HUNDRED AND SIXTY-FIFTH REPORT

PUBLIC ACCOUNTS COMMITTEE 1988-89

(EIGHTH LOK SABHA)

PROCUREMENT AND UTILISATION OF TRACK MATERIALS

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

Presented to Lok Sabha on 26-4-1989

Laid in Rajya Sabha on 26-4-1989

LOK SABHA SECRETARIAT
NEW DELHI

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(1988-89)

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@ Appointed w.e.f. 7-12-1988 *vice* Shri Kalpnath Rai ceased to be member of the committee on his appointment as a Minister of State.

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3. Shri A. Subramanian—*Senior Financial Committee Officer*

INTRODUCTION

I, the Chairman of Public Accounts Committee as authorised by the Committee do present on their behalf this Hundred and Sixty-Fifth Report on paragraph 3.1 of the Report of C&AG of India for the year ended 31 March, 1987 Union Government (Railways) relating to Procurement and Utilisation of Track Materials.

2. The Report of the Comptroller and Auditor General of India for the year ended 31 March, 1987 (Railways) was laid on the Table of the House on 26 Aril, 1988.

3. As on 31 March, 1986 the Railway System in India had 77153 running track kms. comprising 47810 kms. in broad gauge, 25097 kms. in metre gauge and 4246 kms. in narrow gauge systems. The operations of the Railways are totally depended on the availability of sound and well maintained tracks throughout the country, so that the tracks are not a contributory factor for accidents even to the slightest exent and the Railways are in a position to give efficient and safe service to the public. The arrears in track renewal which stood at 13048 kms. in March 1980 increased to 20306 kms. in March 1985 (26 per cent of total track). The Committee have deeply regretted the failure of the Railways to ensure timely renewal of tracks, which has adverse effects on the smooth operation of the Railways.

4. From the statement of expenditure on track renewals the Committee have noted that the average cost of renewal has shown a steady increase, the rate of increase being as high as 19 per cent in 1985-86 and another 15 per cent in 1987-88. The Committee have recommended that the contributory causes for the spiralling of cost of renewal may be investigated and the result intimated.

5. The Committee have pointed out that despite the available capacity for production of 5 lakh tonnes per annum of Broad Gauge Rails with Bhilai Steel Plant, Railways failed to give firm commitments of requirements of rails for the 7th plan period and as a consequence, Railways resorted to import for which there would have no justification but for the failure of the Railways themselves. Remedial measures have been called for by the Committee.

6. The Committee have desired that the alternative indigenous source in place of TISCO and IISCO for manufacture of MG rails may be identified and utilised for procurement of MG rail so that imprt of MG rails can be stopped by a time bound programme.

7. The capacity of the established plants for production of concrete sleepers was 21 lakh sleepers since 1981-82 where as annual production had reached a level of hardly 14.52 lakh sleepers even 4 years later. Considering the substantial economies expected in the use of concrete sleepers, the Committee have recommended that reasons for lower utilisation of the capacity created may be investigated and steps taken to improve extent of utilisation. Taking note of the substantial cost escalation in establishment of Allahabad unit from the estimated Rs. 1.28 crores to Rs. 4.13 crores and its low level of performance the committee have recommended that a review of the causes for poor performance of Allahabad unit may be conducted by Railway Board and appropriate measures to improve its performance taken.

8. The committee have noted that in placement of orders for purchase of rails. in two cases, certain defective/conflicting practices were adopted resulting in a loss of Rs. 83.38 lakhs. The Committee have called for an investigation into those cases.

9. The Public Accounts Committee examined the Audit paragraph at their sittings held on 11 January, 1989.

10. The Committee considered and finalised this Report at their sitting held on 25th April, 1989. The minutes of the sittings form Part II* of the Report.

11. For reference, facility and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have been reproduced in a consolidated form in Appendix III to the Report.

12. The Committee express thanks to the Ministry of Railways (Railway Board) for the cooperation extended by them in givinvg information to the Committee.

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

NEW DELHI:
April 25, 1989
Vaisakha 5, 1911 (*S*)

AMAL DATTA
Chairman,
Public Accounts Committee.

