract fully constituted a breach of contract on the part of the foreign firm" and the Railway Administration" would have been justified in rescinding the contract on such breach". The Railway Board however, terminated the contract by giving six months' notice w.e.f. 31st May, 1963.

3.133 do.

The Committee feel that if the Railway Board had taken timely legal advice on 16th April, 1962, when they had first received the intimation regarding the firm's proposal to go into voluntary liquidation and keeping in view the breach of contract—committed by the firm, the Railway Board would have been in a better position

and the amount of money which was paid to the firm owing to legal implications could have been minimised.

23 2.144 Railways

In this case the Committee feel that even though the increase in the quantum of earth work done at the Itarsi end was caused due to the unexpected resistance of the landlord to allow the Railway to make use of his land, the increase on the other end of the bridge where the work was done with better type of soil, could have been foreseen and this was also the case with the work done at Juneta. The Committee feel that if the estimates of work done at these two sites were correctly made and tenders were invited on that basis, the Railway Administration could have got better competitive rates. The Committee are not inclined to accept the plea that re-inviting of tenders would have been in all cases disadvantageous to the Railway Administration. Even though in the present case the Administration succeeded in reducing the rates quoted by the contractor through negotiation, yet the Committee feel that such a practice of fixing of contract rates through negotiation should be utilised sparingly, with utmost caution and under proper supervision and the practice of inviting tenders should not be dispensed with. The Committee also feel that it would have been more appropriate for the Railways to call for fresh tenders when the quantity of earth work increased from 50,000 cft. to 55 lakhs cft. under item

No. 2 mentioned in the Audit para. Alternatively negotiations should have been carried out with all the original tenderers and not with one tenderer only.

24 3·150

Railways

The Committee fail to understand how the South Eastern Railway could finalise a contract on 5th August, 1963 on the assumption that a normal hump would be provided in the Nimpura yard when they themselves approached the Railway Board almost immediately thereafter on 31st August, 1963, that it was essential to provide a mechanised hump there. Moreover, the expectation of the Railway Administration that, it would be easy to switch over and the process would not entail much variation does not appear to have been formulated on sound technical advice because the whole scheme could not be finalised before November, 1964. As a result of sudden change in the Plan, the cost of the work had gone up from Rs. 3·55 crores to Rs. 5·3 crores. Though it had become apparent to Railway Administration in August, 1963, that as a result of increase in the quantities, this contractor became the highest among the tenderers, the extra work was allowed to be executed by him. The Committee understand from Audit that neither fresh tenders were invited nor attempts were made to negotiate with all the original tenderers and the negotiations were confined to the existing contractors only.

3·151

do.

The Committee feel that there was no justification for the Railway Administration to finalise the contract on 5th August, 1963 when the Administration were all aware that it would undergo substantial changes as a result of their own proposal for the provi-

sion of mechanised hump. The contract, as an alternative, should have envisaged the provision of a mechanised hump in so far as the earth works were involved. The Committee would strongly urge upon the Ministry that in all cases where the work varies substantially from the estimates and if calling for fresh tenders is not considered advisable, adequate opportunities should be given to all the original tenderers to offer rates for the revised work instead of negotiating the rates with the existing contractors only. The Committee would like the Railway Board to issue suitable instruction in this regard.

The Committee feel that it would have been better if deviations from the original outline drawings (supplied by the firm) which the Railway did at their own initiative in the working drawings, were specifically brought to the notice of the firm even though it had been shown in the drawings clearly and was approved by the firm. It appears that in September, 1958, the firm raised some doubts regarding the strength of the turbine foundations, the matter was not very carefully examined. The Committee feel that this aspect needs careful looking into. The Committee are surprised to find that though the cracks started appearing in 1963, it had taken nearly 3 years for the Ministry of Railways to find out from the DGS & D that the responsibility for the defects rested with the firm. The Committee hope that the Ministry of Railways would not take up the matter with the firm for payment of damages.

3.160 do. The Committee would like to be informed whether the dismantling of the existing foundations and construction of new foundations was subsequently found necessary, and if the extra expenditure incurred on that account.

