

PUBLIC ACCOUNTS COMMITTEE (1974-75)

(FIFTH LOK SABHA)

HUNDRED AND FIFTY-FOURTH REPORT

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 126th Report (Fifth Lok Sabha) on paragraphs relating to Railway Operations and Expenditure included in the Report of the Comptroller & Auditor General of India, for the year 1971-72—Union Government (Railways)],



**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE

(1974-75)

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Shri B. K. Mukherjee—*Chief Legislative Committee Officer.*

Shri N. Sunder Ramjan—*Senior Financial Committee Officer.*

INTRODUCTION

1, the Chairman of the Public Accounts Committee, having been authorised by the Committee, do present on their behalf this Hundred and Fifty Fourth Report of the Public Accounts Committee on Action Taken by the Government on the recommendations contained in their 126th Report (Fifth Lok Sabha) on paragraphs relating to Railway operations and expenditure included in the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways).

2. On the 31st May 1974 an 'Action Taken Sub-Committee' was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following members:—

Shri H. M. Patel—*Convener.*

MEMBERS

2. Shri Sasankasekhar Sanyal
3. Shri Jagannathrao Joshi
4. Shri S. C. Besra
5. Shri V. B. Raju
6. Shri Mohammed Usman Arif
7. Shri P. Antony Reddi
8. Shri Narain Chand Parashar
9. Shri T. N. Singh.

3. The Action Taken Sub-Committee of the Public Accounts Committee (1974-75) considered and adopted this Report at their sitting held on 23rd April, 1975. The report was finally adopted by the Public Accounts Committee on 26th April, 1975.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A Statement showing the summary of the main recommendations/observations of the Committee is appended to the Report.

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

NEW DELHI;
26th April, 1975.

6th Vaisakha, 1897 (S).

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in their 126th Report (Fifth Lok Sabha) on paragraphs relating to Railway Operations Expenditure included in the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways). Action Taken Notes have been received in respect of all the 48 recommendations contained in the Report.

1.2. The Action Taken Notes on the recommendations of the Committee have been categorised under the following heads:—

(i) *Recommendations/observations that have been accepted by Government.*

S. Nos. 1, 2, 3, 5, 6, 12, 13, 16, 18, 25, 26, 27, 32, 33, 34, 40, 45, 48.

(ii) *Recommendations/observations which the Committee may not desire to pursue in the light of the replies of Government.*

S. Nos. 7, 8, 9, 11, 14, 20, 21, 22, 24, 31, 42, 46, 47.

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration.*

S. Nos. 4, 10, 28, 29, 35, 36, 37.

(iv) *Recommendations/observations in respect of which Government have furnished interim replies.*

S. Nos. 15, 17, 19, 23*, 30, 38, 39, 41, 43, 44.

1.3. The Committee hope that final replies in regard to recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by Audit.

1.4. The Committee will now deal with the action taken on some of the recommendations.

Wagon Turn-round—Paragraph 1.26 (S. No. 3)

1.5. Commenting on the gradual deterioration in the index of wagon turn-round and wagon utilisation on the railways during the last seven years, the Committee had in paragraph 1.26 observed as under:

* Interim reply in respect of part of the recommendation.

"The Committee consider all this to be most unsatisfactory. With augmentation of the capacity of important marshalling yards, increase in the speeds of goods trains following dieselisation and electrification of traction at a very high cost, streamlining of traffic, increase in block rake movements, a progressive reduction in the index for wagon turn-round ought surely to have ensured. The explanations given before the Committee are not at all convincing. The situation calls for a radical rethinking on Railways' control over operations. The problem should therefore, be studied in depth and remedial steps taken forthwith."

1.6. In their reply dated 2nd November, 1974, the Ministry of Railways (Railway Board) have stated:

"The comments of the Committee are noted. It is, however, stated that the position was fully explained to the Committee. It is once again reiterated that it is the constant endeavour of the Railways to improve their performance notwithstanding the difficulties that arise from time to time. It may also be mentioned that a study in depth has already been undertaken to locate areas in which further improvement could be effected."

1.7. The Committee note that the Railway Board have undertaken a study in depth with a view to locating areas where further improvements could be effected in the interest of better Railway operations. The Committee would like to be apprised of the results of this study and the concrete measures taken for the improvement of operations and maximum utilisation of railway assets.

Detention of Wagons—Paragraph 1.27 (S. No. 4)

1.8. Dealing with the increased detentions to wagons in Steel Plants and ports despite comparative reduction in traffic, the Committee had in paragraph 1.27 observed:

"The Committee are distressed to learn that of late the number of wagons held up inside steel plants has considerably increased in spite of comparatively reduced traffic. The average number of wagons held in steel plants daily which was 5,956 in 1969-70 went up to 6,942 in 1971-72. The payments made by the steel plants to Railways on account of demurrage for wagons detained beyond the permissible free time, increased from Rs. 61 lakhs in 1963-64 to as much as Rs. 2.38 crores in 1972-73. During evidence the representatives of the Ministry of Railways pointed out that the handling methods

followed inside the steel plants were mainly responsible for the detention of increasing number of wagons in steel plants for longer periods. At the same time the representative of the Ministry of Steel attributed the held-up of wagons in steel plants to changes in modes of traction of railways, frequent dislocations in the railway system affecting uniformity of flow of loads into and from the steel plants, frequent imposition of route restrictions etc. The Committee were informed that a review committee had been set up by the Ministry of Steel to go into the entire question. They desire that the review should be completed expeditiously and the remedial measures suggested by Review Committee to overcome the present shortcomings speedily implemented. Action taken in this behalf may be intimated to the Committee within six months. Similar action is urgently called for in respect of detention to wagons in ports also. The Committee are greatly concerned about the hold-ups of wagons in steel plants, ports and elsewhere because to that extent other users are deprived of wagons and the Railways lose revenue. A very high-power reviewing committee consisting of academically educated transport economists and others should be constituted to go into this question immediately."

1.9 In their reply dated 21st October, 1974, the Ministry of Railways (Railway Board) have stated:

"This concerns mainly the Ministry of Steel and Mines and the Ministry of Transport. A copy of this para has been sent to both the Ministries for taking further necessary action. The Ministry of Steel and Mines have been requested to supply a copy of the report of the Review Committee and the action taken on their recommendations. Further action will be taken on receipt of the reply from the Department of Steel. The matter is also being pursued with the Ministry of Transport and Shipping."

1.10. In their note dated 26th October, 1974, the Department of Steel have stated :

"The Review Committee set up by the Department of Steel under the Chairmanship of Shri G. D. Khandelwal, former Chairman, Railway Board started functioning from December, 1973. After examining in detail the Railway facilities available and the present operating practices adopted, the Committee have already submitted four reports—one each in respect of Rourkela Steel Plant, Durgapur Steel Plant (including Alloy Steel Plant), the Indian Iron and Steel Co. Ltd., and the Tata Iron

and Steel Co. Ltd. These reports contain recommendations for short-term remedial measures as well as suggestions for implementation in the long term. The Recommendation to be implemented by the Railways and by the steel plants have also been indicated separately. Action has already been taken by the plants to start implementation of these recommendations and some of them have already been implemented while the rest are in the process of implementation. A review of the progress of implementation of these recommendations will be done by the Steel Authority of India Ltd.

2. The tenure of this Committee has been extended upto 31st March, 1975. The Committee is now engaged in studying the problems relating to the other integrated steel plants. The reports on these plants are expected to be available by March, 1975.
3. The High Power Review Committee consisting of academic transport economists and others, it is presumed, will be constituted by the Ministry of Railways as it is intended to cover Steel Plants, Ports etc."

1.11. The Railway Board have quite obviously not been able to understand the Committee's recommendation. That it was not obscurely worded is evident from the fact that the Department of Steel has understood what the Committee wanted, namely a High Power Review Committee to be set up by the Railway Ministry consisting of representatives of concerned ministries such as Ministry of Transport, Department of Steel etc. plus one or more transport economists. This Review Committee would examine the whole question of detention of wagons in steel plants, ports and elsewhere in detail and recommend suitable measures for improving the situation. This aspect has not been touched upon by the Railway Board in their reply. In the context of the acute wagon shortage and loss of earning capacity arising out of these detentions, the Committee would reiterate its recommendation that the Railway Board should appoint without further loss of time a High Power Review Committee consisting of academically qualified transport economists and others to go into the entire question of detentions to wagons in steel plants, ports and other places. The Committee should be informed as soon as the suggested Review Committee is constituted at appropriately high level.

*North-Eastern Railway—Increase in the number of engine failures—
Paragraph 1.76 (S. No. 10).*

1.12. Taking note of the actual performance of certain Railways vis-a-vis the targets laid down in regard to performance index of kms. per engine failure, the Committee had in paragraph 1.76 observed :

"From the information made available to the Committee it is seen that keeping in view the figures of foreign countries the initial

performance index of 160,000 kms. per engine failure was revised by the Railway Board to 2,00,000 kms. in November, 1966. If the actual performance of certain railways such as Northern, Western and South Central Railways is any guide this index is anything but ambitious. The Committee desire that the Railway Board should reassess the situation and see whether higher targets could be laid down for achieving better results."

1.13. In their reply dated 26th March, 1974, the Ministry of Railways (Railway Board) have stated :

"The target of Kms/engine failure was increased from 160,000 Kms. to 200,000 Kms. in November, 1966. The average performance on the Indian Railways for the BG and MG steam locos during the last 3 years has been as under :

| | B.G. | M.G. |
|-------------------|---------|---------|
| 1971-72 | 135,868 | 158,479 |
| 1972-73 | 119,681 | 151,266 |
| 1973-74 | 73,010 | 72,300 |

The above clearly show that Railways are far below the target of 200,000 kms/engine failure and this performance was even less than 100,000 kms/engine failure in 1973-74, particularly on account of various staff problems on the Railways. Therefore, it will not be prudent to raise the target beyond the present level of 200,000 kms/engine failure. Railways have rather to strive hard to achieve the present target before raising their sights further. So far as diesel and electric locos are concerned, the targets have been raised, as the criterion for 'engine failure' has since been modified and instead of detention of 60 minutes now 30 minutes and above detention constitutes an engine failure in respect of diesel and electric locos. Therefore, for diesel and electric locos higher targets have since been prescribed from January '74."

1.14. In the Committee's opinion, prima facie, the Railway Board's explanation for not raising the performance index for engine failure sounds fallacious. For judging the performance of each Railway vis-a-vis the targets laid down, the absolute figure of the performance index has to be taken note of and not the average of all the Railways. The Committee find that on the Northern Railway the performance index of kms. per engine failure was as high as 3,38,000 in 1970-71 and 3,07,000 in 1971-72. Similarly on Western Railway the respective figures were 2,61,000 and

2,05,000. In fact, even on North Eastern Railway a performance index of 2,36,000 had been achieved during 1966-67. There should be no reason why the North Eastern and North-east Frontier Railways cannot emulate the performance of other zonal Railways. It is in this context that the Committee had suggested a reassessment of the situation.

1.15. The Committee desire that the situation may be reviewed with a view to laying down targets which would be adequately challenging. While reassessing the situation, the Railway Board would no doubt critically analyse the performance of these Railways whose performance is below their existing targets and take suitable remedial measures to improve the performance and ensure optimum utilisation of engines.

North Eastern, North-east Frontier and Western Railways—Avoidable expenditure due to non-compliance with the provisions of the Industrial Disputes Act, 1947—Paragraphs 4.13 & 4.14 (S. Nos. 26 & 27).

1.16. Dealing with cases of avoidable expenditure incurred by the North Eastern, North-east Frontier and Western Railways due to non-compliance with the provisions of the Industrial Disputes Act, 1947, the Committee had in paragraphs 4.13 and 4.14 observed :

“4.13. The Committee note that North Eastern, North East Frontier and Western Railway Administrations had to incur avoidable expenditure of the order of Rs. 4.82 lakhs due to non-compliance with the provisions of the Industrial Dispute Act, 1947. A study of three cases referred to in the Audit paragraph indicates that the Administrations concerned had no clear understanding of the legal position. In this connection it is strange that the fact regarding applicability of the Industrial Disputes Act to Railway staff became known to the North Eastern Railway only after 14th January, 1970, following a court judgement on writs taken out by affected employees. Further, although the Railway Board had issued instructions in December, 1959 clarifying various points connected with the retrenchment benefits to casual labour on Railways under the provisions of the Industrial Disputes Act, the North-east Frontier Railway authorities concerned were blissfully ignorant of the position and the poor retrenched workers had to seek expensive legal remedy which they could ill afford to. All this demonstrates that the authorities concerned were utterly careless and regardless of the welfare of subordinates. As particularly the daily wage earners must have been put to considerable expense, the Committee are very much exercised on the issue. They desire that the cost of

litigation should be recovered as far as possible from the officers found responsible.

- 4.14. The Committee would also like the Railway Board to find out if there have been similar cases of non-compliance with the provisions of the Act on other Railways and take suitable action under intimation to them. The Railway Board should also issue clear and comprehensive instructions on the applicability of the Industrial Dispute Act to railway employees for the guidance of the lower formations without any delay."

1.17. In their reply dated 2nd November, 1974, the Ministry of Railways (Railway Board) have stated:

"The observations of the Committee have been noted and brought to the notice of the Railways concerned.

2. As regards the question of recovery of cost of litigation from the officers found responsible, it is submitted that the courts in their judgements have not awarded costs of suits in favour of the employees in the three cases on the North Eastern, North-east Frontier and Western Railways reported in the audit para, and, as such, the question of recovery of cost of litigation from the officers found responsible does not arise.

Similar cases of non-compliance with the provisions of the Act have come to notice on South Central and South Eastern Railways. On the South Central Railway, since the discharge of the employee was not due to retrenchment but due to the employee having been involved in a theft case it was anticipated that keeping him in service would involve some complications. The rules relating to the Act were not followed in this case due to a misapprehension. As a result of the court judgement, an amount of Rs. 209.50 was reimbursed to the plaintiff towards legal expenses. It is, however, not possible to recover the amount from the officers concerned as the discharge of employee in this case was due to his personal misconduct and not due to any reduction of work resulting in retrenchment.

In the case of South Eastern Railway, 81 casual labourers were discharged on the ground of closure/completion of work for which they were initially appointed. Against these retrenchment orders the labourers went to the court and claimed legal expenses. The High Court, however, did not award any costs or legal expenses in this case. The retrenched staff were taken back to duty against additional vacancies.

A copy of the instructions issued to the Railways *vide* Railway Board's letter No. E(LL)72AT/ID/1-2 & E(LL)71/ID/1-7 dated 5th March 1973 and 22nd January, 1974, respectively are enclosed (See pages 40-41)."

1.18. That the Committee had in mind was that suitable disciplinary action, including recovery of cost of litigation should be taken against the officers responsible. Has such disciplinary action been taken? Even if the court's judgements rule out recovery of cost of litigation, they do not come in the way of departmental action for negligence against the officers concerned being initiated. The Committee would like the Railway Board to examine this aspect and take appropriate action.

Chittaranjan Locomotive Works—Loss of Cash—Paragraphs 5.15 and 5.16 (S. Nos. 28 and 29)

1.19. Commenting on a case of non-settlement of a dispute between the Chittaranjan Locomotive Works Administration and the State Bank of India in regard to the liabilities for the loss of cash of over Rs. 18 lakhs arising out of an armed dacoity in the premises of State Bank of India, Chittaranjan, the Committee had in paragraphs 5.15 and 5.16 observed :

"5.15. The Committee are distressed to learn that even after the lapse of about 3 years it has not been possible for the Chittaranjan Locomotive Works Administration and the State Bank of India to reach a settlement in regard to the liability for the loss of cash of over Rs. 18 lakhs arising out of the armed dacoity in the premises of the State Bank of India, Chittaranjan. The Committee were informed that the Railway Administration tried to negotiate with the State Bank of India, but their efforts did not fructify. The Reserve Bank of India also refused to intervene and the Ministry of Finance when approached by the Railway Board for arbitration in the matter advised the latter that there was no scope for arbitration as the dispute was between a bank and its client. At present the CLW Administration have been advised by the Railway Board to file a suit against the State Bank of India. The Committee regret to say that the authorities in State Bank of India, Reserve Bank of India and the Ministry of Finance took too technical a view of the matter without making any serious efforts for resolving the dispute amicably. As a result not only the dispute has not been settled but the Railway Administration have also been forced to go in for litigation. The Committee have also a feeling that in this process the State Bank might have forfeited their right to recover the loss from the insurers as presumably all the cash transactions of the Bank are insured. The Committee

desire that the whole matter should be reviewed at a high level and the result intimated to them within three months.

5.16. The Committee are astonished at the manner in which the various organisations behaved. An issue like this must have been settled by referring it to some one at a high level, say in the Ministry of Finance. It is unseemly to allow the organisation in the Public Sector to go to court of law. Government should examine the matter for laying down general instructions forthwith."

1.20. In their reply dated 30th November 1974 the Ministry of Railways (Railway Board) have stated:

"5.15. The observations of the Committee mainly concern the Ministry of Finance (Department of Banking) who have offered the following comments :

'It is submitted that neither the Ministry of Finance nor the Reserve Bank of India nor the State Bank of India ever intended to take or has taken too technical a view in this matter. The State Bank of India refused to accept the liability in this case, because, according to it, the money carried away by the dacoits belonged at the time of the dacoity to the client. The entire money had been handed over to and was in the possession of the Railway Cashier before the loss occurred. According to the Bank, the payment of the cheques was completed on the basis of the following evidence:

- (a) The cheques discharged by the beneficiary were in its possession along with the relative tokens which were handed over by him.
- (b) The necessary entries in the Branch books had been made.
- (c) The entire cash was taken away by the Cashier and was packed/being packed by him in boxes.
- (d) The residual amount of Rs. 13,000/- that was lying on the floor was taken away by the CLW Cashier after the raid.

The Reserve Bank of India holds the view that as the dispute relates to the question of ownership of the money when it was stolen, it had better be decided only by the court and that, as the matter is subjudice, it may not be appropriate for it to offer any comments. As regards the question of having recourse to the Bank's insurance cover, the State Bank of

India submits that no such cover is available to the bank in the present case since the bank's own-money was not involved. It may also be submitted that this loss of a sum of Rs. 18 lakhs is now to be considered as an irrecoverable loss. Whether it is ultimately to be borne by the Railway Administration or by the State Bank of India either wholly or partially, the loss public money cannot be retrieved.

On a consideration of the various issues raised, it appears that the question actually hinges on "facts" as to whether the handing over of the money was completed or not before the dacoity took place. As a money suit has already been filed by the Railway Administration at Asansol against the State Bank of India, it is felt that it would be desirable and appropriate to await the findings of the court before a decision is taken as to who should bear this loss.'

- 5.16. It is respectfully submitted that this matter was taken up with the Ministry of Finance on 9th May, 1973, *vide* U.O. No. 71-AC. III/25/1. It was again taken up with the Secretary, Department of Banking, Ministry of Finance, *vide* D.O. No. 71-AC. III/25/1 dated 26th July, 1973, by the Financial Commissioner, Railways, to which reply was received from the Secretary, Department of Banking, Ministry of Finance on 5th September 1973. Copies of these three letters are enclosed See pages 75—80.

This recommendation was also referred to the Ministry of Finance, Department of Banking, who have furnished the following reply :

'It is submitted that the communication, in this regard sent by the Ministry of Finance to the Railway Administration, was not only approved but issued under signature of Secretary, Department of Banking, Ministry of Finance. It may, therefore, be seen that this matter was considered in this Department at a sufficiently high level. In so far as laying down general instructions and guidelines in the matter is concerned, it may be submitted that guidelines and instructions regarding settlement of disputes between Government Departments and Public Sector Undertakings already exist and that this Department had examined this dispute in the light of instructions on the subject.'

1.21. The Committee cannot understand why it has not been possible to resolve a dispute between two Governmental organisations by mutual consultation. Instead the parties have had to resort to litigation, thus

incurring avoidable expenditure. The Committee desire that the existing instructions for settlement of disputes between Government Departments and Public Sector Undertakings should be reviewed thoroughly and a suitable machinery evolved for the resolution of inter-departmental and inter-Governmental disputes. The Committee suggest that this recommendation may be brought to the notice of the Cabinet Secretariat.

Supply of Inferior Quality Coal to the Railways—Paragraph 6.13 (S. No. 35).

1.22. Taking note of the fact that after nationalisation of coal mines, there had been a marked increase in supplies of inferior coal to Railways, the Committee had in paragraph 6.13 observed:

“6.13. It is deplorable that even after nationalisation of coal mines the position far from improving has deteriorated. During the seven month period, February to August, 1973, after nationalisation the percentage of wagons found to contain inferior coal on visual inspection was 5.7 as against only 2.5 per cent for the corresponding period in 1972 before nationalisation. Thus there has been a 128 per cent increase in inferior supplies. The Committee understand that the Department of Mines are considering to set up a mechanical service unit to control the quality of coal supplied by the nationalised mines. The Committee trust that this will be done early. The matter should be gone into by a high powered Committee drawn from other spheres of Government.”

1.23. In their reply dated 14th January, 1975, the Department of Mines have stated:

“The Coal Mines Authority which supplies more than 80 per cent of the loco coal is not in a position to confirm the correctness of the figures quoted in respect of wagons stated to contain inferior coal on visual inspection. Since their quality control and technical service units are in the process of formation. Bharat Coking Coal and Singareni Collieries have stated that the percentage of deductions on account of inferior quality of coal is much lower. However, the need for ensuring that the quality of coal supplied conforms to the required specifications, the Coal Mines Authority have taken action to establish Quality Control and Technical Service Units. Officers have been recruited, staff are being recruited and the units are expected to start functioning shortly. A similar organisation is being proposed in B.C.C.

Singareni Collieries already have fully equipped and properly staffed laboratories for analysis of coal supplied to the Railways. During the period February to August, 1973 they received complaints from the Railways in respect of only 0.66 per cent of the total supply.

The Coal Producing Organisations are being advised to complete the formation of the Quality Control Units expeditiously and take immediate remedial action wherever a complaint is received from the Railways.

In view of the foregoing it is felt that it might not be necessary that the matter should be examined by a high powered Committee."

1.24. In view of the fact that all coal mines have not been nationalised, the Committee consider that it would be worthwhile for a high-power committee comprehensively to review the whole production and supply of quality coal for laying down procedures and guidelines. The Committee, accordingly, reiterate their earlier recommendation that the question of supply of quality coal should be gone into by a high power committee.

Paragraphs 6.14 & 6.15 (Sl. Nos. 36 & 37).

1.25. Commenting on the poor performance of the coal inspection machinery of the Railways, the Committee had in paragraphs 6.14 and 6.15 observed:

"6.14. The problem of supply of inferior grades of coal to Railways engaged the attention of the Committee earlier also. They were then (November, 1965) assured that steps had been taken to tighten up inspection and that the Inspection Organisation would be suitably manned. However, it is regrettable that the inspection continued to be absolutely inadequate and inefficient as the supply of inferior grades of coal has increased from year to year. Further, even the posts sanctioned for the Inspection Organisation were not filled up.

6.15. The above paragraphs reveal an astonishing state of affairs. It is difficult to believe that the Railway Board could have been so unmindful of its duties as to allow supplies of coal to a number of railways continuing for years to be subgrade or to contain shale, slack and dust beyond permissible limits. Quite obviously total quantum of loss suffered by the railways

must be very serious. The loss apart from the straight monetary loss arising from the payment of full value of coal which was of inferior quality there must have been loss suffered due to inefficient functioning of engines. It is evident that inspection machinery has functioned extremely incompetently. The Committee desire that the entire question should be carefully studied by the Railway Board with a view to taking such steps as would ensure the elimination of losses to Railways from inefficiency and carelessness and possibly also of corrupt practices. In this connection, the Committee would suggest that the entire inspection machinery should be revamped and that fresh procedure devised which would ensure that coal of right quality is accepted."