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

REPORT

Introductory

As on 31 March, 1986 the Railway System in India had 77153 running track kms. comprising 47810 kms. in broad gauge, 25097 kms. in metre gauge and 4246 kms. in narrow gauge systems. The broad gauge system falls in four categories depending on traffic density and each category is subdivided into five groups (A, B, C, D&E), depending on speed of trains using the track. Standards have been laid down for all groups and categories about weight of rails to be used and number of sleepers to be laid.

2. In the past the life of the rails was 35 years. However, because of the growing traffic, the life of the rails has come down to 15 years to 20 years depending upon the density of traffic. Due to normal wear and tear as well as changes in traffic density etc., track renewals are continuously undertaken to bring the track upto the prescribed standards through track renewal programme.

3. In paragraph 3.1* of Report No. 3 of the Comptroller and Auditor General of India for the year ended 31 March 1987 on Union Govt. (Railways), it has been pointed out by Audit that (i) the arrears in track were 13033 kms. at the end of 1986-87 leading to imposition of speed restriction on 2291 kms. of track in 1986-87; (ii) the supply of broad gauge rails from the only indigenous source of Bhilai Steel Plant was to the extent of 57 percent to 88 per cent of the requirements; (iii) as the indigenous production of metre gauge rails had stopped in April 1987, Railways were obliged to resort to costlier imports; (iv) in the imports of rails, Railway Board failed to keep in view the specification economies leading to avoidable extra expenditure of Rs. 135 lakhs in a few cases reviewed by Audit; (v) non-utilisation of available capacity for manufacture of concrete sleepers led to larger procurement of cast iron sleepers the use of which was costlier in the long run; (vi) the performance of the Allahabad unit set up with foreign collaboration for manufacture of concrete sleepers was poor in comparison with that of Khalispur unit set up with indigenous technology, etc. In the following paragraphs the findings of the Committee in this regard are set out.

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*Extract in Appendix I.

Track Renewal Programme-Progress

4. Renewal of track is undertaken as a plan programme work and included in the Railway's plan outlay under the plan head, "Track Renewals". It is not considered a normal maintenance programme to be met out of non-Plan funds. The allocation of funds for track renewal comes from the Depreciation Reserve Fund (DRF) and expenditure is booked in revenue section of accounts.

5. According to Audit, the arrears in track renewal which stood at 13048 kms. at the end of March 1980, increased to 20306 kms due to inadequate allocation of funds and constraints in availability of materials. During the Sixth Plan (1980-85) the achievement in track renewal programme was only to the extent of 9558 kms. as against the target of 14,000 kms. In the two years thereafter, Railways overtook a part of the arrears by providing additional funds and arrears as on 31 March 1987 stood at 13033 kms. The table below indicates the annual budget provision, actuals as intimated by Railway Board and by Audit, extent of track renewals done, and average cost of renewal per km. (as per Ministry's figures & Audit figures) for each of the years 1980-81 to 1987-88.

Year	As intimated by Rly Board			As per Appropriation A/Cs as intimated by Audit		Extent of Track renewal (In Kms)	Average cost of renewal		Percentage increase in cost over previous year
	Funds in Budget	provided	Funds utilised	Funds provided in Budget	Funds utilised		Based on Railways figures	Based on App A/cs figures	
	(In crores of rupees)						(In lakhs of rupees)		
1	2		3	4	5	6	7	8	9
1980-81	70.00		109.30	95.00	124.40	1096	9.97	11.35	
1981-82	110.09		172.07	142.42	193.03	1543	11.15	12.51	10%
1982-83	120.00		217.69	160.53	246.53	1897	11.48	13.00	4%
1983-84	219.78	(250.00)	275.71	268 68	322.96	2260	12.20	14.29	0 1%
1984-85	300.01	(350.00)	337.59	350 46	395.85	2750	12.28	14.39	0.7%
Total for 5 years	819.79		1112.36	1017.09	1282.77	9546			
1985-86	415.00	(450.00)	518.74	594.56	611.63	3578	44.50	17.09	19%
1986-87.	695.00	(639.00)	585.73.	710.57	691.02	3978	14.72	17.37	1.6%
1987-88	680.00	(940.00)	783.23	803.36	910.01	4540	17.25	20.04	10%
Total for 3 years	1690.00		1857.70	2108.49	2212.66	12096			
Grand Total for 8 years.	2509.79		2970.06	3125.58	3495.43	21642			

(*Note* : Audit stated that the figres given by the Railways could be net figures of expenditure).