26 3.174 do. The Committee are distressed to find that contracts for a total sum of Rs. 52.49 lakhs were entered into by the Railway Administration, South-Eastern Railway, with a firm for execution of earth work, bridges etc. even though it was brought to their notice that this particular firm had not tendered for bridge work and as such similar work had not been entrusted to them by the Northern Railway to whom a reference was made. The Chief Engineer (Construction) of Northern Railway had clearly stated that the firm had not tendered for any bridge work. As such, the Committee do not understand how the Tender Committee could come to the conclusion that "from the credentials produced by them, they are capable of completing this bridge work in addition to other doubling works that had been given to them on the South Eastern Railway". The net result of awarding the contract without proper and complete verification of the capacity of the firm to undertake the work was that as the firm could not complete the work, the Railway Administration had to rescind all the contracts and get the work completed at an extra cost of Rs. 6.43 lakhs.

3.175 do. They are also unhappy to note that the Railway Administration could not recover the balance of Rs. 3.72 lakhs from the firm due to wrong advice given to them by the Law Officer for going for

arbitration as it was found later that arbitration proceedings were untenable.

3-176

Railways

The Committee trust that the Railway Administration would benefit by the experience gained in this case and would ensure in future that the capacity of the firms to execute particular work is fully and properly verified before awarding contracts to them. They also desire that immediate action should be taken for the recovery of the balance of Rs. 3.72 lakhs.

3-177

do.

In this connection, the Committee suggest that the question of suitably strengthening the Legal Wing of the Railway Administration be considered so as to avoid financial loss to the Railways owing to wrong legal advice.

3-178

do.

The Committee further desire that the question whether all other Railway Administrations should be informed about the non-completion of the work by the firm in the South Eastern Railways, may be examined.

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3-187

do.

The Committee had expressed their anxiety over a majority of cases referred to arbitration going against the Railways in para 30 of their 32nd Report (Third Lok Sabha) and in para 3-39 of their 53rd Report (Third Lok Sabha). They are perturbed to find that in this case also the award of the arbitrator went against the Rail-

ways. The Committee would like the Railway Administration to have this case examined thoroughly once again to see if there were grounds on which the award of the arbitrator could be challenged successfully.

3.188

do.

From the statement furnished at the instance of the Committee, (Appendix VIII), they find that even the provisional figures of cases referred to Arbitration during the last five years (1961-62 to 1965-66) disclose that out of 737 cases, only 119 were decided in favour of Railways as against 459 in which amounts were awarded to contractors, while 158 cases are still pending. These figures indicate an unsatisfactory state of affairs. The Committee would however like to await the result of detailed study and review being made at present by the Efficiency Bureau of the Railway Board on this question. They would like to be informed, in due course, of the findings of the Efficiency Bureau, and the action initiated thereon to improve the position.

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3.197

do.

The Committee are unhappy to note that without assessing all the factors, an agreement for the work of providing structures, etc., on a piece of land on which acquisition proceedings had not been completed was executed in this case. They feel that had the question of having a fencing instead of a compound wall been decided before awarding the contract, the Government would not have suffered a financial loss of Rs. 58,103 in this case where haste in awarding the contract resulted in waste.

1	2	3	4
3.198	Railways		The Committee regret that in this case also the arbitration award went against the Railways. In evidence, it was stated that in the arbitration case while the party was represented by a lawyer, the Railways were represented by an Accounts Officer and this was a handicap.
3.199	do.		The Committee would like the Railway Board to examine the position obtaining on all the Railways and take steps to remove this handicap.
29	3.214	do.	The Committee desire that instructions should be issued to the various Railway Administration by the Railway Board to the effect that orders issued by them should be promptly implemented by the various authorities and in case of doubt or anomaly it should be brought to the notice of the Railway Board immediately for necessary action.
3.215	do.		The Committee would also like the Railway Board to consider the feasibility of incorporating in their instructions suitable provisions for disposal of rejected stores if they were not removed within a reasonable period.
30	3.231	do.	The Committee regret to find that in spite of their recommendation made in para 74 of their 1st Report (Third Lok Sabha), the Railways had not been prompt in realising their dues, and large amounts are still to be recovered from various Governments, Departments, etc,