1.26. In their reply dated 6th November, 1974, the Ministry of Railways (Railway Board) have stated:

"6.14. The Railway Inspection Organisation was set up in 1960 and developed to undertake percentage checks at loading points to ensure supply of proper quality of coal. As results of percentage tests can be adjudged on a statistical basis on sample analysis methodology it is neither felt desirable nor necessary to have a 100 per cent check. At best such tests should be on a scale which can be handled effectively and the infrastructure required should not be unwieldy.

The posts for the organisation originally sanctioned were based on the requirement for controlling supplies from about 400 collieries. The number of collieries supplying coal to the Railways had gradually reduced and at present stands at about 175. The requirement of coal for the railways which reached the peak figure of 17.2 million tonnes in 1965-66 declined thereafter on account of extensive dieselisation and electrification on Railways and stand at about 14 million tonnes at present. In the circumstances it was not felt necessary to fill up all the posts originally sanctioned. However, all the posts as per current sanctioned strength required for undertaking inspection on the scale envisaged are manned except two loading inspectors. Arrangements are on hand to fill the vacancies.

Control on quality of coal loaded for the Railways is exercised by the inspection organisation by conducting visual checks, drawing samples for grade checks and keeping a watch on mining conditions and grade separation arrangements in collieries. Against the schedule laid down for 90 per cent visual check,

the inspection organisation has been able to cover 65 per cent of the supplies. As coal is graded by Coal Board, an independent body, supply of correct grade can be ensured by verifying that the supplies come from the graded section of the seams and adequate grade separation arrangements exist at the colliery. The inspection organisation has been concentrating on this aspect besides drawing samples for grade check which could not be stepped up on account of limitation of laboratory facilities. Action is already in progress to further step up the percentage of inspection by introducing inspection at centralised points and drawing more samples with the help of mobile trucks and augmenting facilities for analysis.

- 6.15. The Railway Board have all along endeavoured to ensure that the desired quality of coal is received by the Railways and the payments are made for the quality of coal that is received. It is towards this end that the railways' own Inspection Organisation was set up, whose working is kept under scrutiny regularly. In addition, to guide the Inspection Organisation regarding the emphasis that is to be paid on particular collieries. Railway Board also directed the Railways to conduct percentage checks of the supplies is received.

Unlike manufactured products the quality of coal varies not only in the same colliery but also in the same seam. The gradation has to obviously take into account the average quality on the basis of which the independent statutory body viz. the Coal Board gives the grades certificate. Thus it would be obvious that just as some supplies would be superior to the average grade, some supplies are bound to be inferior to the average grade. Accordingly, it was ensured as per contractual conditions to levy deductions in case of inferior supplies detected on the basis of joint checks conducted at the loading points. The railways, therefore, have been safeguarding its interest effectively.

Any system of determining the quality of coal has to be necessarily with mutual agreement of the producer and the consumer and the quantum of checks should be such as to justify the infrastructure required by both the parties.

With sustained efforts it has been possible to cover the visual inspection much beyond the schedule of 50 per cent to 65 per cent on average which in case of B. & B. collieries, from where the bulk of supplies are received, was increased to 75 per cent.

Action has also been initiated by ordering procurement of mobile trucks equipped with crushers for drawing more samples for grade analysis. Further action for facilities for analysing increased number of samples and undertaking inspection at centralised points is also being considered. In case of collieries with mechanised handling plant, procedure for drawing samples from the conveyer belt to cover 100 per cent despatches is being worked out in consultation with the Nationalised Coal Producing Authorities.

It may again be reiterated that the responsibility of quality control primarily rests with the producer. With the nationalisation of coal industry, it has now been possible to undertake close coordination with the public sector companies and the Department of Mines, who are regularly being urged to take necessary steps to improve the quality of coal supplies. The Department of Mines have indicated that action has already been initiated for establishing fulfilled Technical Service Unit for quality control in the nationalised coal mines.

1.27. Keeping in view the fact that the Railways consume coal worth about Rs. 60 crores annually, the Committee consider that the Railway Board should be required to pay more attention to the quality of the coal supplies they get. As is well known the Railways have had to cancel a large number of trains because they were not able to get steam coal of adequate quality. In this context it is only prudent that the Railway Board should have a fresh look at the machinery for the inspection of coal so that they are able to get coal of the quality they pay for.

Outstanding Dues against Non-Government Railways—Paragraph 7.17 (S. No. 39).

1.28. In regard to financial arrangements and machinery for execution of work on the broad gauge lines proposed to be constructed in place of three light railways, namely Shahdara-Saharanpur, Howrah-Amta and Howrah-Sheakhala, the Committee had in paragraph 7.17 observed:

"The Committee are informed that in place of the three light railways which had been closed down, namely Shahdara-Saharanpur Light Railway, Howrah-Amta and Howrah-Sheakhala Light Railways, broad gauge lines are proposed to be constructed with 50 per cent participation by the State Governments concerned. The Committee desire that final decision should be taken in regard to financial arrangement and machinery for execution of work, early."

1.29. In their reply dated 15th July, 1974, the Ministry of Railways (Railway Board) have stated:

"Shahdara-Saharanpur Light Railway: The Government of U.P. have since agreed to share equally with the Central Government the cost of constructing and running the broad gauge line. Action is also being taken by the Government of U.P., in consultation with the Ministries of Shipping and Transport and Law, to amend the Motor Vehicles Act (1939) so as to facilitate the formation of the Joint Corporation to be set up for running rail and road services in the area. The Ministry of Railways have also reminded the Ministry of Law in the matter. In the meantime the Government of U.P. have provided an amount of Rs. 2 crores in their budget for 1974-75 as their share of the outlay during 1974-75 in the construction of this line and its construction has been taken in hand.

Howrah-Amta and Howrah-Sheakhala Light Railways: The Government of West Bengal have yet not agreed to an equal partnership with the Ministry of Railways in the Joint Corporation to be set up for constructing and running the broad gauge lines. In the latest communication received from the Chief Minister, West Bengal, a suggestion has been made that the Government of West Bengal may only provide the land required for the broad gauge lines free of cost, to the Indian Railways. This proposal is under consideration of the Ministry of Railways."

1.30. The Committee very much desire that the proposals of the West Bengal Government in respect of the Howrah-Amta and the Howrah-Sheakhala lines should be ~~finalised~~ very expeditiously and a final decision arrived at by the Railway Board so that the difficulties of the commuters who come from weaker sections of the society, are put an end to at the earliest. A right time schedule for the completion of the project should be ~~finalised~~ on a very high priority basis.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations

1.24. The Committee are concerned to note that the index of wagon turnround for all railways shows gradual deterioration during the last 7 years in spite of all the fanfare. The wagon turnround is defined as the time interval which elapses between two successive utilisation (Loadings) of a wagon. The turnround of 11.8 days in 1965-66 deteriorated to 13.5 days in 1971-72 on broad gauge while the turnround of 8.41 days obtained in 1965-66 on metre gauge worsened to 10.6 days in 1971-72. The performance of certain railways such as Eastern and Northeast Frontier on broad gauge and Northern and North Eastern on metre gauge has been particularly bad during this period.

1.25. The other important indices of wagon utilisation are : (i) wagon kilometres per wagon day, (ii) Net tonne kilometres per wagon day, (iii) Average wagon loading during the run and (iv) percentage of loaded to total wagon kilometres. According to Railway Board's own assessment while the different indices of wagon utilisation have generally shown an improvement over the years, in some cases the position today is only what it was in 1965-66 or even slightly worse. In this connection it is worth nothing that the index of net tonne kms. per wagon day on B.G. was 998 in 1960-61, 889 in 1967-68, 908 in 1970-71 and 935 in 1971-72. The index of average wagon load during the run was 18.5 in 1960-61, 18.6 in 1965-66, 17.9 in 1970-71 and 18.00 in 1971-72. Thus the position is actually worse than what was over a decade ago.

1.26. The Committee consider all this to be most unsatisfactory. With augmentation of the capacity of important marshalling yards, increase in the speeds of goods trains following dieselisation and electrification of traction at a very high cost, streamlining of traffic, increase in block rake movements, a progressive reduction in the index for wagon turnround ought surely to have ensured. The explanations given before the Committee are not at all convincing. The situation calls for a radical rethinking on Railways' control over operations. The problem should, therefore, be studied in depth and remedial steps taken forthwith.

Action Taken

Paras 1.24 to 1.26 The Comments of the Committee are noted. It is however stated that the position was fully explained to the Committee. It is once again reiterated that it is the constant endeavour of the Railways to improve their performance notwithstanding the difficulties that arise from time to time. It may also be mentioned that a study in depth has already been undertaken to locate areas in which further improvement could be effected.

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC—PAC/V/126 (1—4) dated 21-10-1974/11 Kartika 1896]

Recommendations

1.52. The Committee are concerned to note that the percentage of wagons awaiting repairs in sick lines. Transportation Workshops (running sheds) and in Mechanical Workshops has been increasing over the years indicating substantially increased detention to wagons, though the Workshops capacity remain unutilised. The percentage of BG wagons awaiting repairs to total on line increased from 3.99 in 1965-66 to 5.11 in 1970-71. In the case of MG wagons the percentage of wagons awaiting repairs rose from 3.37 in 1965-66 to 4.46 in 1970-71. The Committee were informed during evidence that for the purposes of measuring maintenance efficiency of Railways it had been laid down that ineffective wagons should not at any time exceed 4 per cent of the total stock. Judged on the basis of this criterion there has been severe deterioration during the years 1969-70 and 1970-71. Besides the increasing trend in proportion of wagons awaiting repairs, the detentions in Mechanical Workshops for repairs, have been considerably increasing on most railways from year to year. Further the percentage of overdue POH of BG wagons had increased from 8.83 at the end of March, 1968 to 22.18 (more than 2½ times) at the end of July, 1973. Due to poor condition of such wagons, the percentage of wagons awaiting repairs is bound to increase. It is now essential to find out the wagons that are being supplied by private company(s) whether they are generally upto the mark or not.

1.53. An analysis of the situation has *inter-aila* revealed that the main reasons contributing to poor standards of maintenance of rolling stock on Railways which have an impact on the detention of wagons in the workshops were:

- (i) Shortage of capacity in the major sick lines for ordinary repairs.
- (ii) Faulty repair techniques followed in the workshops.
- (iii) Lack of modern workshop facilities; and

- (iv) Under-utilisation of available workshop capacity for periodical overhaul of wagons due to various reasons such as shortage of power, shortage and irregular supply of industrial gases, heavy work load on the body repairs of four wheeler stock due to heavy corrosion etc.

[Sl. Nos. 5 & 6, para 1.52 & 1.53 of 126th Report of PAC (5th L.S.)]

Action Taken

The observations of the Committee have been noted.

2. The arrangements available for ensuring that the condition of wagons built by private builders is generally upto the mark, are furnished below.

- (i) Quality control is effected through a system of checks and counter-checks. In the case of private wagon builders, it is insisted that the firm develops an effective internal inspection organisation for ensuring that the quality of work is to the standards laid down, before putting up components, sub and major assemblies and finally assembled wagons for inspection by the RDSO Inspection Organisation.
- (ii) The RDSO Inspection Organisation is manned by qualified and experienced officers and Inspectors.
- (iii) The inspection carried out by the RDSO falls into two distinct phases; one pertaining to the phase before commencement of mass production and the other during mass production. During the former phase an assessment of the availability of the requisite tooling to the desired accuracy, technical skill and facilities required for turning out quality work is made. The inspection in the latter phase includes random checks on the quality of material used, stage inspection to ensure that the workmanship at each stage of manufacture is to the standard required, and final inspection regarding the quality of the finished product and conduct of performance tests such as water tightness in the case of covered wagons, correct functioning of brake equipment etc.
- (iv) In respect of important bought-out items, inspection is carried out by the RDSO at the respective manufacturer's premises.
- (v) Relaxations and deviations sought by the wagon builders are carefully examined and only those justified and not likely to have an adverse effect on the performance are approved.

3. While the inspection at the wagon builders premises is conducted by the Asstt. Inspecting Engineer and Inspectors of RDSO deputed to that firm, a watch on the quality of work turned out by them is maintained by the concerned Deputy Director and the other senior officers of the I&L Organisation to ensure that the procedures laid down for ensuring quality control are being adhered to.

4. The Zonal Railways keep the RDSO informed of serious defects and abnormal performance, if any, in newly built wagons. No such reports have been received in the recent past.

5. The Zonal Railways are also required to conduct a warranty examination after wagons newly placed on line have been in service for 11 months, for defects, arising out of the use of inferior material, poor workmanship and improper production. These reports are scrutinised in the Railway Board's office for effecting recovery from the wagon builders against damages and deficiencies reported.

6. The scrutiny of Warranty Inspection Reports being received from the Zonal Railways reveals that the defects reported occur in on'y about 0.65 per cent of the wagons inspected and these are generally of a minor nature. Necessary claims in respect of the damages detected are raised against the wagon builders.

The condition of wagons being supplied by the Private sector is thus generally found to be upto the required standard.

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126.
(5—8) dated 30-10-74/8 Kartika 1896]

Recommendation

Para 2.29. It may be recalled that in paragraph 2.112 of their Seventh Report (Fifth Lok Sabha) the Committee had desired that the Government might consider whether it was at all desirable to resort to local purchases at higher rates from the firms holding contracts to supply the same goods. The DGS&D had then stated as a matter of general policy, they did not favour direct purchases in respect of stores on contract. The Committee consider that only in exceptional cases should such procurement be resorted to in consultation with the DGS&D. They desire suitable instructions in the matter should be issued to all the indenting departments forthwith.

Para 2.30. The Committee are also unhappy to note that 28,000 tonnes of steel billets imported on an urgency basis and which were received in India by March, 1971, have not been fully utilised. As at the end of February, 1974, 4,500 tonnes of the billets were awaiting disposal. The Committee cannot but deprecate the locking up of resources in this manner.

[S. Nos. 12 & 13 Para 2.29 and 2.30 of 126th Report of the PAC
(5th Lok Sabha)].

Action Taken

Para 2.29. As this recommendation is also marked to the DGS&D further necessary action will be taken on receipt of instructions from the DGS&D.

Para 2.30. The observations of the Committee are noted. The present position regarding utilization of billets is as follow:--

Out of the total quantity of 28,142 tonnes imported, only 2664 tonnes representing approximately 9 per cent are still to be utilised as on 1st July, 1974. Railways have, however, been instructed to ensure full utilisation of these billets expeditiously.

This has been seen by Audit.

[Ministry of Railways (Railway Board) O.M. No. 74-BC-PAC/V/
126(11—13), dated 30th October, 1974/8th Kartika. 1896].

Reply

(Department of Supply)

This Ministry is concerned with the Committee's recommendation at S. No. 12 regarding direct purchase of stores by the indentors from firms already taking contracts from DGS&D. Necessary instructions have been issued to the indentors as desired by the Committee. A copy of this Department's O.M. No. PIII-22(34)/74, dated 21st December, 1974 in this regard is enclosed.

[Ministry of Supply & Rehabilitation (Department of Supply) PIII-22
(34)/74].

No. PIII-22(34)/74

GOVERNMENT OF INDIA

DEPARTMENT OF SUPPLY

New Delhi-11, the 21st December, 1974

OFFICE MEMORANDUM

SUBJECT.—*Placing of direct orders by Government Departments on firms which are on contract for the same store with the Directorate General of Supplies & Disposals.*

Recently the Public Accounts Committee had occasion to be critical of the extra expenditure incurred by a Government indenter in procuring a particular store at a higher rate (Rs. 1.25 per unit) from a firm which had also a running contract with DGS&D at a lower rate (Rs. 0:57 per unit). The total extra payment, thus made to the firm worked to about Rs. 2.21 lakhs. Whatever the compelling reasons which might have prompted the indenter to go in for direct procurement in this case, the Public Accounts Committee were convinced that proper coordination with DGS&D would have enabled them to tide over the temporary difficulties faced for want of the store and extra expenditure could have been avoided. The Committee having noted that DGS&D as a matter of general policy did not favour direct purchase by indentors in respect of stores on DGS&D contract, considered that "only in exceptional cases such procurement should be resorted to in consultation with DGS&D."

2. The recommendations of the Committee are brought to the notice of all Ministries/Departments of the Government for necessary action. They are requested to bring the same to the notice of all the sub-ordinate organisations/indent raising authorities under their administrative control as *inter alia*, placing of direct order on a firm for stores already on contract with DGS&D could affect supplies against DGS&D's contracts which may be more urgently required by other Departments of the Government or even by the same Department.

3. A copy of the O.M. No. 1/21/64-PI of June 24, 1966, issued by the erstwhile Ministry of Supply, Technical Development and Material Planning which sets out broadly the circumstances in which direct purchases by indentors may be made is enclosed, the same being still in force though as amended from time to time.

Sd./-

(H. K. KOCHAR)

Joint Secretary to the Government of India.

To

1. All Ministries/Departments of the Government of India.
 2. All Administrators of Union Territories.
 3. Ministry of Finance (Supply Wing).
 4. Internal Finance.
 5. DGS&D, New Delhi (10 copies).
 6. A. G. C. W. & M., New Delhi.
 7. DG. ISM, Lodon/Washington.
 8. CP&AO, Department of Supply, New Delhi.
 9. Director, National Test House, Calcutta.
- Copy for information to State Governments.
- Copy also to PI/PII/BEC/ESI/ESII/General Section.

No. PI-1(21)/64

GOVERNMENT OF INDIA

MINISTRY OF SUPPLY, TECHNICAL DEVELOPMENT AND
MATERIALS PLANNING

(DEPARTMENT OF SUPPLY AND TECHNICAL DEVELOPMENT)

Central Secretariat-North Block.

New Delhi, the 24th June, 1966

OFFICE MEMORANDUM

SUBJECT.—*Procedure to be followed by the Ministries/Departments/ Administrators of Union Territories etc. for placing indents on the DGS&D, ISM, London/Washington.*

The undersigned is directed to say that in accordance with the existing instructions contained in Appendix 8 to the General Financial Rules, 1963, all stores should be purchased through the Agency of the Central Purchase Organisation. This condition is however, subject to certain exceptions contained in the said Appendix and the other special exemption sanctioned from time to time. The question as to the officer who is competent to place an indent on the Central Purchase Organisation etc. has been raised from time to time and it has therefore been decided that the procedure outlined below shall be followed by all the Ministries/Departments/Union Territories etc. If any purchase are made by the Department direct, they should be in strict conformity with the "Rule for the supply of Articles required to be purchased for Public Services", contained in Appendix 8 of the GFR, 1963 and other instructions issued from time to time. These orders shall be deemed to have retrospective effect, and all past cases already decided otherwise than in accordance with the provisions herein shall not be reopened.

2. *Power for placing indents on the Central Purchase Organisation (including Overseas Purchase Organisation in cases where the indentors have been authorised to place indents direct).*

The Departments of the Central Government/Administrations of Union Territories and the Heads of Departments included in Schedule 1 to the Delegation of Financial Powers Rules, 1958 (as amended from time to time) are authorised to place indents on the Central Purchase Organisation i.e., the DGS&D, New Delhi, I.S.M. London/Washington without any monetary limit on the value of the indent. The Departments of the Central Government in consultation with the Ministry of Finance and the Administrators of Union Territories may also delegate powers to any other

subordinate authority to place indents on the DGS&D, upto such limits as they consider necessary under intimation to the DGS&D, New Delhi. In the absence of any separate orders, the subordinate authorities have powers to place indents on the DGS&D to the extent to which they have been delegated powers to incur contingent expenditure for purchase of stores.

3. *Powers for placing Supply Orders direct on firms with whom the DGS&D have concluded Rate/Running Contracts—*

Subject to the specific terms and conditions of the Rate/Running Contracts, the provisions of para 2 above will apply *mutatis mutandis* to the Supply Order placed by the Direct Demanding Officers against the Rate/Running Contracts.

4. *Powers for signing indents:*

The indents and Supply Orders can also be signed by the Head of Office or any other Gazetted Officer authorised to do so by the Ministry/ Head of the Department/Administrator for and on behalf of the authority empowered to place the indent, provided that:—

- (a) The approval of the Officer who is authorised to place the Supply Order/Indent is obtained on file;
- (b) This fact is mentioned in the indent; and
- (c) the name and designation of the Officer signing the indent is indicated in the indent.

5. *Powers for direct purchase of stores:—*

Except these who have been specifically delegated enhanced direct purchase powers under the orders issued from time to time the authorities mentioned in para 2 above may make direct purchase of stores, subject to the limit prescribed upto Rs. 5,000, at a time. The Departments of the Central Government/Administrators of Union Territories may prescribe lower or the same monetary limit of Rs. 5,000 in respect of subordinate authorities other than the Heads of the Departments. The limit of Rs. 5,000 applies to the value of each article or class of similar or inter-connected articles purchased at one time. The indents should under no circumstances be split up to bring them within the limit prescribed. These limits shall not apply to items for which Rate/Running Contract exist. For such items the applicable limit will be Rs. 500 in each case and not exceeding Rs. 5,000 in the aggregate in any one year. Indents below the limit of Rs. 5,000 can be placed on the DGS&D only where the stores cannot be conveniently obtained direct.

6. Direct purchases in excess of Rs. 5,000 or higher powers delegated in urgent cases.

No purchase in excess of the delegated powers should be made without the prior concurrence of the Administrative Departments, associated Finance and the DGS&D Ministry of Supply, Technical Development and Materials Planning. Reference for purchases upto Rs. 20,000 will be made to the DGS&D while reference for making purchases in excess of Rs. 20,000 will be made to the Ministry of Supply, Technical Development and Materials Planning. The actual purchases will also be made in consultation with the internal Finance.

7. Purchase on grounds of emergency:

(a) The authorities mentioned in para 2 above have full powers to make such purchases in consultation with their internal Finance upto Rs. 5 lakhs, and in consultation with the Ministry of Finance in other cases.

(b) The responsibility for the declaration of the emergency necessitating the purchases rests with the Department who should consult their internal Finance. The powers should be exercised in cases where the non-acquisition of the articles concerned is likely to hold up work or movement. Such purchases should be limited to the absolute minimum required to tide over the emergency in a particular situation created by a sudden failure of machinery or by an Act of God.

(c) If the subordinate authority do not have any internal Finance attached to them the emergency powers may be exercised by them without consulting the Finance subject to such monetary limits as may be prescribed by Administrative Department in consultation with the Finance.

(d) The Authorities exercising such powers should not be multiplied as frequent resort to these powers will prejudice supply against contracts placed by the Purchasing agencies and will tend to inflate the prices.

8. References for checking up the reasonableness of the prices paid etc. should not be made to the Ministry or the DGS&D and its Regional Offices in the case of Direct purchases made by the indentors.

9. All purchases made under the provisions of the powers delegated to the indentors from time to time, the value of which exceeds Rs. 5,000 shall be notified in the Indian Trade Journal with full particulars, vide proforma enclosed, Annexure I. In cases of purchases, value of which exceeds Rs. 5,000 which cannot be published in the ITJ due to one reason or the other may be intimated to the DGS&D in the form of half yearly returns in the prescribed proforma. vide Annexure II.