+Figures in bracket indicate funds demanded by Railways from Planning Commission for track renewals.

6. The table above indicates that consistently the expenditure incurred in each year since 1980-81 (except in 1986-87) was in excess of the allocations. The excess expenditure over the provision was to the extent of Rs. 275.68 crores (27 percent) during the 6th Plan period and Rs. 369.85 crore (12 percent) during first 3 years of 7th Plan. Further the table indicates that the average cost of renewal has been steadily increasing with a pronounced increase from Rs. 14.39 lakhs per km in 1984-85 to Rs. 17.89 lakhs in 1985-86 and again from Rs. 17.37 lakhs in 1986-87 to Rs. 20.04 lakhs in 1987-88.

7. Asked to state whether inadequacy of funds is the only contributory factor for backlog and whether infrastructural facilities as also raw materials are adequately available to overtake the arrears, the Railway Board stated that funds are the only constraint for liquidation of arrears of track renewals. In this connection, the Financial Commissoner for Railways observed during evidence that earlier allocation for the Depreciation Reserve fund (DRF) was very restricted. Railways' average allocation of funds to DRF in the 5th plan was about 2.7 percent of the capital in the 6th plan, it became 7 percent and currently on a higher capital basis it is 12 percent. According to him, in the current year, Railways are providing for Rs. 1500 crores, and year before last, it was Rs. 1315 crores in absolute terms.

8. On the extent of allocation from Depreciation Reserve Fund for track renewal, the Railway Board stated that it has progressively increased in the recent years and give following percentages of allocation for track renewals since 1974-75:

1974-75	38.80%
1975-76	27.32%
1976-77	30.78%
1977-78	30.72%
1978-79	28.83%
1979-80	31.71%
1980-81	30.35%
1981-82	24.44%
1982-83	22.94%
1983-84	30.31%
1984-85	37.04%
1985-86	47.70%
1986-87	47.60%
1987-88	52.92%
1988-89	50.34%

9. On the reasons for accumulation of arrears, Chairman, Railway Board stated during evidence that it was because of the non-provision of enough DRF or lack of high priority to the track renewals that these arrears grew to that extent.

10. The Railways have also intimated that in 1988-89, a target of 3750 kms for track renewals has been prescribed, and that at the end of the Seventh Plan, the arrears to be overtaken have been estimated it 12000 kms. The track renewal targets for the Eighth Plan are under finalisation and tentatively it is proposed to undertake track renewals for 23500 kms so as to liquidate the arrears by the end of the 8th Plan period. The requirement of funds for track renewals in 8th plan is reported to have been tentatively assessed at Rs. 5425 crores (Net) [This works out to Rs. 23.09 lakh per km:, as against Rs. 17.25 lakh (net) per km. for 1987-88].

11. Asked to state whether the Railways aim to catch up with the technology which is evolving in other countries when the Railways undertake renewal of track during the next 15—20 years, the Member (Engineering) stated during evidence that the element of modernisation is inbuilt into the track renewal programme. According to the Member (Engineering) the Railways are trying to adopt a "heavier section as rail which is prescribed for the increased level of traffic obtaining on a particular section". He added that nowadays Railways are also going for rails of higher strength and 90 UTs quality which give 50 per cent more life.

12. The operations of the Railways are totally dependent on the availability of sound and well-maintained tracks throughout the country, so that the tracks are not a contributory factor for accidents even to the slightest extent and the Railways are in a position to give efficient and safe service to the public. Viewed in this context, the Committee consider it imperative that track renewal programmes ought to be given the top priority in the operations of the Railways. The Committee are, however, dismayed to be informed by the Chairman, Railway Board that due to lack of high priority for track renewal programmes, arrears increased. The arrears in track renewal which stood at 13048 KMs in March 1980 increased to 20306 KMs in March 1985 (26 per cent of total track). Though the tempo of track renewal in Seventh Plan has been increased considerably, the Committee are concerned to note that

a backlog of track renewal to the extent of 12000 KMs at the end of Seventh Plan would still remain to be overtaken in Eighth Plan. The Committee deeply regret the failure of the Railways to ensure timely renewal of tracks, which has adverse effects on the smooth operation of the Railways. The Committee strongly recommend that a review of plan priorities be done and the track renewal given its due priority so that under no circumstances, arrears in track renewals are allowed to accumulate.