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- 3-232 do. In view of the abnormal delays in realising the dues and in settlement of various points, the Committee feel that before entering into any agreement with Government Departments, etc. the Railways should ensure that there are no lacunae which might come in the way of prompt realisation of the dues.
- 3-233 do. The Committee also desire that some special steps should be taken at a sufficiently high level to liquidate old outstandings.
- 3-243 do. The Committee regret to find that there has been delay at various stages, with the result, that 7 years had passed and yet the Railways had not been successful in coming to a final settlement with the National Coal Development Corporation. They hope that there would be no further delay in the matter now.
- 3-244 do. As regards recovery of an amount of Rs. 1.60 lakhs [Para 29 (ii)], the Committee learn with regret that the position was still not clear. They would like this matter which is pending for a long time to be finalised.
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- 3-252 do. The Committee regret to observe that at no time during these years any serious attempt seems to have been made by the Railways to maintain a proper and upto-date record of the occupants of the lands and stalls in the bazaars. Proper steps were also not taken to prevent the accumulation of the arrears. They note that only with

effect from 28-10-65, a whole-time Estate Officer was appointed to finalise these cases and that there were also some difficulties in finding additional staff to attend to these cases. The Committee hope that vigorous attempts would now be made to liquidate the arrears without further delay. They trust that the steps, such as the introduction of checks to prevent sub-letting, obtaining advance deposits etc. taken would improve the position.

33 3.265

Railways

The note has been furnished (Appendix X). The Committee find from the Note that the complete figures of actual earnings from goods and passenger traffic have not been furnished. The Committee also find that the financial returns are not based on figures of actual additional earnings but earnings estimated on the basis of statistical data.

3.266

do.

The Committee would like to be furnished with a detailed and comprehensive note giving the figures of financial returns from February 1962 till the year for which accounts are complete, as prescribed in the Rules.

3.267

do.

The Committee fail to understand as to why the line had not been opened to goods traffic when the line was considered financially justified on the basis of normal goods and passenger traffic. When it was known that the traffic would be diverted if the line was not extended

beyond Samastipur, the Committee fail to understand as to why steps were not taken during all these years to extend the line. Further, it appears that the question of road competition was not examined by the Ministry of Railways at the proposal stage. All these indicate that a thorough examination of all aspects of the project was not made before it was taken up for execution.

34 3-270 do. The Committee would like the Ministry of Railways to ensure that correct and complete factual information is furnished to Audit when draft Audit paragraphs are sent to the Ministry and that such instances would not recur.

35 3-278 do. The Committee note that a scheme for the expansion of the existing Sleeper Creosoting Plant at Naharkatiya by erecting another plant with a capacity of 5 lakhs cubic feet per shift per year was included in the Final Works Programme of 1958-59 at an estimated cost of Rs. 9.93 lakhs. The Ministry of Railways instructed the Railway Administration in February, 1958 not to start the work as the justification was to be examined in greater detail. After a delay of over 2 years the Ministry accepted the proposal in March, 1960. A further delay of 2 years occurred in calling for tenders for the supply of machinery required for the scheme and the lowest tender of a firm was accepted after another year's delay on 25th May, 1963. The agreement with the firm was executed about a year later on 21st March, 1964. They further note that the financial implication of the Plant worked out by the Railway Administration had shown that the scheme was expected to yield a return of 51.9% on the capi-

tal investment and also a saving of about Rs. 6 lakhs per year due to longer life of sleepers treated in the plant. The Committee fail to understand as to why the Railways did not take steps to eliminate the delays that occurred at various stages in this case, when the scheme was considered to be a highly remunerative one.

The Committee are not convinced with the arguments in justification of the delays that took place in this case. It is unfortunate that due to delays which occurred at various stages the estimated cost of Rs. 9.93 lakhs had increased to Rs. 17.11 lakhs and the Railways had also to incur a loss of over Rs. 3 lakhs in 1964 and 1965 by the treatment of the sleepers being entrusted to the contractor. The Committee suggest that the Ministry of Railways should investigate in detail the reasons for the delay of several years and take steps to locate the responsibility for the abnormally long time taken in the execution of the scheme.