Sd./- R. DAYAL,

Under Secretary to the Government of India.

Recommendation

"The Committee would like to know whether there were similar lapses in respect of other contracts entered into after 1st December, 1967 and, if so, the action taken."

[S. No. 16 (para 2.44) of 126th Report of PAC (5th Lok Sabha)].

Action taken

A statement showing contracts placed by DGS&D after 1st December, 1967 for C.I. Bearing Plates in non-metric units and indicating their present position is enclosed. (Annexure).

The disciplinary aspect is however being further examined separately and the findings would be intimated to the Committee as soon as possible.

This note issues with the approval of Secretary Supply Department.

[No. PIII-22(35)/74 Ministry of Supply].

ANNEXURE

Statement showing details of contracts placed after 1st December, 1967 for C.I. Bearing Plates in non-Metric Units

| S. No. | Contract No. and Date. | Remarks |
|--------|---|--|
| 1 | RGC. No. SR-7/RGC-7752 (4)/ CIBP/I/Rama 301/PAOC dt. 26-4-69 on M/s. Rama Engg. Works, Motihari. | Out of total ordered quantity of 4,14,783 Nos. the firm supplied a quantity of 3,42,489 Nos. and the balance quantity of 72,294 Nos. was cancelled. There has been no loss since the cancelled quantity was not re-purchased. |
| 2 | A/T No. SR-7/502/27/065/1/RP/ 305 dt. 8-5-1969 on M/s. Rama Engg. Works, Motihari. | Out of total ordered quantity of 1,64,435 Nos. the firm supplied a quantity of 94,320 Nos. and the balance quantity of 70,115 Nos. was cancelled. There has been no loss due to non-purchase of cancelled quantity. |
| 3 | A/T No. SR-7/502/27/065/1/RP 304/ PAOC dt. 8-5-69 on M/s. R. M. Chatterjee & Sons. | This A/T was placed for a quantity of 15,015 Nos. The stores failed in the test. The contract was cancelled at firms' risk and cost (matter now in arbitration on the Government's claim to the extent of Rs. 26,336.31, and a fresh contract No. SR-7/502/27/065/RP 304/PAOC/1/352 dt. 18-9-70 was placed on M/s. Rama Engg. Works, Motihari. The supplies stand completed. |

Recommendation

"Arising out of this unfortunate case are the following procedural lacunae:—

- (i) The firm in question is stated to have been registered with the Government, both with the Railways and the DGS&D, since 1942. The relevant orders were placed on the firm about two decades later. The Committee are, therefore, unable to agree that there was no necessity to ascertain the capacity of the firm to manufacture the equipment at the time of placing the orders. According to them it is not correct to assume that a certification of the capacity of the firm once done will hold good for all times. A system of periodical verification, say once in five years, appears called for in view of the unpleasant experience in this case.

- (ii) In this case it is claimed that the entire quantity to be supplied was inspected by the Inspection Authority. It is, however, not clear now, having not despatched the stores in full, the firm could obtain advance payment merely on the basis of Inspection Notes. The Committee presume that the firm was required to produce a proof despatch also. The matter may, therefore, be gone into for appropriate action.
- (iii) This case points to the necessity of ensuring that the stores inspected are in fact despatched. The DGS&D should, therefore, immediately address themselves to this question in order to lay down a suitable procedure. This is necessary because the possibility of the firm tendering for inspection the same quantity again and again cannot be ruled out."

[S. No. 18 (Para 2.62) of 126th Report of P.A.C. (5th Lok Sabha)].

As for the procedural lacunae pointed out by the Committee the position is given below *seriatim*.

- (i) The procedure being followed by the DGS&D in regard to registration of firms is that new firms are granted only a provisional registration for one year after checking their capacity etc. Thereafter an extension of 3 years is given on the basis of the performance of the firm. Thus a firm is registered with the DGS&D for 4 years initially and thereafter the registration is renewed on a request from the firm. Normally fresh verification of capacity at the time of renewal is not made unless circumstances like change in the specifications or change in the size of the material manufactured, shifting of factory premises etc., warrant it. However, the performance of the firm is taken into account at the time of renewal which *inter-alia* include their capacity, reliability etc. in the supply of the stores, for which they were registered. However, DGS&D is examining whether at the time of renewal of registration after every three years, a fresh capacity report should be called for even in cases where the past performance has been satisfactory.
- (ii) Advance payment was made to the firm not merely on the basis of inspection notes but on their furnishing proof of despatch of stores by quoting the R/R numbers etc.
- (iii) According to the procedure followed at present, with a view to ensure that the stores shown as despatched are in fact despatched, the Pay & Accounts Officer are required immediately after making advance payment to the supplier, to send a letter to the consignee by registered post intimating the fact

of payment to the firm and asking the consignee to confirm within 45 days that the stores indicated in the R/R had been received by him in full. As a further measure of safeguard it has been decided in consultation with the Ministry of Law and the Ministry of Finance to obtain a certificate on the bill from the supplier attesting the genuineness and correctness of the R/R Nos. quoted by him and holding him personally responsible for the correctness of the statement made by him. A copy each of the following orders issued in this regard are enclosed:—

- (i) O.M. No. PIII-9(9)/67, dated 2nd August, 1969 issued by the Department of Supply.
- (ii) O.M. No. PIII-9(2)/69, dated 16th October, 1969, issued by the Deptt. of Supply.
- (iii) Office Order No. 77, dated 27th October, 1969, issued by the DGS&D.

[PIII-22(36)/74 Department of Supply].

No. PIII-9(9)/67

GOVERNMENT OF INDIA
MINISTRY OF FOREIGN TRADE & SUPPLY
DEPARTMENT OF SUPPLY

New Delhi, the 2nd August, 1969

OFFICE MEMORANDUM

SUBJECT:—*Payment Procedure—Measures for preventing unscrupulous firms from getting payments against DGS&D contracts by quoting fictitious/bogus railway receipt numbers and date in their bills.*

The undersigned is directed to invite a reference to the Ministry of WH&S, Department of Supply Office Memo. No. PI-9(9)/67, dated 28th June, 1968, wherein the Ministry of Defence, etc., were requested to issue suitable instructions to the various consignees under their administrative control to the effect that against the contracts placed by the DGS&D on their behalf they should promptly report to the Pay & Accounts Officer concerned, with a copy to the DGS&D, any cases of shortages/discrepancies found in the stores received by them. As a further measure of safeguard to prevent fraudulent payments, it has been decided that the P&AO would, immediately after making payment of the contractor's bill for advance 95 per cent 98 per cent, send a letter to the consignee by registered post asking him to confirm within 45 days from the date of receipt of that letter, specifically in the columns provided therein, that the stores as indicate in the R/R were received by him in full or were short received and if so, to indicate the extent of short supply and also whether the goods answered to the description of the stores indicated in the R/R. The consignee(s) should make it a point to furnish the aforesaid particulars complete in all respects, to the Pay & Accounts Officer strictly within the prescribed period of 45 days. If in any special case, due to circumstances beyond his control, the consignee is not able to furnish the full particulars as required within this period, he should communicate to the Pay & Accounts Officer whatever information is available with him within the period explaining in full the reasons due to which full particulars as required cannot be furnished by him to the Pay & Accounts Officer, and supply the remaining particulars as soon thereafter as possible. In his registered letter to the consignee, the Pay & Accounts Officer would also make it clear that if no reply is received by him from the consignee within the period of 45 days from the date of the letter, it would be presumed by him that the stores for which advance payments had been made to the supplier by the Pay & Accounts Officer have been received by the consignee(s) in full and in good condition. However, as non-acknowledgement of the receipt of stores by the consignee involves a risk of fraud or other serious irregularities, in the case of important stores or

where it may be deemed appropriate otherwise, the fact of non-receipt of a reply from the consignee within the prescribed period of 45 days may also be brought to the notice of the Head of the Deptt., and if necessary also to the Audit Officer, of the consignee, by the Pay & Accounts Officer.

2. The Ministry of Defence, etc. are requested to issue suitable instructions to the various consignees under their control to check the position immediately on receipt of a letter from the Pay & Accounts Officer, and thereafter, send a reply to him in any case within the prescribed period of 45 days mentioned above.

Sd/- A.K. AGARWAL.,

Under Secretary to the Government of India.

To

All Ministries/Departments of the Government of India,

All State Governments. All Union Territories.

All Public Sector Undertakings. DGS&D, New Delhi.

CP&AO, New Delhi (Shri Bishan Chand) with the request that suitable instructions may kindly be issued to the P&AOs for sending the letter to the consignees immediately after making payments of the advance 95 per cent 98 per cent bills. It is suggested that the letter to be sent to the consignees be standardised and a copy of it sent to this Department for record.

Pay & Accounts Officer, New Delhi.

Pay & Accounts Officer, Calcutta.

Pay & Accounts Officer, Bombay.

Pay & Accounts Officer, Madras.

Copy to—

1. Purchase I Section.
2. Purchase III Section.
3. General Section.
4. Guard File.

Sd/- A.K. AGARWAL.,

Under Secretary to the Government of India.

Immediate

No. PIII-9(2)/69
 GOVERNMENT OF INDIA
 MINISTRY OF FOREIGN TRADE & SUPPLY
 (DEPARTMENT OF SUPPLY)

New Delhi, the 16th October, 1969

OFFICE MEMORANDUM

SUBJECT:—*Payment procedure-measures for preventing unscrupulous firms from getting payments against DGS&D Contracts by quoting fictitious/bogus railway receipt numbers and date in their bills.*

The undersigned is directed to state that the question of providing adequate safeguards against firms obtaining payments fraudulently by quoting fictitious/ bogus railway receipt number and date in their bills for advance payments has been under consideration for some time. One such measure already introduced is that the Pay & Accounts Officers should immediately after making payment of the contractors' bills for advance of 95 per cent 98 per cent, send a letter to the consignee by registered post asking him to confirm within 45 days that the stores as indicated in the R/R were received by him in full or were short received and if so to indicate the extent of short supply and also whether the goods answered to the description of the stores indicated in the R/R. This measure has been embodied in this Department G.M. No. PIII-9(9)/67, dated 2nd August, 1969 addressed to all Ministries/Departments etc. of the Government of India.

2. As a further measure of safeguard, it has been decided in consultation with the Ministries of Finance and Law to obtain a certificate from the supplying firm on the bill in the prescribed form No. DGS&D 135, about the genuineness and correctness of the R/R number and date, etc. quoted in their bill for advance payment. The text of the certificate will be as under:—

"I have personally examined and verified and do hereby certify that the goods in respect of which the payment is being claimed have been actually despatched by me/us under R/R No./BL No./Air Consignment note. No. Postal receipt No. . . . duly drawn in favour of the consignee which is genuine and mentioned in the bill and that I hold myself personally responsible for the correctness of this statement.

I further certify that the above mentioned R/R No./BL No./Air consignment note No./Postal receipt No. has been forwarded to the consignee mentioned in the contract under registered post, acknowledgement due on.”

The certificate should be signed by an authorised person of the firm and he should be the same as signing the bill. His designation and the name of the firm on whose behalf he has signed the Bill should also be indicated below his dated signature.

3. Necessary instructions for furnishing the certificate on the bills may be issued to the contractors through a few insertions in the Indian Trade Journal by writing to the trade associations and by incorporating suitable clause in new contracts. Arrangements may also be made to incorporate the text of the certificate in the standard bill form (DGS&D 135). The instructions should also be incorporated the pamphlet entitled 'Instructions to contractors for the preparation and submission of bills'.

4. The above instructions will apply to all bills to be submitted by the suppliers to the Pay & Accounts Officers with effect from 1st December, 1969.

Sd/- A. K. AGARWAL,

Under Secretary to the Government of India.

To

The Director General of Supplies & Disposals, New Delhi (with 25 spare copies).

Copy forwarded to:—

1. Chief Pay & Accounts Officer, New Delhi.
2. Pay & Accounts Officer (Ministry of WH&S) New Delhi/Calcutta/Bombay/Madras.
3. F. No. PLII-9(9)/67.
4. Guard file.

Sd/- A. K. AGARWAL,

Under Secretary to the Government of India.

GOVERNMENT OF INDIA

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS
COORDINATION SUPPLIES SECTION-3 NEW DELHI

Dated 27th October, 1969

OFFICE ORDER NO. 77

SUBJECT:—*Payment Procedure—Measures for preventing unscrupulous firms from getting payments against DGS&D contracts by quoting fictitious/bogus railway receipt numbers and date in their bills.*

The question of adopting measures for preventing unscrupulous firms from getting payments against DGS&D contracts by quoting fictitious/bogus railway receipt numbers and date in their bills has been under the consideration of the Department of Supply for some time. One such measure already introduced is that the Pay & Accounts Officer should immediately after making payment of the contractor's bills for advance 95 per cent 98 per cent bills, send a letter to the consignee by registered post asking him to confirm within 45 days that the stores as indicated in the R/R were received by him in full or were short received and if so, to indicate the extent of short supply and also whether the goods answered to the description of the stores indicated in the R/R. The details of this procedure are embodied in Department of Supply O.M. No. PIII(9)/67, dated 2nd August, 1969, a copy of which was circulated to all Directors of Supplies under Cdn. Dte. D.O. letter No. CDN-3/1(19)/II/67, dated 20th August, 1969.

2. As a further measure of safeguard it has been decided to obtain a certificate from the supplying firm on bill form No. DGS&D-135, about the genuineness and correctness of the R/R number and date, etc. quoted in their bill for advance payment. The form in which the certificate is to be obtained is indicated in para 2 of Deptt. of Supply O.M. No. PIII-9(2)/69, dated 16th October, 1969, a copy of which is being circulated along-with these instructions.

3. Purchase Officers, etc. are requested to ensure that in all future contracts a clause is incorporated to the effect that the suppliers should in their own interest furnish the prescribed certificate (the form of which may be indicated) on the bill form No. DGS&D-135 in respect of all bills for advance payments submitted to the Pay & Accounts Officer for payment, with effect from 1st December, 1969, in the absence of which the bills are liable to be returned unpaid by the Pay & Accounts Officer.

Sd./- M. M. PAL.

Dy. Director (CDN. Supplies I).

STANDARD DISTRIBUTION

(On file No. CDN-3/1(19)/II/67).

Recommendation

Suitable instructions should also be issued to obviate recurrence of such mistakes in future. The Committee would also like to know whether legal opinion was obtained before entering into such a contract. The Committee find it difficult to understand how agreements are executed long after the commencement of the work, which appears to be common on Railways. It is this kind of practices that lead to malpractices. It is therefore desirable that the Railways should shun such practices.

[S. No. 25, para 3.49 of 126th Report of the PAC (5th Lok Sabha).]

Action taken

It has been explained in the reply to the above recommendation that there has been no mistake or individual failure in this case.

In the present case the draft agreement was scrutinised by the Finance Branch and the Law Officer of the Railway. The position regarding delay in executing the agreement has also been explained above.

However necessary instructions have been issued to the Railways to avoid a similar case of this nature in future *vide* Board's letter No. 74/W1/CT 30 dated 10-9-1974. (Annexure).

This has been seen by Audit who have stated that the factual position is under verification by Chief Auditor, South Central Railway.

[Ministry of Railways, (Rly. Board) O.M. No. 74-BC-PAC/V/126 (24-25) dated 30-10-1974/8 Kartika, 1896(S).]

ANNEXURE

Immediate

GOVERNMENT OF INDIA (BHARAT SARKAR)

MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. 74 WI/CT/30.

New Delhi, the 10th September, 1974.

The General Managers,

All Indian Railways, including CLW, DLW & ICF, and MTPs.
(Railways) at Calcutta, Madras, Bombay and Delhi.

The D.G./R.D.S.O., Lucknow.

SUBJECT: Delay in execution of Contract Agreement.

A case has come to Board's notice wherein the contract for fabrication, supply and erection of steel girders for a rail-cum-road bridge was awarded to a firm sometimes in December, 1967 and an agreement was executed in 1971, i.e., after 3 years from the date of award of the contract and 2 years after the commencement of the work.

The Public Accounts Committee in their Report No. 126, have also commented upon the aspect of the abnormal delay in execution of the agreement after the commencement of the work, which is not in Railways' interest and may also lead to malpractices.

The Board have taken a serious view of it and desire the Railways to ensure that agreements for the contracts awarded are executed invariably with the utmost speed so as to avoid such recurrences in future.

Sd./- G. H. JAGDALE,

Jt. Director, Civil Engineering (B&S) Railway Board.

Recommendations

4.13. The Committee note that North Eastern, North East Frontier and Western Railway Administrations had to incur avoidable expenditure of the order of Rs. 4.82 lakhs due to non-compliance with the provisions of the Industrial Dispute Act, 1947. A study of three cases referred to in the Audit paragraph indicates that the Administrations concerned had no clear understanding of the legal position. In this connection it is strange that the fact regarding applicability of the Industrial Dispute Act to Railway staff became known to the North Eastern Railway only after 14th January, 1970, following a court judgement on writs taken out by affected employees. Further, although the Railway Board had issued instructions in December, 1959 clarifying various points connected with the retrenchment benefits to casual labour on Railways under the provisions of the Industrial Dispute Act, the Northeast Frontier Railway authorities concerned were blissfully ignorant of the position and the poor retrenched workers had to seek expensive legal remedy which they could ill afford to. All this demonstrates that the authorities concerned were utterly careless and regardless of the welfare of subordinates. As particularly the daily wage earners must have been put to considerable expense, the Committee are very much exercised on the issue. They desire that the cost of litigation should be recovered as far as possible from the officers found responsible.

4.14. The Committee would also like the Railway Board to find out if there have been similar cases of non-compliance with the provisions of the Act on other Railways and take suitable action under intimation to them. The Railway Board should also issue clear and comprehensive instructions on the applicability of the Industrial Dispute Act to railway employees for the guidance of the lower formations without any delay.

[S. Nos. 26 & 27, Paras 4.13 and 4.14 of 126th Report of PAC (1973-74)]

Action taken

4.13 & 4.14

The observations of the Committee have been noted and brought to the notice of the Railways concerned.

2. As regards the question of recovery of cost of litigation from the officers found responsible, it is submitted that the courts in their judgements have not awarded costs of suits in favour of the employees in the three cases on the North Eastern, Northeast Frontier and Western Railways reported in the audit para, and, as such, the question of recovery of cost of litigation from the officers found responsible does not arise.

Similar cases of non-compliance with the provisions of the Act have come to notice on South Central and South Eastern Railways. On the

South Central Railway, since the discharge of the employee was not due to retrenchment but due to the employee having been involved in a theft case it was anticipated that keeping him in service would involve some complications. The rules relating to the Act were not followed in this case due to a misapprehension. As a result of the court judgment, an amount of Rs. 209.50 was reimbursed to the plaintiff towards legal expenses. It is, however, not possible to recover the amount from the officers concerned as the discharge of employee in this case was due to his personal misconduct and not due to any reduction of work resulting in retrenchment.

In the case of South Eastern Railway, 81 casual labourers were discharged on the ground of closure/completion of work for which they were initially appointed. Against these retrenchment orders the labourers went to the court and claimed legal expenses. The High Court however, did not award any costs or legal expenses in this case. The retrenched staff were taken back to duty against additional vacancies.

A copy of the instructions issued to the Railways *vide* Railway Board's letter No. E(LL)71/ID/1-7 dated 5-3-73 and 22-1-74 are enclosed. (Annexures, I and II).

This has been seen by Audit who have stated that the factual position is under verification by concerned Chief Auditors.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126
(26-27) dated 2-11-1974].

ANNEXURE I

Copy of Railway Board's letter No. E(LL)72AT/ID/1-2 dated 5-3-1973 to All Indian Railways, CLW, DLW, ICF, etc. etc.

SUBJECT: *Application of the provision of the Industrial Disputes Act, 1947 relating to payment of retrenchment compensation to retrenched workmen.*

Reference para 7 of Railway Board's letter No. E(L)58AT4-10 dated 16-12-1959 wherein Railways were advised to pay retrenchment compensation where due to a worker under the Industrial Disputes Act before the expiry of the second working day from the day on which his employment is terminated in accordance with the provisions of Sections 3 and 5 of the Payment of Wages Act, 1936. In this context a question has been raised whether retrenchment compensation should be paid to a worker at the time of his retrenchment, a condition precedent to retrenchment, as laid down in Section 25.F(b) of the Industrial Disputes Act, 1947 or it should be paid in conformity with the provisions of the Payment of Wages Act, 1936 in terms of the instructions contained in para 7 of Board's letter of 26-12-1959 referred to above. The matter has been considered by the Board in consultation with the Department of Labour and it has been held that the provisions of Section 5(3) of the Payment of Wages Act, 1936 should be taken to have been superseded in so far as the payment of retrenchment benefits under the Industrial Disputes Act, 1947 is concerned. Accordingly, it has been decided in partial modification of Board's letter No. E(L)58AT4-10 dated 26-12-1959 referred to above, that in all cases where retrenchment has to be effected and services of workers are to be terminated, retrenchment compensation where due should invariably be paid at the time of retrenchment in terms of the provisions of Section 25.F(b) of the Industrial Disputes Act, 1947.

It has also been decided to amend para 2514(vii) of the Indian Railway Establishment Manual as in the advance copy of Correction Slip No. 85 forwarded herewith for information.

The Board desire that necessary steps should be taken by the Railways to ensure that the condition precedent to retrenchment in regard to payment of retrenchment compensation laid down under Section 25.F(b) of the Industrial Disputes Act, is strictly complied with in all cases of retrenchment.

Please acknowledge receipt.

ANNEXURE II

Copy of Railway Board's letter No. E(LL)71AT/ID/1-7 dated 22-1-74 to All Indian Railways, CLW, DLW, ICF, etc., etc.

SUBJECT: Application of the provisions of the Industrial Disputes Act, 1947—Maintenance of seniority list of workmen before retrenchment.

Reference is invited to Board's letter No. E(LL)71AT/ID/1-7 dated 10-1-1972. In response to Board's letter of even number dated 19-6-1973 views had been expressed by the Railway Administrations on the issue as to whether seniority list of casual labour should be maintained for the division as a whole or according to each unit of recruitment.

2. The matter has been further considered. The Board are advised that the establishment of the Senior Subordinate Staff is to be treated as the 'industrial establishment' in relation to casual labour, as the unit of the recruitment of casual labour on the Indian Railways is the establishment of the Senior Subordinate Staff namely, Inspector of Works, Permanent Way Inspector, Station Master, Traffic Inspector, Loco Foreman, etc. and casual labour are recruited locally and the services of such casual labour are not also ordinarily transferable from one place to another.

3. Accordingly, the Board desire that necessary steps should be taken to ensure that every such local establishment of the Senior Subordinate Staff should be required to prepare and display seniority lists of the particular categories of casual labour employed therein, including those who, on completion of four months continuous service, become eligible for some of the benefits admissible to temporary railway servants. Whenever the necessity of effecting retrenchment of any casual labour arises in any such local establishment, the seniority list, so maintained in such establishment, should be observed in accordance with the provisions of Section 25G of the Industrial Disputes Act and the Rules 76 and 77 of the Industrial Disputes (Central) Rules 1957.