The Committee note from the statement of funds provided and funds spent in each year since 1980-81, that consistently the actual expenditure in every year other than 1986-87 has exceeded the provisions and the overall excess was to the extent of 27 per cent in 6th Plan period and 12 per cent so far in the 7th Plan period. The Committee wonder whether the excess expenditure was consciously incurred by the various Zonal Railways in their anxiety to ensure renewal of tracks not provided for by the Railway Board in the annual plan in the interest of safety or the excess was due to level of expenditure far more than the anticipated for the track length planned and approved by Railway Board for renewal. In either case, the Committee deprecate the lack of proper financial planning and recommend that the causes for consistent excesses may be investigated and results intimated to the Committee.

13. From the statement of expenditure on track renewals, the Committee note that the average cost of renewal has shown a steady increase, the rate of increase being as high as 19 per cent in 1985-86 and another 15 per cent in 1987-88. The Committee cannot resist the impression that cost of renewals has increased far in excess of normal rises in cost indices reasons for which are not apparent. The Committee recommend that the contributory causes for the spiralling of cost of renewal may be investigated and the result intimated. The Committee also recommend that a review of the estimated cost of renewal for the 8th Plan may be conducted as it is felt that the average rate of Rs. 23.09 lakh per Km for the 8th Plan is too high as compared to the rate of Rs. 17.25 lakh per KM. in 1987-88.

Procedure for Assessment of requirement of rails and sleepers

14. The progress in track renewal programme crucially depends on availability of rails and sleepers. The table below indicates the

extent to which renewals of rails and sleepers were undertaken between 1984-85 and 1987-88:

Year	Rail renewals	Sleeper renewals	Total renewals of Rails and sleepers	Net Track renewals
	(Figures in kms)			
1984-85	2450	3040	5490	2745
1985-86	3394	3762	7156	3578
1986-87	3536	4420	7956	3978
1987-88	4170	4910	9080	4540

*(Figures in this column are half of the figure in previous column)

15. The Zonal Railways submit to the Board between September and November their annual indents for rails and sleepsrs required for approved works for subsequent year. These indents are consolidated and orders for rails, cast iron sleepers and steel sleepers are placed on the steel plants to the extent acceptable to them and for the balance tenders are invited. For requirements not available from indigenous sources. import is arranged. For wooden sleepers, orders are placed on Forest Departments of the State Governments after discussions and for concrete sleepers, orders are placed with factories run by Railways and in private sector.

Procurement of Broad Gauge rails

16. The only source of indigenous supply of broad gauge rails is the Bhilai Steel Plant (BSP) with an installed capacity of 5 lakh tonnes. The shortfall between requirement and supply by BSP is

met by imports. The table below indicates the total procurement of B. G. rails since 1980-81.

(in lakh tonnes)

Year	Supplies by BSP			Quantity imported	Total procurement by Railways
	Assessed requirement	SAIL commitment	Actual supply		
1980-81	N.A.	1.75	1.76	0.26	2.02
1981-82	3.25	2.10	1.84	0.09	1.93
1982-83	3.25	2.10	2.02	..	2.02
1983-84	2.92	2.40	2.40	0.35	2.75
1984-85	3.50	2.60	2.68	..	2.68
1985-86	3.70	3.50	3.25	0.30	3.55
1986-87	4.01	3.50	2.38	1.60	3.98
1987-88	N.A.	3.25	3.10	1.50	4.60
Total		21.28	19.43	4.10	23.53

17. On the failure of BSP to supply upto their full installed capacity, the Committee were informed that the Railway Board did not advise their firm requirement to Bhilai Steel Plant and as a result of frequent revision, BSP could not take any investment decision and the supply from Bhilai suffered. Conceding to this observations during the course of evidence, Member (Engineering stated:

> "It is because we ourselves were not fully clear about how much money is going to come. It is because, even in 1980 when we made a projection, we thought that maximum requirement will be of the order of 3.4 lakh tonnes. In the Seventh Plan, when a determined effort was made, then our requirement increased. It went almost up to 6 lakh tonnes. It is because the money was becoming available due to increased provision in the Budget. Therefore, we had to tell Bhilai that these are our requirements. Bhilai naturally felt that we are suddenly telling them to produce 6 lakh tonnes and they were not geared for 6 lakh tonnes. That is how we had to go in for imports. But we did maintain an ongoing dialogue at various levels frequent meetings with the Steel Ministry, with SAIL and also at Minister's level."

18. He further added that Bhilai Steel Plant were ready to accommodate. Once the Railways intimated the increased projection

and that BSP also tried to step up yearly production from 3 lakh tonnes to 4.25 lakh tonnes. According to information furnished by Railway Board, Bhilai Steel Plant has indicated following improvement in future supply plan:

Year	Original	Revised
1988-89	3.50 lakh t. (90 UTS 1.00 lakh t.)	No change
1989-90	4.00 lakh t. (90 UTS 1.50 lakh t.)	4.25 lakh t. (90 UTS 1.80 lakh t.)
1990-91	4.25 lakh t. (90 UTS 1.80 lahk t.)	5.00 lakh t. (90 UTS 1.80 lakh t.)
1991-92	4.25 lakh t. (90 UTS 1.80 lakh t.)	5.00 lakh t. (90 UTS 1.80 lakh t.)

19. According to the Railway Board the requirement of rails for the 8th Plan period is expected to be 28.50 lakh tonnes for track renewals and construction project works, which are proposed to be met from supply of 5 lakh tonnes per year from Bhilai Steel Plant about 0.75 to one lakh tonnes from Ispat Profiles India Ltd. a private company, which has newly been established and balance by import to meet shortfall in indigenous production and requirement of special quality rails.

20. On the system in force for placing orders on BSP, the Ministry of Steel clarified the position as under:

> "Railways, for some years now, have been indicating their demand for rails for a particular financial year a few months in advance. These requirements are discussed with the Railways and a realistic assessment of SAIL's production possibility *vis-a-vis* the requirement is made. On the basis of the commitment arrived at, allocations of funds are made by the Railway Board in favour of the Zonal Railways. At this stage the Railway Board places a bulk indent on SAIL indicating the quantities that will have to be booked by the Zonal Railway Authorities with SAIL. When the zonal railway authorities place the orders they stipulate the profile, quantity, delivery conditions, inspection requirements, payment terms and other such details and base on this, the Central Marketing

Organization of SAIL issues sale orders. Other than this, there is no other formal contract between SAIL and Railways.

Discussions are also held regularly each quarter between SAIL and Railway Board and supplies against the commitments are reviewed. The despatches are made based on the Rake Priorities indicated by the Railway Board in favour of its Zonal Railways. There has been no apparent change in the system of placing orders and supplies before and after 1980."

21. The Committee are dismayed to find that despite the available capacity for production of 5 lakh tonnes per annum of B.G. rails with BSP, Railways failed to give firm commitments of requirements of rails for the 7th Plan Period as a result of which the BSP could not take appropriate investment decision, failed to accept demands upto the capacity and as a consequence, Railways resorted to import for which there would have been no justification but for the failure of the Railways themselves. Since the funds for the track renewal are met out of Plan allocation the Committee are at a loss to understand how and why the Railways were unable to know the extent of funds available during the Sixth Plan in advance and to make the commitment necessary for the investment plan. The Committee conclude that the planning process at the Ministry level needs tonning up in this regard. The Committee recommend that the circumstances due to which the Railways could not give firm commitment on a plan programme may be fully investigated, the loopholes in planning identified and steps taken to plug them intimated to the Committee.