Railways

3.284

36

While the Committee are glad to note that suitable action has been taken against delinquent officials and steps were being taken to recover the amounts from the officers responsible, they would like to point out that the following lapses had occurred in this case:

- (i) no record of the authority letters issued to the Stores Issuer was being maintained by the Loco shed;

- (ii) Proper arrangement for the safe custody of important forms and rubber stamps did not exist in the office of the Loco Foreman;
- (iii) the procedure for checking the receipt of stores drawn by special messenger was not effective in the Loco shed; and
- (iv) the Loco Foremen reported to the Local Stores Depot on a number of occasions the non-receipt of stores for which debits had been received, but the latter did not deal with the reference promptly.

3-285

do.

The Committee desire that all these defects be remedied early. The Committee would also like the Ministry of Railways to examine in general what further steps are needed to plug the loopholes to avoid such instance in the various Stores Depots under the Railway Administrations.

37

3-290

do.

The Committee are not convinced with the arguments advanced that a major portion of the expenditure incurred in the opening of the Robertsganj—Garhwa Road Railway Project was on publicity activity. In their opinion all the items of expenditure related to inauguration ceremony. The Committee regret that the Railway Administration did not abide by the instructions issued by the Ministry of Railway in March, 1963 restricting the expenditure on inauguration ceremony to Rs. 500 only. In the opinion of the Committee, in case there was difficulty on the part of the Railways in restricting the expenditure to the ceiling fixed, the matter should

have been taken up with the Department of Finance and suitable relaxation obtained instead of violating the instructions issued by the Ministry of Railways themselves.

38 3.299

Railways

The Committee hope that with the introduction of the mechanised system of linking the losses due to missing wagons and the credit due to unlinked wagons, the losses on this account would be eliminated. The Committee feel that the increase in the amount of loss due to thefts in the Railways indicates the lack of proper vigilance by the Railway Protection Force. They hope that with the increase in the detection staff, the Railways would be in a position to reduce thefts of Railway property substantially.

3.300

do.

The Committee also note that out of the total loss of Rs. 30.95 lakhs attributed to thefts, 89% of this loss occurred on three Railways (Central, Southern and Northern). The Committee would like the Ministry of Railways to investigate the reasons for such a disproportionately high incidence of thefts on these three Railways and take suitable remedial measures.

39

4.2

Railway
Supply and

The Committee desire that action taken notes on remaining items may be furnished immediately and delays in submission of action Technical Development taken notes avoided in future.

- 40 4.5 Railways The Committee would, therefore, await further notes on these items.
- 41 4.10 do. The Committee are unhappy to note that out of Rs. 1,58,213 outstanding from the State Govts. of Madras and Andhra Pradesh as on 31-1-1965, only Rs. 4,940 have been realised upto 30-6-1966. They are not satisfied with the progress made in this direction.
- 4.11 do. The Committee desire that special steps should be taken by the Railways so that the full amount is recovered from the State Govts. expeditiously.
- 42 4.18 do. The Committee regret to find that the India Supply Mission, London and India Supply Mission, Washington, had furnished during the six months (October, 1965 to March, 1966) 88 periodical reports to different Railways against 200 such reports which they were supposed to send. They also find that the information furnished by these Missions to some of the Railways was incomplete.
- 4.19 do. The Committee need hardly emphasise that in order to avoid wide variations between estimates and actuals on account of materials purchased from abroad, it is essential for the Supply Missions abroad to furnish the periodical reports about the placement of orders, despatch particulars and payments effected promptly and regularly. They also desire that such reports should be complete in all respects so that the Railways may be able to estimate correctly their financial commitments.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi—6	27	33.	Bookwell, 4 Sant Narakari Colony, Kingaway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chaparwala Kuan Karol Bagh, New Delhi.	66			
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68		MANIPUR	
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88		AGENTS IN FOREIGN COUNTRIES	
32.	Hind Book House, 82, Janpath, New Delhi.	95	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	

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