4. Please acknowledge receipt of this letter.

Recommendations

6.10. The Committee are disappointed to learn that the Railways who are annually using about 14 million tonnes of coal worth about Rs. 660 crores do not have a satisfactory inspection machinery to ensure that they get the quality of coal for which they pay. Under the existing coal

inspection procedure the staff of the Railway Inspection Organisation makes a visual inspection of 50 to 65 per cent of the total coal wagons loaded at the collieries to ensure that the percentage of shale, slack and dust is upto the acceptable limit. Although samples from 5 per cent of the loaded wagons are required to be tested at Dhanbad Coal Institute for proper analysis to check the moisture and ash content, only 1.8 per cent is tested because of the limited arrangement made by the Railways with the Institute. At the receiving and the consignee Railways are required to inspect a meagre 2 per cent of the wagons and report about the quality of coal. That the existing machinery of coal inspection has proved totally ineffective—the nature and quantum of inspection are such that the inspection is nothing but an eyewash—will be amply borne out by the following:

6.11. In 1968-69, out of the total number of wagons jointly inspected by the Railway Inspection Organisation and the consignee Railways following complaints of the loco sheds, the contents of as high as 23 per cent of the wagons were found to be below specification. This percentage rose upto 30 per cent in 1969-70 and still further upto 50 per cent in 1970-71. Moreover, the results of sample grade tests conducted by the Zonal Railways revealed that during 1971-72 the percentage of wagons found sub-grade was as high as 100 per cent on Eastern and Northeast Frontier Railways. On other Railways the percentages of wagons found sub-grade ranged between 31.5 on Southern Railway to 64.59 on Western Railway. Similarly the percentage of coal wagons containing shale, slack and dust beyond the permissible limits was as high as 100 per cent on Central, Northern and Northeast Frontier Railways.

6.12. The estimated loss due to supply of coal below specification in wagons tested by the Railways (except Western Railway) during the years 1969-70 to 1971-72 worked out to Rs. 20.57 lakhs. This does not presumably include damages done to the boilers. It should be noted that the tests conducted by the Railways cover only a meagre 2 per cent of the coal wagons received. Therefore, the total loss would have been approximately of the order of Rs. 3.43 crores annually besides increase in cost of operation, the benefit of which went to private colliery owners. As against this staggering figure, the reduction in payment ordered as a result of visual inspections and penalties imposed on testing of samples aggregated only Rs. 3.95 lakhs in 1969-70, Rs. 5.75 lakhs in 1970-71 and Rs. 7.69 lakhs in 1971-72. The Committee were informed that no recovery could be made of the loss actually sustained by the Railways as the representatives of the collieries were not associated with the inspection of 2 per cent of wagons on receipt. The authorities concerned have thus clearly failed to safeguard the interests of the Railways year after year.

[S. Nos. 32-34, Paras 6.10 to 6.12 of 126th Report of P.A.C.—Fifth Lok Sabha].

Action taken

6.10. The responsibility for quality control essentially rests with the producers as per the accepted commercial practices. However, in view of the large quantum of coal purchased, railways felt it necessary to set up their own Inspection Organisation at the loading points to safeguard their interest by way of:—

- (1) Salutary effect on the coal producers to pay due emphasis on quality control.
- (2) On the spot checks of the underground mining by which supplies were limited from acceptable collieries only.
- (3) Joint visual inspection to cover 50 per cent of the wagons loaded to assess percentage of shale and slack based on which suitable deductions were made as per contractual obligation.
- (4) Taking joint samples for determining the grade based on which suitable deductions were made as per contractual obligation; and
- (5) Follow up at various levels with the Coal Mines Organisation for improving quality control.

The gradation of coal is done by an independent body viz., the Coal Board after detailed investigation and checks of the seams mined in the collieries. Thus normally there should not be any necessity for super-check to be exercised by the consumer provided adequate segregation arrangements are insured and mining is restricted to the graded sections only. Since Railway Inspection Organisation conducts frequent checks in the mines itself, the need for undertaking joint samples is restricted to percentage basis. The number of such tests had to be necessarily restricted to a scale which could be handled effectively and for which the infrastructure required can be justified.

The consignee railways are required to inspect 2 per cent of the receipts primarily to guide the railways' Inspection Organisation with regard to tightening their inspections at specified collieries from where the complaints may be higher. This being a unilateral check does not obviously represent the average quality of coal being received as the tendency of the consumer is to subject primarily inferior supply to test. This, however, serves the purpose of high-lighting the defaulting collieries. The infra-structure required to increase the quantum of tests at the destinations should not hence be justified. However, as an experimental measure it has now been possible for the railways to prevail upon the Coal Mines Authority Limited to undertake joint checks on a limited scale at the Lucknow Shed of Northern Railway, the results of which shall be binding for the purposes of determining the quality of coal supplied.

6.11. It may be pointed out at the outset that an increase in the percentage of complaints established by joint inspection as genuine at consuming points does not necessarily signify deterioration in quality. It primarily reflects improvement in the accuracy of the methods employed initially by the loco sheds for testing the quality of coal on the basis of which complaints were lodged.

The sampling and screening tests conducted at destination loco sheds are more often selective and do not represent the average quality. Even so, only a fraction of the complaints are genuine as was revealed by joint checks.

The percentage of wagons found sub-grade on Eastern Railway during 1971-72 was only 29.5 and not 100 per cent as quoted in the Audit Report. The N. F. Railway mainly uses Assam coal which is ungraded and for which no standards have been laid down by the Coal Board. Further, the number of wagons tested in 1971-72 was only 31 and the results cannot represent the average quality. On other Railways the percentage of wagons found sub-grade ranged from 22.8 per cent on Western Railway (against 64.3 per cent reported by the Audit) to 56.7 per cent on Northern Railway.

The permissible limits for slack/dust apply at the point of loading. Fragmentation takes place during transit over long distances and also on account of multiple handling at transshipment points, ports etc. Therefore, even if the percentage of slack/dust at the point of loading is within the permissible limit, test checks at destination are likely to show excessive slack/dust.

The method of grading adopted by the Coal Board does not prescribe complete elimination of shale bands as it is not possible to do so. The extent of shale bands that go into the sample for determining the grade varies from seam to seam depending upon the thickness. As far as loco supplies are concerned a 3 per cent permissible limit for shale has been fixed. Some coals have dull appearance and are likely to be mistaken for shale. Only, experienced mining personnel can distinguish shale from coal by visual inspection.

During the course of visual inspection at loading points, efforts are made to get coal found containing slack/dust and shale in excess of the permissible limits replaced by good coal. However, it is not always possible to do so on account of operational reasons. In such cases coal is allowed to be despatched but suitable reductions in payment as per contractual provisions are imposed. If the same wagons are tested at destination they are bound to show more percentage of slack/dust and shale than permissible.

The results of the sampling tests conducted at the loading point give a better idea of the quality of coal received by the Railways. These are indicated below:—

| Year | Percentage of samples | | Below grade |
|-------------------|-----------------------|-------------|-------------|
| | Within grade | Above grade | |
| 1969-70 | 62.0 | 27.0 | 11.00 |
| 1970-71 | 66.7 | 17.8 | 15.5 |
| 1971-72 | 63.4 | 15.4 | 21.2 |

The above figures show some deterioration in quality which was primarily due to disturbed conditions prevailing in the Eastern parts of the country during the period.

6.12. The estimated loss is not realistic. The loss estimated on basis of 2 per cent check results at destination cannot be prorata increased to cover the total supplies due to:—

- (1) Tests conducted by the consignee railways are more often selective and not at random sample as the natural tendency of the consumer is to subject only apparently inferior supplies to test.
- (2) The unilateral tests conducted when verified jointly with Railways own inspection organisation revealed that only 23 per cent to 50 per cent results of inferior quality could be relied upon.
- (3) As per the established practice quality of coal has to be rightly determined for the entire consignment as a whole by taking representative sample. Wagons loaded on a day in a colliery do not necessarily go to a single shed, with the result the sheds sample can not be truly representative.
- (4) Credit for supplies of superior grade than invoiced has not been taken.

Normally, use of inferior coal does not result in damage to boilers and no damage has so far been reported on this account.

This has been seen by Audit, who have stated that the position is under verification by Chief Auditors concerned.

[Ministry of Railways (Railway Board) O. M. No. 74-BC-PAC/V/126 (32-37) dated 6th November, 1974/15 Kartika 1896]

Recommendation

It is indeed surprising that even though the question regarding monthly rate of consumption of gear case oil on WAG-2 electric locomotives is stated to have been under continuous review almost from the time of commissioning of these locomotives in 1964-66, no satisfactory solution seems to have been worked out till date. If the average consumption of 165 litres of oil per loco per month in the year 1969 could be considered as optimum level, the present rate of about 511 litres per month per locomotive should cause serious concern. It should be noted that as compared to the consumption during the period from June 1968 to December 1969 there was an excess consumption of 5,649 litres per loco during the period from January 1970 to September 1971 which entailed an extra expenditure of Rs. 4.91 lakhs. The Railway Board's argument that the excess consumption was compensated by indirect saving by way of reduction of bearing failures and by non-withdrawal of locos from traffic for oil seal changing does not at all appeal to the Committee. The Committee desire that the question of bringing down the consumption of oil should be expeditiously examined so as to take necessary steps. The Railway Board should keep a careful watch in this regard.

[S. No. 40, para 7.24 of 126th Report of Public Accounts Committee
(5th Lok Sabha)]

Action taken

The observations of the Committee are noted. Suitable instructions have been issued to the Eastern Railway to further examine the possibility of reducing oil consumption in consultation with the R.D.S.O. and to keep a close watch on the oil consumption. The Eastern Railway have also been asked to submit quarterly reports to the Board on oil consumption on these locomotives.

This has been seen by Audit.

Ministry of Railways (Railway Board) O.M. No. 74-BC-PAC/V/126(40)
dated 3rd July 1974/12Asadha, 1896.]

Recommendation

The Committee note that the commission paid to vendors/bearers on Railways is fixed as a percentage of the sales effected by them. The powers to fix rates of commission are delegated to the Zonal Railways and as the various factors having a bearing on the commission earned by vendors/bearers vary from Railway to Railway and from station to station on the same Railway, no uniform procedure has been laid down which shows mal-administration and mismanagement. However, while fixing the rates the

Zonal Railways are supposed to ensure that the rates of commission are fixed and adjusted among the various items in such a way that the overall emoluments earned by a vendor/bearer who puts in an adequate and strenuous effort, normally amounts to a reasonable wage in the area in which the vendor/bearer works. The Committee were also informed that the question of ensuring a minimum commission to these vendors/bearers was being gone into. The Committee desire that while reviewing the rates the Railway Board may find out whether the Zonal Railways have actually taken care to ensure that the commission paid to a vendor/bearer amounts to a reasonable wage. The Committee would further like to suggest that while fixing the rates of Commission, besides, making provision for a minimum amount payable on all Railways, the rates may be fixed in a graded manner relateable to quantum of sales. This will not only ensure a fair commission for the vendors/bearers but will also act as an incentive for them.

[(S. No. 45, Para 7.59 of 126th Report of the Public Accounts Committee
(5th Lok Sabha)]

Action taken

The reasons for not having a uniform procedure for fixing of commissions to vendors/bearers, were explained in detail vide reply to Point No. 142 of Public Accounts Committee arising out of C & Ar. G's Report on Railways for 1971-72. As explained therein, the powers to fix rates of commission to vendors/bearers have been delegated to the Zonal Railways as the commission has to be fixed taking into account all local conditions which may vary from station to station and from commodity to commodity. Generally speaking, the rates of commission are fixed taking into consideration the following factors:—

- (a) Quantum of sales of different items on stations,
- (b) Pattern of train services,
- (c) Number of Platforms,
- (d) Duration of halts, and
- (e) Number of vendors/bearers required to cater adequately to the needs of the passengers.

Since these conditions are variable ones, it is not desirable to lay down a uniform procedure and to fix a uniform rate of commission. However, the Railways have instructions to see that the commission so fixed amounts to a reasonable wage.

The Committee's desire that the Railway Board should find out whether the zonal railways have actually taken care to ensure that the commission paid to vendors/bearers amounts to a reasonable wage has been noted for compliance.

The Committee's suggestion that while fixing the rates of commission besides making provision for a minimum amount payable on all Railways, the possibility of fixing the same in a graded manner related to the quantum of sales, is being considered in consultation with the zonal Railways and is expected to be finalised soon.

This has been seen by Audit.

[Ministry of Railways (Railway Board) O.M. No. 74-B(C)-PAC/V/126 (45-47) dt. 26th December 1974/5 Pausa, 1896]

Recommendation

7.62. The Committee have not considered it necessary to make specific recommendations/observations on some of the paragraphs included in the Report of the Comptroller and Auditor General of India. They nevertheless trust that the Railway Board will take such action as may be necessary in respect of such paragraphs in consultation with Audit.

[(S. No. 48, Para 7.62 of 126th Report of P.A.C. Fifth Lok Sabha)]

Action taken

The observations of the Committee are noted. The line of action required to be taken in each of these cases was discussed with Audit and necessary action is being taken in the light of those discussions.

This has been seen by Audit.

[Ministry of Rlys. (Rly. Board) O.M. No. 74-BC-PAC/V/126(48) dated 24th August 1974/2 Bhadra 1896]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT

Recommendations

1.54. The Committee were given to understand that as far back as 1958 the Ministry of Railways had secured the services of an expert Mr. Michael Dehm, Director of Productivity, German Federal Railways for examining the working of repair workshops of the railways. The Report given by this expert contained several valuable suggestions for effecting substantial economies and increased productivity in railway workshops. The Committee are very unhappy to know that although certain facilities for the implementation of these recommendations were offered, the follow-up action on these recommendations has not yet been completed nor the assistance offered was availed of. The Study Team of the Administrative Reform Commission in their report of November, 1968 on Railway *inter alia* observed: "It is unfortunate that the follow-up action on the recommendations has been delayed so long and that the assistance offered was not availed of. We recommend that this report should be quickly re-examined and implemented to the extent found possible." During evidence before the Committee it was stated that the main recommendation made by the expert relating to re-organisation of workshops on a central basis for central control was under the active consideration of the Railway Board. That the recommendations made by an expert specially engaged for the job in 1958 should remain to be considered after the lapse of 15 years is indeed a very sad reflection on the working of Railway Board as a whole. The Committee consider this as most unfortunate. They feel that after completion of several Five Year Plans involving massive investments in Railways the arguments that there is shortage of capacity in major sick lines and there is lack of modern workshop facilities sound absolutely ludicrous. The Committee are quite clear in their mind that most of the deficiencies now being noticed by the Railway Administration in the functioning of their workshops could have been well remedied if timely action had been initiated and insist that responsibility be fixed under advice to them.

1.55. They recommend that the question of reorganisation of workshop facilities on Railways may be re-examined at the highest level within a target date with a view to formulate a time bound programme for bringing

in the necessary improvements keeping in view particularly the Fifth Plan requirements of wagons. Measures should also be taken to improve the productivity of the workshops.

[S. Nos. 7 & 8 Para 1.54 & 1.55 of 126th Report of the P.A.C. (5th Lok Sabha)]

Action taken

While noting the observations made by the Public Accounts Committee, the Railway Ministry would submit that the German Expert had made 14 major recommendations for effecting substantial economies and increased productivity in Railway Workshops. The recommendations were considered and the action taken on them has been indicated in the Annexure.

The question of reorganisation of Workshop facilities and improving the productivity of the Workshops has been re-examined at the highest level and the action taken is indicated under items (i), (viii) and (x).

The Railway Board would, however, submit that the functioning of the workshops has been under constant review by the Board at the highest level and efforts are continuously being made to improve their working. It is, therefore, submitted that question of fixing responsibility for any failure in this respect would not arise.

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-B(C)-PAC/V/126(5-8)
dated 26th December, 1974]

ANNEXURE

Action taken on the recommendations of the German Expert on the working of repair workshops of Indian Railways.

The P.A.C. have remarked that as far back as 1958, the Ministry of Railways had secured the services of an expert, Mr. Michael Dehm, Director of Productivity, German Federal Railway for examining the working of repair workshops of the Railways. Mr. Michael Dehm had made 14 major recommendations. The summarised position of the 14 recommendations and comments on them is as follows :

(i) *Development of centralised control on workshops :*

In the upgradations in hand, it has been decided to have a Chief Mechanical Engineer (a level I HOD) on each Railway, incharge of the Workshops. He will, therefore, function as the technical head of Workshops on the Zonal Railways and subject to policy directives issued from the Workshop Directorate of the Board's office who would organise the necessary coordination with a view to optimise the existing built up capacities

(ii) *Introduction of Anti-corrosion techniques and improved painting on coaches/wagons:*

Taking into account the limitation arising from indigenous paints, the painting time has been altered as follows:

| | | |
|--------------------------------|--------------------------|---|
| Passenger coaches: 9-18 months | Mail Express | 12 months. |
| | Other than Mail Express | 18 months |
| | Other coaching vehicles. | 24 months. |
| Wagons: 36 months | BOX, BCX & BRH | 6 years |
| | Brakevans | 2 years |
| | Four wheelers | 5 years. |
| | Others | 4 years 1st POH & 3 years subsequent POH. |

A Sub-Committee comprising of RDSO, S.E. and E. Rly. representatives has brought out that grit blasting of wagons would be desirable to minimise corrosion. As regards coaching stock, the anti-corrosion measures have been instituted now for some time and have called for changes in the sub-structure and use of anti-corrosive paints.

- (iii) *Chemical treatment of boiler feed water to increase POH of boilers from 4 to 6 years.*

Chemical treatment is being undertaken as a regular measure and confined to boiler water in tender tank through dosing gear. The treatment, however, does not have an effect on reducing the period of overhaul, as it is dependent on several other factors.

- (iv) *Reduction in POH time of passenger coaches from 20 to 3 days.*

The present target is 15 days and arising from the existing facilities, layout, excessive vandalism, it has been possible to work to this level of 15 days. If trial with quick drying paint of indigenous manufacture are successful and economical, some further reduction will be possible. This will be reviewed from time to time.

- (v) *Increase in the mileage run between two successive overhauls of locomotives (steam) from 1,20,000 miles to 1,75,000.*

The condition of the steam locomotives necessitating periodical overhaul depends not only on the mileage earned but also on the period it is kept in use. While on faster services WPs and YPs are being POHed after a kilometrage of 2,90,000 and 2,41,000 respectively, the locomotives used on less important services, such as coal pilots are being called for POH after a period of 4 years.

- (vi) *The period between two successive periodical overhauls of passenger coaches and wagons to be increased. It is from 2 to 3 years for passenger coaches and 4 years for wagons on the German Railways as compared to 9 to 18 months and 3 years respectively here.*

The periodicity for POH of coaches has been increased and is now as under :

| | |
|--|-----------|
| PCVs & OCVs on Mail & Express rakes. | 12 months |
| PCVs on other than mail & Express rakes. | 18 months |
| OCVs on other than mail & Express rakes. | 24 months |

The periodicity for POH of wagons at present is as under :

| Type of wagon | Return date |
|---|-------------|
| (i) BCX/BRH/BOX wagons fitted with roller bearings. | 4 years. |
| (ii) 4-wheeler wagons under 10 years age | 3½ years. |

- (vii) *Reclamation of underframes of condemned coaches and wagons whereby considerable savings had been effected on the German Railways.*

Whenever it has been found that underframes can be economically rehabilitated, brakevans and certain types of timber body coaches have been built on them.

- (viii) *Making a number of technical improvements and adopting methods of savings in the consumption of materials upto 30 per cent.*

In the major Workshops (having more than 5,000 men), the long-term requirement would be to provide full-time industrial engineers with a view to improve the manufacturing and repair technology. In the first stage, however, there is no need for any substantial change in the strength, as the initial steps would best be taken by personnel already available in the Workshops. Optimising the training of existing personnel in Work Study Courses, etc. would be pursued.

- (ix) *Discontinuance of wooden body coaches and extensive development of welding techniques in the manufacture of coaches and wagons.*

Manufacture of wooden bodied coaches have by and large been discontinued except departmental coaches. All the coaches on Indian Railways are being made by I.C.F., BEML and Jessops which are all steel bodied coaches.

The training centre set up in I.C.F. for welders ensures a high standard of skill to all welders trained. Modern designs of wagons are also making intensive use of welding to replace rivetted construction.

- (x) *Continuity of tenure of Works Managers and giving them an overall control of all Departments in the Workshops. Further highly skilled workers in important jobs should be selected on the basis of performance and aptitudes:*

Instructions are being issued for officers of all disciplines in the Workshops being under the direct control of Workshop Incharges.

Highly skilled workers are selected for important jobs on the basis of their performance, and aptitude. To provide avenue of promotion and encourage development of skill in various trades, grades of master Craftsmen have been provided by the Third Pay Commission.

- (xi) *Introduction of proper cost accounting techniques on the lines of Chittaranjan Locomotive Works and batch costing for similar types of units having similar repair features.*

All the 3 Production Units are having extensive computerisation of cost accounting procedures and as such are able to obtain accurate and regular

follow-up of cost details in various workshops. It has not been possible to adopt modern cost accounting techniques in repair workshops. However, cost accounting based on job cards has been adopted in 32 major workshops. This enables certain measures of control on cost.

- (xii) *Proforma depreciation and interest on investment in a Workshop to be incorporated in the cost data and taken out of the proforma on cost figure to enable the Works Manager to have a complete appreciation of the incidence of costs due to investment in the Workshops with a view to keep it down.*

In the present set up and form of accounts of the Railways, it is not possible to include in the cost of POH, depreciation, repair and maintenance cost and interest on capital cost in respect of Workshop, Machinery and Plant.

Instructions have, however, been issued to Railways that the POH cost statistics should be prepared with and without including proforma on cost. It is felt that the object of the recommendation will be served by these instructions as the Works Managers will also have the benefit of having the POH cost statistics with proforma on cost for proper appreciation.

- (xiii) *Social Welfare expenditure, which constitutes a fairly substantial amount and which varies from shop to shop, to be separately accounted for and incorporated in the "proforma on cost".*

The proforma on cost already include contribution to staff benefit fund, educational grants, etc. constituting "social welfare cost".

- (xiv) *The productivity in our repair shops which when compared with the West Germany was only 30 per cent i.e. 1:3.2 to be boosted to 1:1.4 within a few years, with the implementation of the above recommendations.*

The overall productivity increased to a peak of 66.2 per cent in 1969-70 compared to 1958 as base. Subsequently, the productivity declined which was partly due to deterioration in industrial climate as a result of poor law and order situation particularly in the Eastern Region. However, it is felt that the productivity increase as a result of incentive working would remain in the region of 60 per cent over 1958 base.

Recommendation

Engine failures, which reflect the degree of efficiency of maintenance of the steam locomotives involving standards of maintenance in sheds, workmanship in shops and operation by crews had shown a deteriorating trend on the North Eastern Railway since 1966-67. An engine is considered to

have failed when it is unable to work its booked train from start to destination or causes a delay of one hour or more through some defects. Such failures on the N. E. Railway were 120 in 1966-67, 182 in 1968-69 and 164 in 1970-71. According to the Railway Administration the main causes leading to engine failures were stated to be bad workmanship and mismanagement by crews. The percentage of failures attributable to this cause was as high as 90.3 during 1970-71 as against 73.3 for the year 1966-67. Further the performance index of Kms per engine failure also deteriorated from 2,36,000 Kms. in 1966-67 to 1,83,000 in 1970-71. The performance of the North-East Frontier Railway was the worst in as much as the index was 97,000 Kms. in 1968-69 and 96,000 Kms. in 1970-71. It was explained during evidence that the "incidence of engine failure is a thing which we have had all along. The only thing is that it has increased during certain periods on different railways." The Committee regret to find a somewhat complacent attitude in the Railways towards this failure. They desire that Railway Board should go carefully into the matter and take suitable remedial measures to bring about necessary improvement. It should be particularly ensured that the production of engines by the Railways is satisfactory in terms of quality.

[S. No. 9 Para 1.75 of 126th Report of PAC].

Action taken

1.75. The performance of the N. E. and N. F. Railways in respect of "Engine Failures" has not been satisfactory during the recent past on account of staff problems and wild-cat strikes in Loco Sheds/Shops where there was concentration of labour. The position is expected to improve now and a special drive has been launched. It is reassured that there is no complacency on the Railways in respect of 'engine failures'. In fact, this constitutes an important facet of performance which is reviewed at the highest levels of the Zonal Railways and as also periodically at the Board's level.

It has been stated that it should be particularly ensured that the production of engines by the railways is satisfactory in terms of quality. No steam locos are being manufactured either in the Railway Production Units or in the Private sector. However, in case of new production of diesel and electric locos proper quality control organisation exists and strict check is being exercised in this respect. Similarly, proper check and control is being exercised in the Loco Sheds/Shops where major maintenance schedules and overhauling are carried out. However, in view of the shortages of material and indigenisation effort for diesel and electric loco spares, difficulties do arise but to the extent possible every effort is made to ensure that the quality of material and workmanship are satisfactory. Efforts at

indigenisation with a view to save foreign exchange are fraught with consequential failures in service which have to be borne with.

This has been seen in Audit.

[Ministry of Railways (Railway Board) O.M. No. 74-BC-PAC/V/126 (9-10) dated 26th September, 1974, 4 Asvina, 1896].

Recommendation

The Committee note that three orders were placed in December, 1970 and February, 1971 for supply of 3.25 lakhs of steel keys (Small track fittings) by South Central Railway Administration at the rate of Rs. 1.25 per key on a firm which had failed to make supplies against a running contract with DGS&D for supply of 14.44 lakh keys to the same Railway at the rate of Rs. 0.57 per key. The failure of the firm to supply against the running contract was attributed to non-receipt of supplies of billets at prices fixed by Joint Plant Committee and the additional payment of Rs. 0.68 per key was justified on the ground that the firm would have to procure the billets from open market. Whatever be the compelling reasons which might have prompted the Railway Administration to go in for direct procurement of keys, the Committee find no justification whatsoever for not having prior consultation with the DGS&D who had running contracts with the same firm. The Committee are convinced that proper coordination with the DGS&D would have enabled the Railway Administration to tide over the temporary difficulties faced by them for want of keys and extra expenditure could have been avoided. They therefore desire that responsibility should be fixed for the lapse.

[S. No. 11 Para 2.28 of 126th Report of the PAC (5th Lok Sabha)].

Para 2.28. In the course of evidence, it has been submitted to the Committee that under the rules the Ministry of Railways are empowered to make some minimum direct purchase from the open market to meet the urgent requirements. It has not been the practice so far to advise D.G.S&D of such direct purchase. Failure in this case, therefore, to advise the DGS&D of the direct purchase made by the South Central Railway does not therefore constitute any violation of the prescribed rules or procedure.

2. It is also submitted that the South Central Railway has been maintaining a close contact with the DGS&D for the supply of the steel keys as in that their letters to the firm were endorsed to the DGS&D. The Railways had already been delegated with powers for direct procurement of

stores and at the Conference of the Engineers-in-Chief (Track) held in Board's Office in December 1969, the Board reiterated that, in view of the difficult supply position of track fittings, they should make use of these powers. A copy of the minutes of that Conference was also endorsed to the DGS&D. The DGS&D was, therefore, aware of the possible action being taken by the Railways in the matter.

3. The South Central Railway issued a limited tender in October 1970 for supply of this item and the Tender Committee while examining the question of accepting the tenders have stated as follows :

"The DGS&D have placed a running contract in April, 1970 on M/s. Punjab Steel Rolling Mills, Baroda at the rate of Rs. 0.57P each F.O.R. Baroda and supply on receipt of raw materials. Against indents placed on DGS&D during this year, they had issued a tender which was opened in July 1970 and they have advised that provision of funds at the rate of Re. 1/- each may be made. It has also been ascertained that the DGS&D have not so far finalized the tender as the prospects of supply billets against orders are still indefinite vide D; COS/I's note on page 6/n."

It will be clear from the above extract that the South Central Railway had been maintaining a close contact with the DGS&D and the rates accepted by the South Central Railway were not considered unreasonable as against the DGS&D's current supply rates at that time.

4. It is respectfully submitted that the South Central Railway have continued to maintain close co-ordination with the DGS&D and it would not be appropriate to hold any person of the South Central Railway responsible for failure in this respect. The Committee may kindly reconsider and agree that the question of fixing responsibility in this case may not be pursued further.

This has been seen by Audit.

[Ministry of Railways (Railway Board) O.M. No. 74-BCPAC/V/126
(11—13) dated 30th October, 1974/8 *Kartika*, 1896]

Recommendation

The Committee are distressed to learn that even though the use of non-metric units was declared illegal with effect from 1-12-1967 by a gazette notification issued under the Weights and Measures Act, 1956, contracts entered into by D.G.S.&D. after this date stipulated supplies conforming to drawings in the non-metric units. This has had the effect of rendering the contracts void in law which could not be enforced against the defaulting

parties. As a result additional expenditure to the tune of several lakhs had had to be incurred by the D.G.S.&D. in procuring bearing plates for the Central Railway. In the case under reference the Central Railway Administration while placing an indent on D.G.S.&D. on 23rd December, 1967 for procurement of 1,95,000 numbers of bearing plates failed to give the specifications and drawings in metric units. This is admittedly a serious lapse for which the responsibility should be fixed for appropriate punishment under advice to the Committee.

[S. No. 14, Para 2.42 of 126th Report of the PAC (5th Lok Sabha)].

Action taken

In connection with the introduction of metric systems of weights and measures on Indian Railways, the Railway Board appointed an *ad-hoc* Committee in 1955 to work out a programme of conversion in stages from the F.P.S. to the metric system. The detailed instructions for the change over were issued by the R.D.S.O. who were in charge of the preparation of revised specifications and drawings. So far as track items are concerned, the work included revision of schedule of dimensions, revision of track manual, and redesigning of track components like fish plates, fish bolts, nuts, bearing plates and other sleeper fittings etc. It also included the redesigning of track assemblies *viz.*, turnouts, diamond crossings and slips etc., with suitable modifications. A revision of Indian Railway Way and Works Manual, Indian Railway Code for Engineering Department, and the specifications covering track items were added to the list at a later date. There were 1250 drawings to be revised. Out of these, only 982 were decided for revision in metric units. While redesigning, the matching of fittings of certain parts with other assemblies had to be kept in view. Almost all drawings which are of general utility were metricised by the end of 1966. The revised specifications and drawings were issued to the railways from time to time.

The railways, however, experienced considerable difficulties in changing over to metric units fully as replacement of old items which continued in service had to be done according to the F.P.S. units. The railways therefore continued to submit the indents to D.G.S.&D. in the units in respect of a number of P. Way items and other mechanical items. The railways were in a transition stage right upto 1969, in regard to the changeover from the F.P.S. to metric system.

The matter regarding failure to indicate the specifications and drawings in metric units in the indent submitted to the D.G.S.&D. was investigated by the Central Railway who have stated that with the conditions prevailing at the time of preparing and processing of the indents in the Chief Engineer's Office, necessary care was being exercised to mention the drawings and

specifications in the metric units. It would appear that the failure in this case to indicate the metric units in the indent has occurred not on account of negligence by any particular official but due to inadvertent omission on account of the general prevailing practice of submission of such indents in F.P.S. units in many cases, which practice continued right upto 1969. Considering the circumstances of the case, the Board consider that the fixation of individual responsibility would be considered rather harsh. The General Manager, Central Railway, has however asked the railway officials and the subordinates concerned to be extra careful in dealing with matters where statutory obligations have to be observed. In view of this position, it is submitted that the Committee may agree not to pursue the question of fixation of responsibility.

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V-126 (14-16) dated 30-10-74-8 Kartika 1896].

Recommendation

3.16. The Committee find that the special specifications attached to the agreement for the construction of a multistoreyed building at Secunderabad for the Headquarters Offices of South Central Railway provided *inter alia* that all concrete used in R.C.C. Work should conform to the requirements of strength prescribed for M 250 concrete in Indian Standards Specifications. Further if the concrete did not come up to the requirements of prescribed strength, the remedial measures as prescribed by the engineer were to be adopted by the contractor at his own cost. In spite of this specific stipulation regarding use of concrete, the R.C.C. mix of 1 : 2 : 4 was prescribed for certain items of work. During the course of work, this R.C.C. mix of 1:2:4 for beam was changed 1:1½:3, as the former mix was not giving satisfactory result. This change in mix involved change in the rate for R.C.C. work in beams as the new mix i.e., 1:1½:3 had not been given in the schedule of rates applicable to this case. This is rather strange. The new rate fixed as a non-scheduled item was much higher than the rate originally fixed for 1:2:4 mix and involved extra payment of Rs. 3.10 lakhs to the contractor. The Chairman, Railway Board admitted during evidence that the specification of R.C.C. mix of 1:2:4 and its subsequent alteration to 1:1½:3 was a mistake for which the Committee require responsibility should be fixed, for appropriate action including penal recovery under intimation to them.

3.17. It is further seen with great distress that while the R.C.C. work in 1:1½:3 mix was started by the contractor in May, 1966, the new non-scheduled rate for this work was finalised in March, 1969 and it corresponded to the market rate prevailing in 1968 which gave additional benefit to the contractor at Railway's expense. The Committee fail to understand the

legality of the fixation of a rate in 1969 on the basis of the prices prevailing in 1968 for a work started in 1966. This question should, therefore, be examined in consultation with the Ministry of Law so that the Railways are not unnecessarily required to incur extra expenditure and to also ascertain whether there has been malpractice in this case.

[S. Nos. 20-21, Paras 3.16 & 3.17 of 126th Report of PAC (5th Lok Sabha).]

Action taken

3.16. At the time the tenders were called for this work, no detailed drawings were available for assessing the design of mix to be followed. The conventional mixes viz., 1:2:4, 1:1½:3 etc., which only contemplates ordinary grade concrete were provided for in the tender schedule. According to the I.S.I. Specification, reinforced concrete to be adopted for building constructions provides for "controlled concrete", viz., concretes specified as having a strength of M-150, M-200 and M-250. The strengths corresponding to nominal mixes 1:2:4, 1:1½:3 and 1:1.2 and M-150, M-200 and M-250 respectively. The preparation of the ingredients to be used for the controlled concrete have to be determined by actual field tests. In the circumstances it was a mistake on the part of the railway to have included nominal mixes of conventional type in the tender schedule and simultaneously to put under Special Specification a stipulation that all concretes in the R.C.C. work should conform to the requirements of strength prescribed for M-250 in I.S.I. Specification. The conditions specified in the tender schedules are mutually inconsistent. The Railway presumably did so under a mistaken idea that it would be possible to get a higher strength of concrete with lower grade mixes due to the lack of technical knowledge on the part of the officials who prepared the tender schedule. When the drawings were received from the RDSO, specifying strength of M-250 for reinforced concrete for beams it was not found possible to attain the higher strength with lower mixes. The method of making the concrete and the preparation of the ingredients had to be altered and this involved more precise work and expert supervision on the part of the contractor and a higher rate had naturally to be worked out. The S. C. Railway had, therefore, no alternative but to revise the rate in order to carry out the work to the detailed specification prescribed in the designs prepared by the RDSO.

After having gone through the case in detail, the Railway Board are of the view that this was purely a technical failure on the part of the local railway officers in specifying the mixes involved even before detailed drawings for the different types of concrete work were available from the RDSO for which no responsibility could be fixed.

3.17. In regard to the delay in fixation of the non-schedule rate, it is submitted that ever since the decision was taken by the Administration to

adopt 1:1½:3 RCC controlled concrete in beams and also other RCC work, the contractors had been pressing the Administration for higher rates on account of the richer mixes to be adopted and skilled supervision involved in adopting controlled concrete methods. Accordingly, the Administration had prepared a non-schedule rate for 1:1½:3 in beams in RCC. Sork in 1967 itself based on the Master Analysis of Central Railway 1964. This was sanctioned by the General Manager at Rs. 216.30 per Cu.M. for first Floor and a Subsidiary Agreement was executed *vide* Agreement No. CE(C)/206/Sub/4 dated 20-11-1967. The contractors however protested in November, 1967 against the low rate as it was unworkable for the standard of specification to be followed, and asked for the matter to be referred for arbitration. Later, on 2nd December, 1967 they represented that owing to the rise in cost of labour and materials, the rates sanctioned under Subsidiary Agreement No. CE(C)/206/Sub/4 dated 20-11-1967 (which included RCC 1:1½:3 in beams) were unworkable and they requested an over-all increase of 50 per cent over the tendered rates for the entire contract to be paid to them to proceed with the work. Later, in their letter of 16-1-68 addressed to the Chief Engineer they requested the Chief Engineer for a decision in regard to the revision of the RCC rates and they would not insist on an overall increase of 50 per cent over all the tendered rates. The work was inspected by the Chief Engineer in January '68 and after taking into account the nature of work and extra labour and material rates involved in making controlled concrete, he gave directions for working out fresh rates. On an assessment of actual conditions rather than invoke the contractual obligation to enforce the rates agreed to on an estimated basis and invite delay in completion of the work besides involvement in costly arbitration proceedings. Accordingly revised rate was worked out for the RCC 1:1½:3 in beams, and after obtaining concurrence of the FA&CAO, revised rates for beams in different floors were sanctioned by the General Manager and Sub-Agreement No. CE(C)/206/Sub/13 dated 24-3-1969 was executed in regard to these items. It may be pointed out that this work was actually completed towards the end of 1971, including the 7th floor.

It will be observed from the above that matter had been examined personally by the Chief Engineer and the revised rates had been sanctioned by the General Manager on aforesaid consideration and there was no mal-practice in fixation of rates.

As regards legal validity of fixation of the rate in 1969 on the basis of prices prevailing in 1968, the matter has been examined in consultation with the Legal Adviser of the Railway Board who has advised as under:

"parties to a contract can always mutually agree on such terms as they consider fit and proper for a satisfactory performance"

of a contract. The fact that they mutually agreed on the terms in the year 1969 on the basis of prices prevailing in 1968 for a work started in 1966, will not render the terms of agreement illegal."

The Law Officer of the South Central Railway has also confirmed that the settlement of the rate for the non-scheduled item is valid from the legal angle.

This has been seen by Audit who have stated that the position is under verification by Chief Auditor, South Central Railway.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (20-21) dated 3-12-1974/12, *Agrahayana* 1896.]

Recommendation

It is regrettable that inspite of a general directive issued by the Railway Board on 9th September, 1969 which was reiterated on 4th November, 1969, in regard to provision of adequate free board under the new bridges the Western Railway failed to take note of it while finalising two contracts relating to earthwork on Kota-Alnia doubling work. Even though the tenders for these works were opened on 30th August 1969, the contract for the work was awarded in the first case on 20th November 1969 and only on the 20th February 1970 in the second case. Further, since the Railway Board directive involved reassessment of the quantum of earth work it was only reasonable that the Railway Administration should have either reassessed the quantity of earthwork or provided for such variations in the contracts. Leaving a loophole cost the public exchequer an additional expenditure of the order of Rs. 4.65 lakhs. The reasons given by the Railway Board for not doing so are (i) cancellation of tenders already finalised and inviting new tenders would have delayed the work, and (ii) the invitation of new tenders would have pushed up the cost. The Committee are far from convinced by these explanations. Since in any case the quantum of earthwork had to be reassessed in the light of the general directive on the subject, such reassessment should have more appropriately been done before finalising the contracts particularly when there was time to do so. The Committee trust the Railway Administration will have learnt a lesson from this costly lapse and will be careful in future not to fritter away public money like this. Further, responsibility should be fixed for the lapse in this case for appropriate action under advice to the Committee.

[S. No. 22, Para 3.34 of 126th Report of PAC (5th Lok Sabha)].

Action taken

The observations of the Committee have been noted and brought to the notice of the Western Railway.

It is respectfully submitted that the alternative suggested by the Committee that the railway should have reassessed the quantities first and then gone in for tendering the full quantity would have resulted in extra expenditure on the whole project. In awarding both the contracts in November 1969 and February 1970 at a lower rate of Rs. 5.47 per Cu.M. in one case and Rs. 5.99 per Cu.M. in the another, the Railway was able to complete the major portion of the work i.e., 73 per cent in one case and 88 per cent in another case. In the context of the rising trend in prices if the railway were to invite fresh tenders sometime in August 1970 when the survey was completed and revised quantities were finalised, the contract rate for the entire quantity would not have been less than Rs. 10.50 per Cu. M. at which the additional quantity of earthwork was done. Similar tenders were invited in August 1970 for earthwork in nearby sections and the accepted rates varied between Rs. 12.15 and 16.80 per Cu. M.

In view of the fact that there been no monetary loss to the Administration on the procedure adopted by the railway, the Committee are requested to reconsider and agree not to pursue the question of fixing responsibility in this case.

This has been seen by Audit who have stated that the matter is under examination in consultation with the Chief Auditor, Western Railway.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (22-23) dated 12-11-1974/20, Karika 1896].

Recommendation

A contract for fabrication, supply and erection of steel girders for the rail-cum-road bridge across river Godavari at Rajahmundry was awarded to a firm in December, 1969 and an agreement executed only on 30th March, 1971, after 3 years. Under clause 3 of the Special Conditions of the agreement the contractor was solely responsible for procurement of steel and was himself to take all action needed to ensure expeditious procurement of matching steel. The work was commenced in April 1969 2 years prior to the signing of the agreement. As per the schedule of delivery of fabricated steel in accordance with the agreement, the contractor was to supply by the middle of December, 1969, 8500 tonnes of fabricated steel which were supplied only by the end of August, 1970. Claims amounting to Rs. 7.06 lakhs as wage escalation subsequent to the period of delivery were, however paid by the Railway. This payment was sought to be justified before the Committee as arising out of another clause in the contract which provided that

the "fabrication schedule shall become valid only from the time when the contractor got full matching steel." Surprisingly even though the contractor had procured 14,500 tonnes of raw steel by the middle of October, 1969 out of a total quantity of 16,525 tonnes required for the work, the fabrication is reckoned to have commenced only in June, 1970 when the contractor obtained all the matching steel. This provision virtually nullified clause 3 of the contract and rendered the stipulated period of completion of work unenforceable. Such a serious flaw in the agreement could be exploited by unscrupulous contractors to the detriment of the interest of Government. The Committee would, therefore, like a thorough investigation to be made with a view to ascertaining how and when such a clause was inserted in the agreement which was executed long after the commencement of the work. The action taken as a result of the investigation against the officials found at fault may be reported to the Committee.

[S. No. 24, of para 3.48 of 126th Report of the PAC (5th Lok Sabha).]

Action taken

It is submitted that the firm to whom the contract for the fabrication and erection of the Godavari bridge was awarded is an established and experienced firm who had executed similar contracts for the Ganga, Brahmaputra, Mahanadi, Krishna and Rupnarain Bridges and the contract was a high valued one viz., for Rs. 420.86 lakhs. The terms and conditions given under the existing contract were similar to those given to the firm for the construction of the Rupnarain Bridge on the S. E. Railway.

The condition regarding availability of matching steel and other materials to cover at least 2 months production before the fabrication can be commenced was stipulated by the firm in their tender offer No. JCG/1979-R/T/A dated 5-12-67 vide para 23.II(c) reproduced below:—

"We shall require matching steel and other materials in span sets in sufficient quantities to cover atleast 2 months' production before fabrication can be commenced. Thereafter further supplies of steel and matching materials in span sets are to continue as per the delivery times stated on our indents, to permit of uninterrupted fabrication and completion of the same 6 months before completion of the Order."

A similar clause was earlier incorporated in the agreement for Rupnarain Bridge on the S. E. Railway with M/s. BBJ & Co. (the same contractor). This special condition was examined by the Railway and the Board and accepted as a part of the tender offer during December 1967. The clause is unexceptionable as the contractor cannot be expected to take up fabrication of girders unless sufficient matching steel is available with them in order to ensure uninterrupted production.

Even though the contract was awarded in December, 1967, several technical points had to be subsequently got clarified from the firm and settled in view of the complexity and magnitude of the work before the formal execution of the agreement. This involved prolonged correspondence with the Firm and discussions with their representatives. In addition, financial scrutiny and consultations with the Law Officer which are essential for a major contract like the one in question, were also done before finalising the agreement. In spite of best efforts, these processes involved considerable time and the agreement was finalised only during March, 1971.

It is submitted that every clause of the agreement was finalised after thorough scrutiny and there has been no condition which was accepted to the detriment of the interest of Government. It is therefore not possible to hold any person responsible for any failure in the present case.

This has been seen by Audit who have stated that the factual position is under verification by Chief Auditor, South Central Railway.

[Ministry of Railways, (Rly. Board). O.M. No. 74-BC-PAC/V/126 (24-25) dated 30-10-1974/8, *Kartika*, 1896].

Recommendation

The Committee would like to be apprised of the final outcome of the police investigation of the case regarding loss of cash of Rs. 2.93 lakhs on South Eastern Railway referred to in the Audit paragraph.

[S. No. 31, (Para 5.18) 126th Report of PAC (5th Lok Sabha)].

Action taken

The West Bengal C.I.D. Police who investigated the case have decided not to pursue the prosecution against the accused persons for want of evidence.

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (28-31), dated 30th November, 1974/9th *Agrahayana* 1896].

Recommendation

The Committee also seriously depreciate the unduly long time taken by the Railway Board in taking a decision on a reference made by Audit in July, 1970 commending the practice followed in the CPWD in regard to incorporation of a clause in the conditions of contract which would make it obligatory on part of the Arbitrator to record his reasons for the award. This calls for an explanation and fixation of responsibility under advice to the Committee. The final decision taken in this behalf may be intimated to the Committee *within three months*.

[S. No. 42, (Para 7.38) 126th Report of PAC (5th Lok Sabha)].

Action taken

The reference received from the Audit in July, 1970 for making a provision in the General Conditions of Contract making it obligatory on the part of the arbitrator, as in the case of the CPWD, to record his reasons for the award for claims of Rs. 50,000 and above each, had to be examined in great detail, *inter alia*, in consultation with:

- (i) The Zonal Administrations (including CLW, DLW and ICF);
- (ii) The Ministry of Defence;
- (iii) The CPWD and the Ministry of Works and Housing.

2. It has been ascertained that the Ministry of Defence have not made any such provision in their General Condition of Contract similar to that of CPWD referred to above. Further, legal opinion obtained from the Legal Adviser to the Ministry of Railways indicates that in case the arbitrator is required to give reasons for the award, Courts get jurisdiction to examine whether the arbitrator has proceeded contrary to law and are entitled to interfere. This might lead to increase in litigation.

3. It has been ascertained from the Ministry of Works and Housing that the revised clause in the CPWD's General Conditions of contract to the effect that the arbitrator should give reasons for the award in all cases where the amount of the claim in dispute is Rs. 50,000 and above, was given effect to from the contracts entered into after August, 1970. C.P.W.D. are therefore not in a position to indicate whether the new clause has any marked effect contractors. The Board have however decided that so far as the railways are concerned, the arbitrators may hereafter be asked to give the break-up against each item of claim as per M.E.S. condition of contract which has been in force for about 20 years.

4. In view of the importance of the issue involved, it would be appreciated that a decision had to be taken considering all aspects of the case. This Ministry would therefore submit that the question of fixation of responsibility may not be taken up since the case has continued to receive utmost attention at all levels.

This has been seen by the Audit who have stated that in regard to the inability of the Railways to follow the CPWD practice for the reasons stated, they are unable to agree, and that they will revert to it after they have verified a few of the administrative appreciations in Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (41-42), dated 3rd December, 1974/12th *Agrahayana*, 1896].

Recommendation

The Committee further note that instructions were issued to the Zonal Railways in January, 1970 that the rates of Commission paid to the vendors should be reviewed once after every three years. It is, however, seen that the last review carried out on Eastern Railway was in 1970 and till 1973 no further review has been carried out. Further no such review seems to have ever been carried out on the North Eastern Railway. A review is stated to be now in hand. The Committee would like an explanation as to why the review on Eastern Railway was not carried out at all in 3 years. In regard to North Eastern Railway, the Committee wish to know how the rates of commission were initially fixed since no review seems to have been carried out. This shows the whole affair is being mismanaged and no care has been taken to ensure that Railway's share of profit is kept to declared minimum and that the vendors without whose services the passengers, especially the weaker sections, will be put to great inconvenience, are given a need based earning and a human living.

[S. No. 46, Para 7.60 of the 126th Report of Public Accounts Committee 1973-74 (Lok Sabha)].

Action taken

As pointed out by the Committee itself, the Railways are required to review the rates of Commission after every three years. Eastern Railway carried out a review in 1970 and the next review thus became due only after 1973 i.e. in early 1974. The Railway accordingly took up the next review in early 1974 and finalised the same in April, 1974. There has, therefore, been no lapse on the part of the Eastern Railway in this regard.

2. In regard to North Eastern Railway, the rates of commission on that Railway were initially fixed on the basis of a review conducted in May, 1963 and 1967.

3. The Railway's share of profit in departmental catering is kept to the barest minimum. The Railway Catering and Passenger Amenities Committee which had gone into this question in detail had recommended that the Railways should be able to make an overall profit of 3 to 4 per cent. However, in practice, the Railways are making only 2½ to 3 per cent of profit per annum.

4. As already indicated in reply to point No. 7.59, attempts would be made to ensure that the commission paid to vendors/bearers amounts to a reasonable wage at the time of review of the commission rates.

[Ministry of Railways (Railway Board) O.M. No. 74-B(C)-PAC/V/126 (45-47), dated 26th December, 1974/5th *Pausa*, 1896].

Recommendation

In the vast Railway Organization the catering vendors and a section of the catering bearers are the only set of people who, although they are doing a very essential and indispensable job for the passengers have not been absorbed in the Railway.

It is, therefore, necessary for good of all concerned that the service mentioned above should be fully taken over and run departmentally on a permanent footing by paid employees only. There should be no scope for any private trader or contractor in this sphere. The Committee desire that the Railway Board should keep a careful watch to see that the Zonal Railways carry out the reviews after fixed intervals.

[S. No. 47, Para 7.61 of the 126th Report of Public Accounts Committee (5th Lok Sabha)]

Action taken

The present policy of not expanding departmental catering on the Indian Railways is the outcome of acceptance of the recommendations made by high-powered committees in the past. In 1953 a high-powered committee on catering on Railways headed by Shri O. V. Alagesan had analysed this aspect and recommended that both departmental and contract catering should continued to function on the Railways side by side and play a role complementary to each other.

In the recent past another parliamentary committee *viz.*, Railway Catering and Passenger Amenities Committee, reviewed all aspects of catering in 1967. They found that the Public reaction to large-scale change over from contract catering to departmental catering was a mixed one. After considering all the aspects, this Committee further recommended that—

- (a) The Railways should consolidate their existing catering services and effect an overall improvement in their quality and service. Further extension of departmental catering was to be contemplated after these economy measures have become effective.
- (b) The question of abolishing departmental catering at small and uneconomic units should be considered.

The above recommendations have been accepted by the Government. Accordingly, the extant policy is generally not to expand departmental catering exceptions being made in the case of prestige stations or stations where a proper contractor could not be found despite efforts. In the circumstances, it is not practicable to departmentalise all the catering units as suggested by the Public Accounts Committee.

Provision already exists that bearers/vendors working on commission basis should as far as possible be absorbed as regular employees in the departmental catering set up.

The Committee's desire that Railway Board should keep a careful watch to see that the Zonal Railways carry out reviews after fixed intervals has been noted for compliance.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (45-47), dated 26th December, 1974/5 Pausa. 1896].

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE RE-ITERATION

Recommendation

The Committee are distressed to learn that of late the number of wagons held up inside steel plants has considerably increased in spite of comparatively reduced traffic. The average number of wagons held in steel plants daily which was 5,956 in 1969-70 went up to 6,942 in 1971-72. The payments made by the Steel Plants to Railways on account of demurrage for wagons detained beyond the permissible free time increased from Rs. 61 lakhs in 1963-64 to as much as Rs. 2.38 crores in 1972-73. During evidence the representatives of the Ministry of Railways pointed out that the handling methods followed inside the Steel Plants were mainly responsible for the detention of increasing number of wagons in steel plants for longer periods. At the same time the representative of the Ministry of Steel attributed the hold-up of wagons in steel plants to changes in modes of traction of railways, frequent dislocations in the railways system affecting uniformity of flow of loads into and from the steel plants, frequent imposition of route restrictions etc. The Committee were informed that a review committee had been set up by the Ministry of Steel to go into the entire question. They desire that the review should be completed expeditiously and the remedial measures suggested by the Review Committee to overcome the present shortcomings speedily implemented. Action taken in this behalf may be intimated to the Committee *within six months*. Similar action is urgently called for in respect of detention to wagons in ports also. The Committee are greatly concerned about the hold ups of wagons in steel plants, ports and elsewhere because to that extent other users are deprived of wagons and the Railways loss revenue. A very high-power reviewing Committee consisting of academically educated transport economists and others should be constituted to go into this question immediately.

[S. No. 4, (Para 1.27), of 126th Report of PAC (5th Lok Sabha)].

Action taken

The Review Committee set up by the Department of Steel under the Chairmanship of Shri G. D. Khandelwal, former Chairman, Railway

Board started functioning from December, 1973. After examining in detail the Railway facilities available and the present operating practices adopted, the Committee have already submitted four reports—one each in respect of Rourkela Steel Plant, Durgapur Steel Plant (including Alloy Steel Plant), the Indian Iron and Steel Co. Ltd., and the Tata Iron and Steel Co. Ltd. These reports contain recommendations for short-term remedial measures as well as suggestions for implementation in the long term. The recommendations to be implemented by the Railways and by the steel plants have also been indicated separately. Action has already been taken by the plants to start implementation of these recommendations and some of them have already been implemented while the rest are in the process of implementation. A review of the progress of implementation of these recommendations will be done by the Steel Authority of India Ltd.

2. The tenure of this committee has been extended upto 31st March, 1975. The Committee is now engaged in studying the problems relating to the other integrated steel plants. The reports on these plants are expected to be available by March, 1975.

3. The High Power Review Committee consisting of academic transport economists and others, it is presumed, will be constituted by the Ministry of Railways as it is intended to cover Steel Plants, Ports etc.

[Ministry of Steel and Mines (Deptt. of Steel) dated 22nd October, 1974].

Recommendation

From the information made available to the Committee it is seen that keeping in view the figures of foreign countries the initial performance index of 1,60,000 Kms. per engine failure was revised by the Railway Board to 2,00,000 Kms. in November, 1966. If the actual performance of certain railways such as Northern, Western and South Central Railways is any guide this index is anything but ambitious. The Committee desire that the Railway Board should reassess the situation and see whether higher targets could be laid down for achieving better results.

[S. No. 10, Para 1.76 of 126th Report of PAC (5th L.S.)]

The target of Kms/engine failure was increased from 160,000 kms to 200,000 Kms. in November, 1966. The average performance on the Indian

Railways for the BG and MG steam locos during the last 3 years has been as under:

| | B.G. | M.G. |
|---------|---------|---------|
| 1971-72 | 135,868 | 158,479 |
| 1972-73 | 119,681 | 141,266 |
| 1973-74 | 73,010 | 72,300 |

The above clearly show that Railways are far below the target of 200,000 kms/engine failure and this performance was even less than 100,000 kms/engine failure in 73-74 particularly on account of various staff problems on the Railways. Therefore, it will not be prudent to raise the target beyond the present level of 200,000 kms/engine failure. Railways have rather to strive hard to achieve the present target before raising their sights further.

So far as diesel electric locos are concerned, the targets, have been raised as the criterion for 'engine failure' has since been modified and instead of detention of 60 minutes now 30 minutes and above detention constitutes an engine failure in respect of diesel and electric locos. Therefore, for diesel and electric locos higher targets have since been prescribed from January, 1974.

This has been seen in Audit.

[Ministry of Railways (Railway Board) O.M. No. 74-BC-PAC/V/126 (9-10) dated 26-9-1974/4 Asvina, 1896].

Recommendation

5.15. The Committee are distressed to learn that even after the lapse of about 3 years it has not been possible for the Chittaranjan Locomotive Works Administration and the State Bank of India to reach a settlement in regard to the liability for the loss of cash of over Rs. 18 lakhs arising out of the armed dacoity in the premises of the State Bank of India, Chittaranjan. The Committee were informed that the Railway Administration tried to negotiate with the State Bank of India but their efforts did not fructify. The Reserve Bank of India also refused to intervene and the Ministry of Finance when approached by the Railway Board for arbitration in the matter advised the latter that there was not scope for arbitration as the dispute was between a bank and its client. As at present the CLW Administration have been advised by the Railway Board to file a suit against the State Bank of India. The Committee regret to say that the authorities in State Bank of India, Reserve Bank of India and the Ministry of Finance took too technical a view of the matter without making any serious efforts for resolving the dispute amicably. As a result not

only the dispute has not yet been settled but the Railway Administration have also been forced to go in for litigation. The Committee have also a feeling that in this process the State Bank might have forfeited their right to recover the loss from the insurers as presumably all the cash transactions of the Bank are insured. The Committee desire that the whole matter should be reviewed at a high level and the result intimated to them within three months.

5.16 The Committee are astonished at the manner in which the various organisations behaved. An issue like this must have been settled by referring it to some one at a high level, say in the Ministry of Finance. It is unseemly to allow the organisations in the Public Sector to go to court of law. Government should examine the matter for laying down general instructions forthwith.

[S. Nos. 28-29, Paras 5.15-5.16 of 126th Report of PAC (5th Lok Sabha)].

Action Taken

5.15. The observations of the Committee mainly concern the Ministry of Finance (Department of Banking) who have offered the following comments.

"It is submitted that neither the Ministry of Finance nor the Reserve Bank of India nor the State Bank of India ever intended to take or has taken too technical a view in this matter. The State Bank of India refused to accept the liability in this case, because, according to it, the money carried away by the dacoits belonged at the time of the dacoity to the client. The entire money had been handed over to and was in the possession of the Railway Cashier before the loss occurred. According to the bank, the payment of the cheques was completed on the basis of the following evidence:

- (a) The cheques discharged by the beneficiary were in its possession along with the relative tokens which were handed over by him.
- (b) The necessary entries in the Branch books had been made.
- (c) The entire cash was taken away by the Cashier and was packed/being packed by him in boxes.
- (d) The residual amount of Rs. 13,000/- that was lying on the floor was taken away by the CLW cashier after the raid.

The Reserve Bank of India holds the view that as the dispute relates to the question of ownership of the money when it was stolen, it

had better be decided only by the court and that, as the matter is sub-judice, it may not be appropriate for it to offer any comments. As regards the question of having recourse to the Bank's insurance cover, the State Bank of India submits that no such cover is available to the bank in the present case since the bank's own money was not involved.

It may also be submitted that this loss of a sum of Rs. 18 lacs is now to be considered as an irrecoverable loss. Whether it is ultimately to be borne by the Railway Administration or by the State Bank of India, either wholly or partially, the loss of public money cannot be retrieved.

On a consideration of the various issues raised, it appears that the question actually hinges on "facts" as to whether the handing over of the money was completed or not before the dacoity took place. As a money suit has already been filed by the Railway Administration at Asansol against the State Bank of India, it is felt that it would be desirable and appropriate to await the findings of the court before a decision is taken as to who should bear this loss."

5.16. It is respectfully submitted that this matter was taken up with the Ministry of Finance on 9-5-73 *vide* U.O. No. 71-AC.III/25/1. It was again taken up with the Secretary, Department of Banking, Ministry of Finance, *vide* D.O. No. 71-AC.III/25/1, dated 26-7-73, by the Financial Commissioner, Railways, to which reply was received from the Secretary, Department of Banking, Ministry of Finance on 5-9-73. Copies of these three letters are enclosed. (Annexures A, B & C)

This recommendation was also referred to the Ministry of Finance, Department of Banking, who have furnished the following reply:

"It is submitted that the communication, in this regard sent by the Ministry of Finance to the Railways Administration, was not only approved but issued under signature of Secretary, Department of Banking, Ministry of Finance. It may therefore, be seen that this matter was considered in this Department at a sufficiently high level. In so far as laying down general instructions and guidelines in the matter is concerned, it may be submitted that guidelines and instructions regarding settlement of disputes between Government Departments and Public Sector Undertakings already exist and that this Department had examined this dispute in the light of instructions on the subject."

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (28—31) dated 30-11-1974/9 Agrahayana 1896].

ANNEXURE A

Copy of Ministry of Railways (Rly. Board's) U.O.I. No. 71-ACIII/25/1, dated 9-5-73 to Ministry of Finance (Deptt. of Banking).

Shri P. B. Mukherjee, a sub-cashier of CLW, was deputed to the State Bank of India at about 11.15 hrs. on 7-1-71 with two armed guards and two peons for encashment of two cheques of CLW amounting to Rs. 18,51,945.00 and seven cheques of Chittranjan Locomotive Employees' Co-operative Credit Society amounting to Rs. 36,604.97 and also to remit to the Bank by adjustment an amount of Rs. 4,386.16. All these cheques and remittance vouchers amounted to a net drawal of cash of Rs. 18,84,119.26.

The cheques and remittance vouchers were presented by the Sub-Cashier to the Bank officials for passing at about 11.30 hrs. duly receipted, which were passed by the Bank at about 12.40 hrs. The Head Cashier and the Accountant of the Bank arranged for cash inside the strong room. After collecting the token from railway cashier, currency notes were brought in loose bundles in two or three instalments and were left on floor in front of the seat of Head Cashier inside the payment counter. The Railway Cashier was asked to count the cash and take delivery. Accordingly, the Railway Cashier counted and stacked Rs. 13,04,000 in one box Rs. 3,60,000 in the second box and locked them. He placed Rs. 2,07,000 in the form of ten-rupee notes and one rupee notes inside the third box. When he was in process of counting the balance money, he heard the noise of an explosion. On looking up he found that all the Bank staff had run out for shelter and the bank Head Cashier was found taking shelter underneath his table along with the bank and railway peon. The Railway Cashier also took shelter near the cash bundles under a counter. He heard further explosions and the whole place was surcharged with smoke. A man aged, about 25 years, as per the account given by the railway cashier, jumped over the counter and lifted the 3 boxes one after another and handed them over to some body outside the counter. Since the railway cashier was underneath the counter, he was, however, not in a position to notice the number of persons and their identity. In the scuffle that followed, one of the Railway's Rakshak was killed. The Railway Cashier and the peon also got slightly injured.

After the aforesaid incident, all the bank staff had come out of their shelters. In the meantime, railway officers, on getting information, also

reached the bank. It was, however, noticed that only an amount of Rs. 13,000 was lying strewn on the ground in front of the strong room. The Railway Cashier as also the Officer saw the Agent and requested him to take the cash lying strewn on the ground and account for the same in the inventory. Instead, the Agent insisted that the railway should take over the money and even refused to give any note on the above incident without getting specific orders from his head office. As it was not desirable to leave the money on the ground, the Agent suggested, as an alternative, that the Railway Cashier may take over the money in the presence of the railway Accounts Officers and Bank officials and a note to that effect was recorded by CLW officials. The Agent refused to countersign the note inspite of repeated requests. At this point, the bank officials tendered an amount of Rs. 119.26 and insisted that this amount be also taken delivery of in order to complete the transaction. The Agent was told that railway was not prepared to take delivery of this amount as the transaction was not complete at the time of the incident. It was also made clear that as the matter stands, the dacoity occurred in the process of railway cashier verifying and counting the cash inside the Bank's counter. The transaction, was, therefore, not complete. In this connection it may be mentioned that according to the procedure of the S.B.I., cheques and also tokens have to be tendered before the cash is made available, and the transaction cannot be treated as complete till the entire amount has been taken delivery of by the railway cashier.

The incident was immediately reported to the Police by both viz. Agent of S.B.I. and the railway, but no report has so far been received.

All efforts to settle the dispute by negotiations between the Agent S.B.I. and C.L.W. officials have been unsuccessful. Under the advice of Solicitor, Ministry of Law, Calcutta and the Joint Secretary and Dy. Legal Adviser of that Ministry a demand notice was caused to be served on the S.B.I.—C.L.W. on 22-1-1972 through the Solicitor, Govt. of India, Calcutta for payment of the amount in question to the C.L.W. Administration and C.L.W. Cooperative Society. This claim was not accepted by the Agent S.B.I. on the plea that the entire amount had been paid before the incident and the dacoity occurred at the time when the money was being loaded in the boxes by the Railway Cashier.

The G.M., C.L.W. also approached the Managing Director, S.B.I. Bombay, in August 1972 for resolving the dispute. The later, however, indicated that as the matter falls largely within the jurisdiction of their Calcutta Office, the case might be discussed with the Secretary & Treasurer, S.B.I., Calcutta. An attempt was made but he too refused to have any discussion with F.A. & C.A.O./C.L.W. and even refused to sign a record note of discussion. S.B.I. has taken a purely legalistic stand that

the case has been entrusted to their solicitors, and have refused to discuss the case at any level.

The amounts involved are Rs. 18,51,945 pertaining to two railway cheques and Rs. 36,604.87 pertaining to seven cheques of Chittranjan Locomotive Employees Cooperative Credit Society together with remittance of Rs. 4386.16 by adjustment. The matter has been reported to the R.B.I. but nothing has so far been heard. Initially the Railway Administration wanted to file a suit in the Court of Law, and they were discarded from doing so. As the State Bank of India has taken a purely legalistic stand stating that the case has been entrusted to their solicitors and have even refused to discuss the matter at any level, the J.S. & L.A. of this Ministry has opined that we are left with no other alternative except to file a suit in the Court of Law. If at all a suit is to be filed the same has to be filed before 6-1-1974.

Since all efforts to resolve the dispute have proved abortive, the matter is brought to the notice of the Ministry of Finance for intervention and using their good offices to have the railway's claim settled so that the railway is not made to suffer this loss of cash which has actually taken place within the premises of the bank well before completion of the transaction. The conduct of State Bank of India in disowning the loss and disassociating themselves with the enquiry involving substantial amount is not conducive to good banker-customer relationship, and especially when the customer is the Government of India.

The Department of Banking are requested to use their good offices with Reserve Bank of India and impress upon them to resolve the issue before 31st October, failing which the question of filing a suit against R.B./S.B.I. may be examined.

ANNEXURE B

Copy of F.C. (Rlys.) D.O. No. 71ACIII/25/1 dated 25-7-73 to Shri N. C. Sen Gupta, Secy. Deptt. of Banking, Min. of Finance.

SUBJECT (1) *Dacoity in the premises of State Bank of India, Chittaranjan Locomotive Works (looting of Rs. 18.52 lakhs) on 7-1-1971.*

(2) *Short receipt of cash of Rs. 20,000 from the State Bank of India, Jhansi on 14-7-1972.*

You may kindly recall my mentioning the above cases to you some time ago. A brief history of the two cases is contained in the enclosed memorandum. In the first case, the dacoity took place inside the premises of the bank where the Railway Armed Guards were even prohibited entry and the incident took place much before the conclusion of the operation of handing over cash by the Bank's representatives to the Railway representatives. In the second case, the Railway representatives pointed out the shortage immediately on tendering of cash by the bank official and did not even part with the token. In both cases, the State Bank of India have unilaterally debited our accounts. On the other hand, the Solicitor of the Government of India (at the Branch Secretariat of the Ministry of Law, Justice & Company Affairs, Calcutta) has advised us that we have a good case though the result will ultimately depend on the evidence given by the persons on the spot. In this connection, I am enclosing herewith a copy of letter dated 8th May 1972 from the Government of India Solicitor.

2. In pursuance of the decisions contained in the minutes of the meeting of the Committee of Secretaries on Internal Affairs held on 27-7-1970, on our part, have tried to persuade the State Bank of India to resolve the dispute without recourse to litigation. The State Bank of India, however, have stated that the case has been entrusted to their Solicitors and have even refused to discuss the case at any level. The Reserve Bank of India whom we approached had also expressed their inability to intervene in the matter.

3. I shall be grateful if you could kindly look into the matter and explore whether there is any possibility of this matter being settled between the State Bank of India and us on an agreed basis. It is also for consideration whether there should not normally be a clause of arbitration for

settling disputes of various kinds that may arise in the ordinary course between the Government and its bankers, whether it be the Reserve Bank or State Bank of India.

4. Incidentally, the matter has been taken up in para 39 of the C&A G's Report on Railways for the year 1971-72, which will come up for discussion before the ensuing deliberations of the Public Accounts Committee.

With warm regards.

ANNEXURE C

Copy of Shri N. C. Sen Gupta, Secretary, Ministry of Finance, Deptt. of Banking's D.O. No. C. 31014/18/Vig./73, dated 5th September, 1973 to Shri K. S. Sundra Rajan, Financial Commissioner for Railways.

Please refer to your secret d.o. letter No. 71ACIII/25/1, dated the 26th July, 1973 regarding the controversy between the Railway Administration and the State Bank of India on the legal liability for payment of certain money lost or found missing at the Chittaranjan Locomotive Works branch and the Jhansi branch of the State Bank of India. I have also, subsequently, received a memorandum on these two cases prepared in the Railway Board.

2. I find that, even before your letter was received, the matter had already been raised by the Railway Board and considered in this Department. In so far as the alleged short payment of Rs. 20,000 from the State Bank of India, Jhansi branch, to the Railway Cashier on 14th July, 1972 is concerned, our views have already been communicated *vide* this Department's O.M. No. C. 31039/14/Vig./73, dated the 18th May, 1973. In so far as the loss of Rs. 18.52 lakhs from the premises of the Chittaranjan Locomotive branch of the State Bank of India is concerned, the State Bank of India has reported that the entire amount had been paid by it and was in the possession of the C.L.W. Cashier when the loss occurred and, as such, there can be no question of the bank being liable for the loss. I also learn that the legal position on this has already been fully explained in detail by the State Bank of India to the Chittaranjan Locomotive Works in the exchange of Solicitors' communication. In both these cases you will appreciate the question being one of facts, there is little or no scope for arbitration.

3. We have also examined these cases in the light of an O.M. circulated by the Cabinet Secretariat on 25th August, 1970, embodying the decisions taken by the Committee of Secretaries, at its meeting held on 27th July, 1970. As you are well aware, the relationship between a banker and his customer is regulated by statutes and, as such any dispute arising out of a transaction between a banker and his customer is to be decided in accordance with the provisions of the relevant statute and not through arbitration. *Vide* para 2(ii) of the O.M. of 25th August, 1970 of the Cabinet Secretariat, the cases under discussion come under the category exempted from arbitration.

With regards,

Recommendations

6.13. It is deplorable that even after nationalisation of coal mines the position far from improving has deteriorated. During the seven month period, February to August, 1973, after nationalisation the percentage of wagons found to contain inferior coal on visual inspection was 5.7 as against only 2.5 per cent for the corresponding period in 1972 before nationalisation. Thus there has been a 128 per cent increase in inferior supplies. The Committee understand that the Department of Mines are considering to set up a mechanical service unit to control the quality of coal supplied by the nationalised mines. The Committee trust that this will be done early. The matter should be gone into by a high powered Committee drawn from other spheres of Government.

6.14. The problem of supply of inferior grades of coal to Railways engaged the attention of the Committee earlier also. They were then (November, 1965) assured that steps had been taken to tighten up inspection and that the Inspection Organisation would be suitably manned. However, it is regrettable that the inspection continues to be absolutely inadequate and inefficient as the supply of inferior grades of coal has increased from year to year. Further, even the posts sanctioned for the Inspection Organisation were not filled up.

6.15. The above paragraphs reveal an astonishing state of affairs. It is difficult to believe that the Railway Board could have been so unmindful of its duties as to allow supplies of coal to a number of railways continuing for years to be subgrade or to contain shale, slack and dust beyond permissible limits. Quite obviously total quantum of loss suffered by the railways must be very serious. The loss apart from the straight monetary loss arising from the payment of full value of coal which was of inferior quality there must have been loss suffered due to inefficient functioning of engines. It is evident that inspection machinery has functioned extremely incompetently. The Committee desire that the entire question should be carefully studied by the Railway Board with a view to taking such steps as would ensure the elimination of losses to Railways from inefficiency and carelessness and possibly also of corrupt practices. In this connection the Committee would suggest that the entire inspection machinery should be revamped and that fresh procedure devised which would ensure that coal of right quality is accepted.

(S. Nos. 35—37, Paras 6.13 to 6.15 of 126th Report of PAC, Fifth Lok Sabha).

Action taken

6.13. The quality of coal supplied by the nationalised coal mines continues to be unsatisfactory. The matter is being taken up with the Public Sector Coal Companies and the Department of Mines from time to time. It is understood that the Department of Mines are taking steps to set up a technical service unit to improve the quality of coal loaded by the nationalised coal mines.

Action taken by Department of Mines

The Coal Mines Authority which supplies more than 80 per cent of the loco coal is not in a position to confirm the correctness of the figures quoted in respect of wagons stated to contain inferior coal on visual inspection. Since their quality control and Technical service units are in the process of formation. Bharat Coking Coal and Singareni collieries have stated that the percentage of deductions on account of inferior quality of coal is much lower. However, the need for ensuring that the quality of coal supplied conforms to the required specifications, the Coal Mines Authority have taken action to establish Quality Control and Technical Service Units. Officers have been recruited, staff are being recruited and the units are expected to start functioning shortly. A similar organisation is being proposed in B.C.C. Singareni Collieries already have fully equipped and properly staffed laboratories for analysis of coal supplied to the Railways. During the period February to August, 1973 they received complaints from the Railways in respect of only 0.66 per cent of the total supply.

The Coal Producing Organisations are being advised to complete the formation of the Quality Control Units expeditiously and take immediate remedial action wherever a complaint is received from the Railways.

In view of the foregoing it is felt that it might not be necessary that the matter should be examined by a high powered Committee.

6.14. The Railway Inspection Organisation was set up in 1960 and developed to undertake percentage checks at loading points to ensure supply of proper quality of coal. As results of percentage tests can be adjudged on a statistical basis on sample analysis methodology it is neither felt desirable nor necessary to have a 100 per cent check. At best such tests should be on a scale which can be handled effectively and the infrastructure required should not be unwieldy.

The posts for the organisation originally sanctioned were based on the requirement for controlling supplies from about 400 collieries. The number of collieries supplying coal to the Railways had gradually reduced and at present stands at about 175. The requirements of coal for the railways

which reached the peak figure of 17.2 million tonnes in 1965-66 declined thereafter on account of extensive dieselisation and electrification on Railways and stand at about 14 million tonnes at present. In the circumstances it was not felt necessary to fill up all the posts originally sanctioned. However, all the posts as per current sanctioned strength required for undertaking inspection on the scale envisaged are manned except two loading inspectors. Arrangements are on hand to fill the vacancies.

Control on quality of coal loaded for the Railways is exercised by the inspection organisation by conducting visual checks, drawing samples for grade check and keeping a watch on mining conditions and grade separation arrangements in collieries. Against the schedule laid down for 50 per cent visual check, the inspection organisation has been able to cover 65 per cent of the supplies. As coal is graded by Coal Board, an independent body, supply of correct grade can be ensured by verifying that the supplies come from the graded section of the seams and adequate grade separation arrangements exist at the colliery. The inspection organisation has been concentrating on this aspect besides drawing samples for grade check which could not be stepped up on account of limitation of laboratory facilities. Action is already in progress to further step up the percentage of inspection by introducing inspection at centralised points and drawing more samples with the help of mobile trucks and augmenting facilities for analysis.

6.15. The Railway Board have all along endeavoured to ensure that the desired quality of coal is received by the Railways and the payments are made for the quality of coal that is received. It is towards this end that the railways' own Inspection Organisation was set up, whose working is kept under scrutiny regularly. In addition, to guide the Inspection Organisation regarding the emphasis that is to be paid on particular collieries, Railway Board also directed the Railways to conduct percentage checks of the supplies received.

Unlike manufactured products the quality of coal varies not only in the same colliery but also in the same seam. The gradation has to obviously take into account the average quality on the basis of which the independent statutory body viz. the Coal Board gives the grades certificate. Thus it would be obvious that just as some supplies would be superior to the average grade, some supplies are bound to be inferior to the average grade. Accordingly, it was ensured as per contractual conditions to levy deductions in case of inferior supplies detected on the basis of joint checks conducted at the loading points. The railways, therefore, have been safeguarding its interest effectively.

Any system of determining the quality of coal has to be necessarily with mutual agreement of the producer and the consumer and the quantum of checks should be such as to justify the infrastructure required by both the parties.

With sustained efforts it has been possible to cover the visual inspection much beyond the schedule of 50 per cent to 65 per cent on average which in case of B&B collieries, from where the bulk of supplies are received, was increased to 75 per cent.

Action has also been initiated by ordering procurement of mobile trucks equipped with crushers for drawing more samples for grade analysis. Further action for facilities for analysing increased number of samples and undertaking inspection at centralised points is also being considered. In case of collieries with mechanised handling plant, procedure for drawing samples from the conveyer belt to cover 100 per cent despatches is being worked out in consultation with the Nationalised Coal Producing Authorities.

It may again be reiterated that the responsibility of quality control primarily rests with the producer. With the nationalisation of coal industry, it has now been possible to undertake close coordination with the public sector companies and the Department of Mines, who are regularly being urged to take necessary steps to improve the quality of coal supplies. The Department of Mines have indicated that action has already been initiated for establishing fullfledged Technical Service Unit for quality control in the nationalised coal mines.

This has been seen by Audit, who have stated that the position is under verification by Chief Auditors concerned.

[Ministry of Railways (Railway Board) O.M. No. 74-BC-PAC/V/126, (32—37), dated 6th November, 1974/15 Kartika, 1896].

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

"It is surprising that at the time of inviting tenders, the DGS&D amended the specifications to conform to metric units but allowed the drawings in the non-metric units to remain unchanged. The reasons given for retaining the drawings in non-metric units are not at all convincing. There was undoubtedly a serious omission which calls for an explanation. The Committee desire that individual responsibility for this lapse may also be fixed under advice to the Committee."

[S. No. 15 (Para 2.43) of 126th Report of PAC,
(Fifth Lok Sabha)]

Action taken

In case of indents pertaining to IRS and RDSO Drgs. and specifications, the Inspection Wing of the DGS&D is guided by the Drawings/Specification issued, modified, cancelled or adopted by the Research Designs & Standards Organisation of the Railway Board (RDSO, Lucknow). In this connection reference may be made to the following extracts from the Manual of Office Procedure for Supplies, Inspection & Disposals.

"Para 357(iii)—Wherever an IRS Drawing is quoted, the last modification number of the drawing in accordance with IRS modifications to date must invariably be quoted immediately after the drawing number. If no revision has been made 'Alt. Nil' should be inserted after the drawing number as for example IRS VB 29 alt. 1, IRS VB 28 alt. nil."

2. The Inspection Wing of DGS&D does not alter, amend or substitute the drawing and/or specification, unless these are notified by the RDSO to have been modified, altered, amended cancelled or superseded by other drawings/specifications issued or adopted by the RDSO.

3 The RDSO issues "Quarterly Notifications of IRS Specifications and Drawings, Issued, Modified, Cancelled and IS Specifications adopted for use on the Indian Railways" for this purpose. The RDSO also issues other Lists & Bulletins as and when necessary which are later notified in the Quarterly Notifications.

4. The function of the Inspection Wing of DGS&D is to verify that the drawings/specifications quoted in the Indents are the latest versions of drawings/specifications, current at the time of receipt of Indents, as stated in the "Manual of Office Procedure." The Inspection Wing corrects drawings/specifications numbers only when not found to be in accordance with latest revision, modification or replacement by other drgs/specifications notified by RDSO.

5. The Central Railway Indent No. T/6/67/A/CR(P.O.L.) dated 23rd December, 1967 was received by DGS&D on 30th December, 1967 and allotted DGS&D Indent No. 501/27/210/30-12-67. The original Indent called for "One-key Bearing Plates Anticreep case Iron (BG) for 90 lbs. RFF B.S.S. Rails to IRS Drg. No. T-225 alt.1 to IRS Specification T-7/55".

6. While checking the technical particulars of this indent on 6th January, 1968, it was found that IRS Drawing No. 'T-225 alt.1' quoted in the indent was the latest version of that drawing and the said drawing was still current and had not been cancelled or superseded by another drawing by any notification of the RDSO, whereas Specn. IRS T-7/55 quoted in the indent had been revised twice since 1955 in the year 1960 and 1967 and the current version of this specification was IRS : T-7/67 as notified in the Quarterly Notification No. 133 of July, 1967 (as per item 6 on p. 113 of the said notification). Therefore, the specification in the indent was corrected to IRS : T-7/67 as specification IRS : T-7/55 had ceased to exist at the time of checking the technical particulars and was superseded by Specification No. IRS : T-7/67.

7. It was also verified that specification IRS : T-7/67 could be fully applied to 'IRS Drg. T-225 alt.1' in view of clause 3.1 of the said specification which stated:—

"3.1—The Plates and Chairs shall be cast accurately to the form and dimensions shown in the drawing."

This specification IRS : T-7/67 therefore was equally applicable to both FPS as well as metric drawing and the mention of metric units in the specification (itself) for carrying out certain tests did not at all effect the test or the results of tests.

8. It has to be appreciated that this was a period of transition in so far as the change over from FPS system to metric system was concerned.

Stores in FPS as well as in Metric Units were being indented by the Indenting Officers and were being procured by the DGS&D accordingly.

9. The contention that Metric Drawing (T-10141) of the Boarding Plate was the equivalent conversion of Inch Unit Drawing and there was no difference between the two drawings excepting the variation in dimensions due to rounding off to the nearest figures and the DGS&D could have incorporated metric drawings instead of FPS drawing, is not correct. It has already been shown in earlier submissions that this could not be done because:

- (i) dimensions of metric RDSO Drg. 'T-10141 alt. nil.' were not an exact conversion of FPS Unit IRS Drg. No. 'T-225 alt.1.'
- (ii) RDSO Drg. No. 'T-10141 alt. nil' was not marked as "Freely Interchangeable with IRS Drg. 'T-225 alt.1'."
- (iii) The design of the Bearing Plates to metric drawing No. T-10141 Alt. nil and T-225 Alt. 1 is not the same. For Section AB from the central line of the Bearing Plate, the position of the Key is at a distance of 33.5 mm from the small end and for Rail BS 90R as per metric drawing, while it is at a distance of 3-3/8" (85.73 mm) from the small end of the same rail section as per FPS drawing. The change in design is also evident from the fact that both the Bearing Plate (metric & FPS) can be used for rail section BS 90 but this could be done by increasing the drive of the key to drawing No. T-405 from 3" to 5" for FPS Bearing Plate while for metric Bearing Plate the Key itself has to be changed to T-413(M).

10. It will thus be seen that the reason why the IRS Drg. No. 'T-225 alt. 1' quoted in the Indent was allowed to remain unchanged while the specification was corrected, was because this drawing was current on the date of checking technical particulars but the specification quoted in the Indent (IRS : T-7/55) had become obsolete and was superseded by IRS : T-7/67 and not because it was in FPS Units. The drawing and specification as corrected were compatible with each other. The technical particulars were correctly checked in accordance with the procedure laid down in the DGS&D Manual and other instructions issued in this regard.

13. This note issues with the approval of Secretary Supply Department.

[No. PIII-22(35)/74-Department of Supply]

ANNEXURE

Statement showing details of Contracts Placed after 1st December, 1967 for C.I. Bearing Plates in Non-Metric Units.

| S.No. | Contract No. and Date | Remarks |
|-------|---|---|
| 1 | RGC No. SR-7/RGC-7752 (4)/ CIBP/I/Rama/301/PAOC dt. 26-4-69 on M/s Rama Engg. Works, Motihari. | Out of total ordered quantity of 4,14,783 Nos. the firm supplied a quantity of 3,42,489 Nos. and the balance quantity of 72,294 Nos. was cancelled. There has been no loss since the cancelled quantity was not re-purchased. |
| 2 | A/T No. SR-7/502/27/065/I/RP/305 dt. 8-5-1969 on M/s. Rama Engg. Works, Motihari. | Out of total ordered quantity of 1,64,435 Nos. the firm supplied a quantity of 94,320 Nos. and the balance quantity of 70,115 Nos. was cancelled. There has been no loss due to non-purchase of cancelled quantity. |
| 3 | A/T No. SR-7/502/27/065/I/RP/304/ PAOC dt. 8-5-69 on M/s. R.M. Chatterjee & Sons. | This A/T was placed for a quantity of 15,015 Nos. The stores failed in the test. The contract was cancelled at firm's risk on cost (matter now in arbitration on the Government's claim to the extent of Rs. 26,336.31), and a fresh contract Not SR-7/502/27/065/RP/304/PAOC/I/352 dt. 18-9-70 was placed on M/s Rama Engg. Works, Motihari. The supplies stand completed. |

Recommendation

2.61. A case of non-recovery of the value of deficiencies in the supply of signal stores to be made by a firm to the Northern Railway was brought to the notice of the Committee earlier. The firm had, however, obtained advance payment representing 90 per cent of the value of the entire supplies to be made. The Committee are surprised to find that the same firm had obtained payments on the strength of inspection notes but did not supply the materials completely in respect of as many as 7 orders placed by various zonal railways. The value of deficiencies is estimated at Rs. 3.94 lakhs. According to the Railway Board the firm had offered all the items for inspection but did not despatch the entire quantity after inspection. The present whereabouts of the firm are not known and the notice for attending the arbitration could not be served on it. A prosecution also appears to have been launched in this case. According to the Special Police Establishment, the prosecution case has since been closed and it is pending for examination of the accused by the court. The Committee would like to know the further developments.

[S. Nos. 17 and 19, (Paras 2.61 and 2.63) of 126th Report of PAC (5th Lok Sabha)].

Action taken

The observations mainly concern the Department of Supply who will furnish a reply to the Committee in this regard.

[Ministry of Railways (Railway Board) O.M. No. 74-BC-PAC/V/126 (17—19), dated 28th October, 1974,/6th Kartika, 1896 (Saka)].

Action taken by Department of Supply

1. In so far as recommendation at S. No. 17 is concerned, the present position is that the criminal proceedings against the firm are continuing and are at present *sub-judice*.

2. As regards the conduct of the DGS&D in its dealings with the firm referred to in the recommendation at S. No. 19, the outcome of the enquiry in progress would be intimated shortly.

[PIII-22(36)/74 Department of Supply].

Recommendation

The paragraph also highlights a drawback in the general conditions of contracts on Railways in that the percentage or limit upto which variations in quantity can be effected at the rates quoted in the tender are not clearly spelt out in the agreements unlike in the Central Public Works Department. The Committee were informed by Audit that this lacuna was brought to the notice of the Railway Board in February, 1973 but no decision has been taken thereon. This calls for an explanation. The Committee desire that responsibility should be fixed under advice to them. The Committee further desire that the Railway Board should speedily examine the position and issue instructions to the Zonal Railways. Further, the practice followed by the C.P.W.D. in regard to settling rates for additional work should also be studied for adoption with advantage by the Railways.

[S. No. 23, Para 3.35 of 126th Report of PAC (5th Lok Sabha)].

Action taken

After careful consideration, the Board have decided that the Railways should, hereafter, invariably provide for a specific limit of variation in the quantum of work between 15 per cent to 25 per cent in their Special Conditions of Contract in every individual case, depending upon the nature of work to be done, in consultation with their F.A. & C.A.O. As this would also be an integral part of the agreement and govern the contract legally, it would meet the requirements of the Audit.

Accordingly, a circular letter under Board No. 72/WISCT/45, dated 27th July, 1974 has been issued to all Indian Railways a copy of which is enclosed (Annexure). The practice followed by the C.P.W.D. in settling rates for additional items of work is under examination and the result of the examination would be intimated to the Committee.

On the question of delay and fixing the responsibility, it would be appreciated that as the issue under consideration was of a complicated nature involving detailed examination of C.P.W.D. contract form, consultation with the Zonal Railways etc. it took some time which was unavoidable. The question of changing a long standing practice on the Railways was involved. In the circumstances, it is submitted that the Committee may not press the issue for fixing responsibility for the delay particularly when the instructions have already been issued

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (22-23) dated 5th October, 1974/13th Asvina 1896].

ANNEXURE

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

No. 72/W.I./CT/46.

New Delhi, dated the 27th July, 1974.

The General Managers,
All Indian Railways.

SUBJECT:—*Provision of variation clause in Special Conditions of contract.*

Board have issued administrative instructions indicating reasonable extent of variation in contract *vide* their letter No. 63/W.2/CT/4, dated 6th May, 1963 for guidance of the Railways. To make the variation limit legally binding on contractors and give them due notice of the permissible amplitude of the deviation even at the time of submission of quotations, Board have decided that the Railways should provide as a Special Conditions of the Contract in consultation with their FA & CWOs for a variation limit by specifying a percentage between 15 to 25 depending upon the nature of work. No variation limit need be laid down for works in foundations.

Railways are also advised to properly assess the quantities of the various items before calling tenders so that cases of large variations are kept down and to strictly follow the instructions contained in Board's letter No. 67-BC-PAC-3/72(24) dated 29th November, 1967 where larger excesses are involved.

Sd./-

M. P. SINGHAL,
Jt. Director, Civil Engg.,
Railway Board.

DA: Nil.

No. 72/W.I./CT/46

New Delhi, Dt. 31-7-74

Copy (with 40 copies) forwarded to the ADAI (Railways), New Delhi for information with reference to their u.o. No. 537-419/RAI/12-176/70 dated 11-2-72.

Sd/-

(L. C. MONGA),
Jt. Director, Civil Engg.,
(B & S) Railway Board.

Recommendation

The Committee incidentally learn that during the last seven years the Railways have lost about Rs. 40 lakhs through thefts and robberies. This is undoubtedly a huge loss and the Committee feel that more stringent security measures need be taken by the Railway Administration to minimise losses on this account. The method of handling and transporting cash should be further improved. Besides persuading the nationalised banks for opening of more branches in the station buildings, the Railway Board may consider making all payments of salaries etc. of Rs. 500 and above only by cheques. They should also reconsider to insure cash in transit.

[S. No. 30 (Para 5.17) 126th Report of PAC (5th Lok Sabha)].

Action taken

Over the past few years the Railway Ministry have been consistently trying to:—

- (a) reduce the amount of cash being handled; and
- (b) further improve the security measures for handling and transporting cash.

Of the various steps taken, the following deserve particular mention:

- (a) (i) The facility of making payment of freight charges by means of cheques without any security deposit at present enjoyed by the Departments of Central and State Governments has been extended to Public Sector Undertakings, Corpora-

tions, reputed public limited companies and freight forwarders who offer regular and adequate traffic for carrying by rail in respect of "freight paid" traffic *vide* letter No. TCL/1073/72/1-Cheques in dated 5th April, 1974 Annexure "A" (copy enclosed). Further, important railway stations have been authorised to accept rupee traveller cheques in respect of passenger fares. These measures will further reduce the handling of cash at the stations. It may be mentioned that in respect of freight charges on traffic carried by container services. Orders were issued in February, 1974, that these may be paid through cheques by parties of goods standing who offer regular and adequate traffic by these services.

- (ii) With a view to reducing the movement of cash from the stations to the headquarters offices for the purpose of counting and remittance to the banks, the Railway Board has embarked upon a policy of sending cash from the stations directly to the nearby branches of the RBI, the State Bank and/the nationalised Banks (without sending it through the Railway Cash Offices). During the last 18 months the number of such stations remitting cash directly to the Banks has gone up from 157 to 236. The Board is also encouraging the Banks to have branches opened at the Railway premises at large stations, goods sheds and offices, which would deal with railway business as well. The Board's policy in matter is enunciated in letter No. 72/W2/3/19, dated 16th March, 1972 (copy enclosed). Annexure "B"
- (iii) All subordinate staff not covered by the Payment of Wages Act have been authorised to have their salaries deposited directly in the Bank. The Railway Administrations have been advised to give wide publicity to this fact and to encourage staff to avail of the facility freely, which will further reduce handling of cash.
- (b) Instructions have also been issued by this Ministry to the Railways emphasising the importance of utmost security arrangements in the movement of cash *vide* their letter No. 74-BC-PAC/V/126/(28-31), dated 22nd June, 1974. Annexure "C" (Copy enclosed). The question of taking insurance cover for cash in transit is under consideration. Final decision taken will be advised to P.A.C.

This has been seen by Audit.

[Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (28-31), dated 30th November, 1974/9th Agrahayana, 1896].

ANNEXURE 'B'

Copy of Ministry of Rlys. (Rly. Board's) letter No. 72/W2/3/19, dated 16th March, 1972 addressed to the General Managers All Indian Railways including CLW, DLW, ICF and D.G.R.D.S.O. etc. etc.

SUBJECT:—Opening of branches of banks authorised to do Government work in railway premises to facilitate banking transactions with the railways.

At present only the State Bank of India is authorised to conduct government business. Arrangements are, however, being made for certain other nationalised banks to conduct railways business, at specified places in the first instance.

The Board consider that it would be of advantage for the State Bank, or any other nationalised bank which is authorised by the Reserve Bank of India to deal with railway business, to be located in railway premises particularly on large stations, goods sheds and offices. Accordingly Board desire that facilities should be provided to such banks who have secured the necessary permission of the Reserve Bank of India to open a branch at the proposed location, to open branches within railway premises. If any suitable accommodation is available, it may be rented out to the bank. In other cases, suitable accommodation may be built for the banks on available land as and when required by the banks. In such cases railway should build only normal type of accommodation. The cost of additions and alterations required to the existing accommodation, and any extra arrangements, facilities, frills, etc. required in the case of new accommodation, should be provided only at the cost of the bank. The bank should be charged rent at the prevalent market rate in the locality for commercial premises subject to a minimum of 11 per cent of the capital cost. It is not necessary to consult any State Government official for the purpose of determining the market rent. A suitable agreement should be entered into with the bank in each case.

To facilitate opening of banks at large stations, sheds, offices, etc. opportunity should be taken to provide specific accommodation for a bank while under remodelling etc. The space requirements being settled with your F.A. & C.A.O. The fact that provision for a bank has been made in the estimate should be specifically brought out in the proposal asking for sanction for the construction or remodelling.

ANNEXURE 'A'

Copy of Ministry of Railways (Rly. Board) letter No. TCI/1073/72/1/Cheque, dated 5th April, 1973 to the General Manager All Indian Railways etc. etc.

SUBJECT:—*Payment of freight charges by means of cheques.*

The Board have decided that the facility of making payment of freight charges by means of cheques may be granted by the General Manager in consultation with the F.A. & C.A.O. to all public sector corporations and undertakings and reputed public limited companies and freight forwarders who offer regular and adequate traffic for carrying by rail in respect of 'freight paid' traffic only.

2. No security deposit, bank guarantee etc. need be obtained in these cases. However, it should be clearly laid down that the facility would be withdrawn in case any of the cheques is dis-honoured.

3. To minimise the time interval between the receipt of the cheque and its realisation, it should be laid down that the cheques should be drawn on a bank situated at the same station as the cash office. The parties who are permitted to pay by cheques will be required to furnish list of persons authorised to sign cheques along with their specimen signature to the Station Master concerned for guidance of staff. It may also be considered desirable to arrange that the cheques are drawn in favour of "Reserve/State Bank of India. Accounts—Railways".

4. In granting the facility other provisions of paragraphs 1407 to 1409 of General Code, Volume I and paragraphs 1208 et seq. of the Indian Railway Code for the Traffic Department (Commercial) should be generally kept in view.

5. In case any cheque is dis-honoured the Chief Cashier would advise the forwarding station, which in turn should advise the destination station to stop delivery of goods. If the goods have already been delivered at the destination, the forwarding station may take further action for the realisation of the amount from the consignor. To watch realisation of such dis-honoured cheque, it may be desirable to debit the forwarding station with value of such cheques dis-honoured.

6. The Board desire that a close watch may be kept and a report submitted on the working of the system after six months.

Please acknowledge receipt.

ANNEXURE 'C'

Copy of Ministry of Railways (Rly. Board) letter No. 74-B(C)-PAC /V/126(28—31) dated 22nd June, 1974 to the General Managers All Indian Railways including CLW, DLW, and ICF etc.

SUBJECT:—*Recommendation No. 30 of 126th Report of the P.A.C. 1973-74 relating to para 39 of C.&A.G's Report on Railways for 1971-72—C.L.W.&S.E. Railway—Loss of Cash.*

Recommendation No. 30 of Public Accounts Committee's 126th Report on Para 39 of C. & A.G's Report on Railways (1971-72) is reproduced below:—

“The Committee incidentally learn that during last seven years, the railways have lost about Rs. 40 lakhs through thefts and robberies. This is undoubtedly a huge loss and the Committee feel that more stringent security measures need to be taken by the Railway Administration to minimise losses on this account. The method of handling and transporting cash should be further improved.”

In the above context, your attention is drawn to Board's letter No. 71-Sec.(Cr.)/51/133, dated 10th March, 1972 in regard to remittance of daily station earnings directly from the stations to the Banks instead of routing through various stages of collections, shroffing etc., (ii) 72/WS/3/19, dated 16th March, 1972 followed by letter No. 72-ACTI/9/14 dated 25th February, 1973 for opening of branches of banks authorised to do Government work in railways premises to facilitate banking transactions with the railways and (iii) 71-ACTI/21/9 dated 14th January, 1972, for extending the arrangements for payment of staff salaries through cheques and utilisation of station earnings for the purpose of staff payments.

In reply to Board's wireless message No. 72-B(C)-Rlvs-3, dated 20th November, 1973, the Railways had intimated generally that the following steps have been taken towards ensuring safety of cash while in transit:— (a) avoidance of night travelling of cashiers with cash to the extent possible. (b) checking of the compartments reserved for cashiers and cash guards, by the Ticket Checking Staff in order to see that no outsiders are travelling in the reserved compartment and (c) checking by armed wing supervisory staff to see that the cash guards, while on payment tours, are alert and are discharging their duties properly.

The recommendations of the Public Accounts Committee are brought to the notice of the Railway Administrations to ensure that the arrangements in this regard are adequate and the procedures laid down scrupulously followed and wherever necessary, reviewed for improvement

Please acknowledge receipt.

Recommendation

The Committee cannot but express their unhappiness on the Government Railways' failure to take timely action for the settlement of their accounts with six non-Government Railways. The total outstanding dues against the non-Government Railways are to the extent of Rs. 49.99 lakhs as at the end of 31st March, 1972. Out of this, Rs. 11.52 lakhs related to periods over three years and Rs. 33.46 lakhs were for periods over one year and upto three years. In spite of the fact that the poor financial position of these railways was well-known to the Ministry of Railways the arrears were allowed to accumulate and in the meantime three light railways had been closed down. The Committee urge that all necessary steps should be taken to realise the dues in regard to these light Railways. Further, action for recovery of outstanding dues from the other three railways should also be expedited. The progress may be intimated to the Committee.

[(S. No. 38, Para 7.16 of 126th Report of PAC—Vth Lok Sabha)].

Action taken

A statement showing outstandings against the six light railways as on 30-9-1973, 31-12-1973 and 31-3-1974 (separately for the Railways which have closed down and those which are still working) is enclosed. It will be noticed therefrom that the outstandings as on 31-3-1974 were Rs. 56.94 lakhs, out of which Rs. 39.39 lakhs related to Railways closed down and Rs. 17.55 lakhs to Railways still working.

2. The position regarding realisation of amounts outstanding against the Railways which have closed down is as under:—

- (i) **Shahdara Saharanpur Light Railways**—An Official Liquidator has been appointed and Railways' claim filed. The Railways have not been classed as "prior ranking creditors" and as such payment to Railways will start after meeting the dues in full of the prior ranking creditors.
- (ii) **Howrah Amta Light Railways**—An Official Liquidator has been appointed to deal with claims against this Light Railway and the Railways have been directed to prefer their claims for the outstanding dues from the Light Railway. Railways can expect payment after completion of liquidation proceedings.

- (iii) Howrah Sheakhala Light Railways—No liquidator has yet been appointed; as soon as the Liquidator has been appointed action will be taken to prefer our claim's for the outstanding dues against this Railway.

3. As regards outstandings against Light Railways which are still working, they are requested from time to time to arrange payments to clear their outstanding dues. Instructions already exist *vide* Board's letter No. TCI/1259/69 SSL dated 20-5-71 that no payment whatsoever should be made to the Martin Light Railways towards their share of freight and other charges. Legal opinion does not favour the suggestion for making prepayment of freight compulsory in respect of traffic booked to the stations on the Light Railways. Similarly steps to withdraw the facility of permitting through traffic between the Indian Government Railways and the Non-Government Railways cannot also be effected as sub-section (3) of section 27 of the Indian Railways Act 1890 provides for offering facilities for through traffic by Railway Administration forming a continuous line.

This has been seen by Audit who have stated that the facts and figures mentioned in the draft Action Taken Note are under verification by the Chief Auditors and that remarks, if any, will follow in due course.

[Ministry of Rlys. (Rly. Board) O.M. No. 74-BC-PAC/V/126
(38-39) dated 9-12-1974/18 Agrahayana, 1896.]

Statement Showing Outstanding Against

| Name of Light Rly. | Outstanding as on 30-9-1973 | | |
|-------------------------------------|-----------------------------|---------------------|---------------------|
| | Due to | Due from | Net |
| (A) Railway Closed down | | | |
| 1. Shahdara-Saharanpur Light Rly. . | 2,99,877·12 | 31,02,404·03 | 28,02,526·91 |
| 2. Howrah Amta Light Rly. . | 63,536·99 | 11,32,139·53 | 10,68,602·54 |
| 3. Howrah Sheakhala Light Railway . | 11,224·50 | 79,377·10 | 68,152·60 |
| Total (1 + 2 + 3) | 3,74,638·61 | 43,13,920·66 | 39,39,282·05 |
| (B) Railways still working. | | | |
| 4. Arrah Sasaran Light Rly. . | 3,29,989·76 | 8,15,099·67 | 4,85,109·91 |
| 5. Futwah Islampur Light Rly. . | 2,26,700·51 | 14,76,382·13 | 12,49,681·62 |
| 6. Dohri Rontas Light Rly. . | 13,20,488·51 | 12,18,833·30 | 1,01,655·21 |
| Total (4 + 5 + 6) | 18,77,178·78 | 35,10,315·10 | 16,33,136·32 |
| Grand Total (A + B) (1 to 6) | 22,51,817·39 | 78,24,235·76 | 55,72,418·37 |

Light Railways (In Rupees)

| Outstanding as on 31-12-1973 | | | Outstanding as on 31-3-1974 | | |
|------------------------------|--------------|--------------|-----------------------------|---------------------------------|---------------------------------|
| Due to | Due from | Net | Due to | Due from | Net |
| 2,99,877·12 | 31,02,404·03 | 28,02,526·91 | 2,99,877·12 | 31,02,404·03 | 28,02,526·91 |
| 63,536·99 | 11,32,139·53 | 10,68,602·54 | 63,536·99 | 9,70,855·28 (+) 1,61,284·25 | 8,68,602·25 |
| 11,224·50 | 79,377·10 | 68,152·60 | 11,224·50 | 79,377·10 | 68,152·60 |
| 3,74,638·61 | 43,13,920·66 | 39,39,282·05 | 3,74,638·61 | 41,52,636·41 (+) 1,61,284·25 | 37,77,997·80 (+) 1,61,284·25 |
| | | | | 43,13,920·66 | 39,39,282·05 |
| 3,48,628·43 | 8,50,399·49 | 5,01,771·06 | 3,59,933·12 | 8,77,999·23 | 5,18,066·11 |
| 2,29,811·82 | 15,24,360·17 | 12,94,548·35 | 3,28,140·47 | 15,85,178·97 | 12,57,038·50 |
| 13,10,819·18 | 12,75,912·22 | 34,906·96 | 13,71,742·29 | 13,52,035·09 | 19,707·20 |
| 18,89,259·43 | 36,50,671·88 | 17,61,412·45 | 20,59,815·88 | 38,15,213·29 | 17,55,397·41 |
| 22,63,898·04 | 79,64,592·54 | 57,00,694·50 | 24,34,454·49 | 79,67,849·70 (+) 1,61,284·25 | 55,33,395·21 (+) 1,61,284·25 |
| | | | | 81,29,133·95 | 56,94,679·46 |

Recommendation

The Committee are informed that in place of the three light railways which had been closed down, namely Shadara-Saharanpur Light Railway, Howrah-Amta and Howrah-Sheakhala Light Railways, broad gauge Lines are proposed to be constructed with 50 per cent participation by the State Governments concerned. The Committee desire that final decision should be taken in regard to financial arrangement and machinery for execution of work, early.

[(S. No. 39, para 7.17 of 126th Report of PAC—Fifth Lok Sabha)]

Action taken

Shadara-Saharanpur Light Railway: The Government of U.P. have since agreed to share equally with the Central Government the cost of constructing and running the broad gauge line. Action is also being taken by the Government of U.P., in consultation with the Ministries of Shipping & Transport and Law, to amend the Motor Vehicles Act (1939) so as to facilitate the formation of the Joint Corporation to be set up for running rail and road services in the area. The Ministry of Railways have also reminded the Ministry of Law in the matter. In the meantime the Government of U.P. have provided an amount of Rs. 2 crores in their budget for 1974-75 as their share of the outlay during 1974-75 in the construction of this line and its construction has been taken in hand.

Howrah-Amta and Howrah-Sheakhala Light Railways: The Government of West Bengal have yet not agreed to an equal partnership with the Ministry of Railways in the Joint Corporation to be set up for constructing and running the broad gauge lines. In the latest communication received from the Chief Minister, West Bengal, a suggestion has been made that the Government of West Bengal may only provide the land required for the broad gauge lines free of cost, to the Indian Railways. This proposal is under consideration of the Ministry of Railways.

This has been seen by Audit.

[(Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (38-39) dated 15-7-1974/24 Asadha, 1896)]

Recommendation

Following the recommendations made by the Committee from time to time the Railway Board had in 1967 asked its efficiency Bureau to make a detailed study in regard to the reference of a very large number of cases to arbitration by the contractors no Railways and also to examine the reasons why a majority of cases referred to arbitration went against the Railways. In pursuance of the recommendations of the Efficiency Bureau certain clauses of the General Conditions of contract relating to works were amended to minimise the cases leading to disputes between the parties to the contract. That these measures did not have the desired effect is clearly borne

out by the fact that the number of cases referred to arbitration has gone up from year to year. Therefore, it could be taken that job was not done properly. In 1968-69, the total number of cases referred to arbitration was 150, while in 1969-70 this figure went up to 221. Again in 1970-71 as many as 212 cases were referred to arbitration. It is further seen that out of 583 cases involving total claims of contractors amounting to Rs. 802.10 lakhs referred to arbitration during the period from 1968-69 to 1970-71, the Railway Administration had admitted the claims to the extent of only Rs. 8.20 lakhs but they had ultimately to pay a total sum of Rs. 201.54 lakhs in satisfaction of the awards given by the arbitrators. This system is disastrous. This leads to the conclusion that the procedures followed on the Railways in regard to settlement of claims of contractors are not at all satisfactory and there is, therefore, a noticeable predilection on the part of contractors to resort to arbitration for the realisation of their dues. The Committee feel that the whole matter requires a competent reappraisal. They accordingly suggest that a review committee of not more than 3 persons—one practising lawyer; one practising auditor and an experienced retired railway officer—may be constituted forthwith, which should examine the matter in all its aspects and devise a form of contract that would reduce the disputes to the minimum.

[(S. No. 41, Para 7.37 of 126th Report of PAC Vth Lok Sabha)]

Action taken

The suggestion of the Committee to constitute a Review Committee to examine the question of the tendency of the railway contractors to resort to arbitration for realisation of their dues and to devise a form of contract to reduce the disputes to the minimum is under consideration. A final decision taken on this matter will be communicated to the Committee in due course.

This has been seen by Audit.

[(Ministry of Rlys. (Rly. Board) O.M. No. 74-BC-PAC/V/126 (41-42) dated 10-12-1974/19 *Agrahayana*, 1896)]

Recommendations

7.54. This is a case of failure both on the part of DGS&D and the Eastern Railway to keep a watch on the utilisation of raw material by a fabricating firm which had running contracts with the DGS&D for supply of finished crossing sleeper sets to various Railways between 1960 and 1963. Under the contract the Eastern Railway was to issue free of cost the raw material to the firm on the basis of the release instructions issued by DGS&D after the firm had executed proper indemnity Bond. The finished products were to be despatched by the firm to different consignee Railways who were required to make payment to the fabricating firm to the extent of 90 per cent of the contracted rate on proof of despatch and the balance after acceptance of the processed sleeper sets. The consignee Railways were only

required to send an advice to the DGS&D about the receipt of finished products. No proper procedure for correlating the issue of raw materials with the receipt of finished products was however laid down leaving enough scope for malpractices with the result that in July, 1967 when the firm themselves advised that they were closing down their factory neither the DGS&D nor the Eastern Railway were in a position readily to find out whether the entire supply of raw material had been properly accounted for by the firm. In fact it took the DGS&D more than a year and a half to find out that the firm had drawn about 321.04 tonnes of steel bars valued at Rs. 2.78 lakhs in excess. The explanations given by the DGS&D and the Eastern Railway are no more than an attempt to disclaim responsibility and put the blame on each other for the serious lapse. Government should, therefore, consider seriously all the factors that led to this situation for taking appropriate action as also to prevent its recurrence. Action taken in this behalf against the responsible officials of DGS&D and Railways both may be intimated to the Committee within three months.

7.55. The Committee understand that the arbitration proceedings have been adjourned *sine die* because the whereabouts of the firm are not known. The Committee would like to know further action proposed to be taken in the matter.

[(S. Nos. 43 & 44, Para 7.54 & 7.55 of 126th Report of PAC-Fifth Lok Sabha)]

Action taken

7.54. It is submitted that in accordance with the procedure followed on the railways in respect of DGS&D contracts, once the indents are placed on the DGS&D and the DGS&D have been given the consignee instructions for the despatch of the manufactured items, the part payment is made by the Pay & Accounts Officer of the DGS&D. The consignees are required to certify the proper receipt, correctness of the quantity received and its good condition to enable the Pay & Accounts Officer to make final payment or effect the necessary deductions. So far as the correlation of the issue of raw materials with the receipt of finished products is concerned, it would not have been possible for the Eastern Railway, who supplied the raw materials free of charge under DGS&D's instructions, to undertake this task as the consignees *viz.* Permanent Way Inspectors, are distributed all over the various railways.

It is, however, noted that in reply to point No. 3 forwarded under the Department of Supply O.M. No. P. III-20(8)/72 dated 24-9-73 it has been stated that—

“to enable the FA&CAO to maintain proper accountal, the fabricator was required to send every month an accountal statement which *inter alia* showed the receipt of payments and consumptions thereof. In addition one consolidated letter in respect of the

bills submitted during the preceding month was required to be sent to the FA&CAO containing details of supply orders, consignees, head of accounts, inspection notes, R. R. Nos. etc. to enable the FA&CAO to raise the necessary debits on different consuming railways. As per practice, one of the functions of the Dy. Director (Steel), Calcutta, was to maintain close liaison with the Eastern Railway and FA&CAO with a view to ensure proper check and control."

It may be clarified that regarding submission of monthly accountal statements by the fabricator to the FA&CAO Eastern Railway, there was no contractual obligation as such on the part of the fabricator to furnish the despatch particulars of the fabricated materials and monthly consolidated statement in respect of the bills submitted to the Pay & Accounts Officers of the DGS&D etc. It was observed in most cases that the fabricators failed to supply the necessary statements to the Railways and the Railways were not in a position to insist on their regular submission. It was, therefore, not possible for the Eastern Railway to correlate the quantity of raw materials released and its utilisation and keep the necessary check on the performance of the firm.

The position so far as the responsibility of the railway was concerned in this case has been fully explained to the Department of Supply in the inter-departmental meetings held.

So far as Railways are concerned, adequate safeguards have been prescribed to prevent losses of this nature in future. In future contracts of this type, raw materials are supplied to the contractors only against cash payment or bank guarantees. In a recent case of supply of steel billets to contractors for manufacture of track fittings, the material has been supplied against bank guarantee furnished by the contractors and detailed instructions have been issued indicating the functions and responsibilities of the officers concerned.

Considering the circumstances of the case, the Railway Board submit that no responsibility could be attached to any railway officer in respect of this contract.

7.55. A copy of the recommendation has been forwarded to the Department of Supply for furnishing a reply to this para to PAC direct.

[(Ministry of Railways (Rly. Board) O.M. No. 74-BC-PAC/V/126 (43-44) dated 30-11-1974/9 *Agrahayana* 1896)].

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

NEW DELHI;
April 26, 1975

Vaisakha 6. 1897 (S).

APPENDIX

Summary of main conclusions/recommendations

| S. No. | Para No. | Ministry/Department concerned | Conclusions/Recommendations |
|--------|----------|-------------------------------|--|
| 1 | 2 | 3 | 4 |
| 1. | 1.7 | Rlys. | The Committee note that the Railway Board have undertaken a study in depth with a view to locating areas where further improvements could be effected in the interest of better Railway operations. The Committee would like to be appraised of the results of this a study and the concrete measures taken for the improvement of operations and maximum utilisation of railway assets. |
| 2. | 1.11 | -Do.- | The Railway Board have quite obviously not been able to understand the Committee's recommendation. That it was not obscurely worded is evident from the fact that the Department of Steel has understood what the Committee wanted, namely a High Power Review Committee to be set up by the Railway Ministry consisting of representatives of concerned ministries such as Ministry of Transport, Department of Steel etc. plus one or more transport economists. This Review Committee would examine the whole question of detention of wagons in steel plants, ports and elsewhere in detail and recommend suitable measures for improving the situation. This aspect has not been touched upon by the Railway Board in their reply. In the context of the acute wagon shortage and loss of |

earning capacity arising out of these detentions, the Committee would reiterate its recommendation that the Railway Board should appoint without further loss of time a High Power Review Committee consisting of academically qualified transport economists and others to go into the entire question of detentions to wagons in steel plants, ports and other places. The Committee should be informed as soon as the suggested Review Committee is constituted at appropriately high level.

3. 1.14

-Do.-

In the Committee's opinion, *prima facie*, the Railway Board's explanation for not raising the performance index for engine failure sounds fallacious. For judging the performance of each Railway *vis-a-vis* the targets laid down, the absolute figure of the performance index has to be taken note of and not the average of all the Railways. The Committee find that on the Northern Railway the performance index of kms. per engine failure was as high as 3,38,000 in 1970-71 and 3,07,000 in 1971-72. Similarly on Western Railway the respective figures were 2,61,000 and 2,05,000. In fact, even on North Eastern Railway a performance index of 2,36,000 had been achieved during 1966-67. There should be no reason why the North Eastern and North East Frontier Railways cannot emulate the performance of other zonal Railways. It is in this context that the Committee had suggested a re-assessment of the situation.

4. 1.15

-Do.-

The Committee desire that the situation may be reviewed with a view to laying down targets which would be adequately challenging. While reassessing the situation, the Railway Board would no doubt critically analyse the performance of those Railways whose performance is below

their existing targets and take suitable remedial measures to improve the performance and ensure optimum utilisation of engines.

5. 1.18

Rlys.

What the Committee had in mind was that suitable disciplinary action, including recovery of cost of litigation should be taken against the officers responsible. Has such disciplinary action been taken? Even if the court's judgements rule out recovery of cost of litigation, they do not come in the way of departmental action for negligence against the officers concerned being initiated. The Committee would like the Railway Board to examine this aspect and take appropriate action.

6. 1.21

Cabinet Sectt.

Rlys.

Finance

The Committee cannot understand why it has not been possible to resolve a dispute between the Governmental organisations by mutual consultation. Instead the parties have had to resort to litigation, this incurring avoidable expenditure. The Committee desire that the existing instructions for settlement of disputes between Government Departments and Public Sector Undertakings should be reviewed thoroughly and a suitable machinery evolved for the resolution of inter-departmental and inter-governmental disputes. The Committee suggest that this recommendation may be brought to the notice of the Cabinet Secretariat.

7. 1.24

Rlys.

Department of Mining

In view of the fact that all coal mines have now been nationalised, the Committee consider that it would be worthwhile for a high power committee comprehensively to review the whole production and supply of

quality coal for laying down procedures and guidelines. The Committee, accordingly, reiterate their earlier recommendation that the question of supply of quality coal should be gone into by a high power committee.

8 1.27 Rlys.

Keeping in view the fact that the Railways consume coal worth about Rs. 60 crores annually, the Committee consider that the Railway Board should be required to pay more attention to the quality of the coal supplies they get. As is well known the Railways have had to cancel a large number of trains because they were not able to get steam coal of adequate quality. In this context it is only prudent that the Railway Board should have a fresh look at the machinery for the inspection of coal so that they are able to get coal of the quality they pay for.

9. 1.30 -Do.-

The Committee very much desire that the proposals of the West Bengal Government in respect of the Howrah-Amta and the Howrah-Sheakhala lines should be considered very expeditiously and a final decision arrived at by the Railway Board so that the difficulties of the commuters who come from weaker sections of the society, are put an end to at the earliest. A rigid time schedule for the completion of the project should be formulated on a very high priority basis.

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