22. While on the one hand, BSP has stated that it could not reach its capacity due to absence of firm commitments, the Committee are nuhappy to note that BSP failed to supply rails even upto the extent of orders accepted by them, the shortfall during a period of 8 years being to the extent of 1.85 lakh tonnes. The Committee desire that the failure to supply even the Committed quantity by the BSP should be taken up at the Ministry level to ensure that such undesirable situations do not recur.

Supply of Metre Gauge Rails

23. Indian Iron and Steel Company (IISCO) and Tata Iron and Steel Company (TISCO) were the only sources in the country for supply of metre gauge rails. During the 1960's. IISCO and TISCO

were meeting the full requirements of Railways with annual supplies totalling 35,000 to 40,000 tonnes for both 60lb and 75lb rail sections. However, the supplies gradually came down with the result that upto 1976-77, for a period of 5 years, only 40 per cent and 16 per cent of the requirements of the Railways for 75lb and 60lb rails respectively were actually supplied by them. On the reasons for IISCO's failure to meet the demands in full, the then Minister of Steel and Mines wrote to the then Minister of Railway in January 1978 to the effect that inadequate supply was due to heavy rejections and uncertain labour situation. Subsequently by March 1979, IISCO closed its operations for manufacture of metre gauge rails and TISCO also decided to stop production because its plant was very old, further production was not possible without further investment and if such investments were made, the price of the end products would go up steeply. TISCO also finally stopped production from 1.4.1982 and in this connection , in a meeting held between the Railway Board and Ministry of Steel on 3.9.1982, it has been recorded as under:

> "....though TISCO had said that the production of rails had to be discontinued on account of their rail rolling mill having become old, it was possible that this production was discontinued as TISCO was not finding the rail prices as remunerative as for other steel structural".

24. It was decided in the meeting that TISCO should be asked to re-examine the production of 75lb rails and "under no circumstances" be allowed to close their rail rolling mill and that Ministry of Steel would initiate action in this regard.

25. No production actually was commenced by either plants with the result that the Railway Board had to resort to imports for the entire needs of MG Rails.

26. Asked to clarify whether the two plants stopped supply in March 1979 and April 1982 claiming that prices were unremunerative, the Railway Board stated that the Railways have been paying the prices as announced by the Joint Plant Committee and that the Railway Ministry did not oppose at any stage any increase in the prices of MG rails. The Board further contended that the plants stopped production due to re-orientation programme and did not recommence rolling of MG rails inspite of continuous requests by Railway Ministry to Ministry of Steel.

27. The Ministry of Steel informed the Committee in this regard as under:

> "TISCO and IISCO stopped production and supply of Rails in 1981 and March 1979 respectively. The stoppage was due to obsolescence of their Rail Mills which required replacement/modernisation with heavy capital investment Railways were kept informed of the proposed stoppage of production well in advance. TISCO have been asked for an undertaking from Railways for reimbursement of remunerative prices before any investment was made. Such an undertaking, however, was not given by Railways.
>
> In spite of this, Government had provided for a condition in the endorsement to the Industrial Licence for the additional capacity, specifying that TISCO will not scrap the Rail Mill, etc. without the prior permission of Govt. However, the decision to stop production towards the end of 1981 was taken by TISCO on their own. IISCO production became totally unremunerative because of heavy rejections (about 50 per cent) by the Railways. Continuing supply from IISCO would have added to the losses of the plant."

28. The Member (Engineering) observed during evidence in this regard:

> "We have also to appreciate the position that this is a very small quantity and certainly it would not be economical for them. In the overall national interest, I must say that it was a wise decision taken not to invest more in this venture."

29. As a result of stoppage of indigenous production of MG rails, the entire requirement of MG rails has been met by import, the quantities imported being as under:

(in '000 tonnes)

1981-82	6.3
1982-83	Nil
1983-84	25.00
1985-86	35.00
1986-87	Nil
1987-88	9.00
	75.30

(The total expenditure incurred by Railways for import of BG and MG rails amounted to Rs. 113.12 crores for the period 1981-82 to 1987-88)

30. On the measures taken to develop indigenous production the Railway Board stated that a mini-steel plant in the private sector has been encouraged to produce MG rails, that this plant is expected to go in for regular supplies from 1989-90 and that placement of a trial order is under consideration of the Railway Board.

31. It is disquieting for the Committee to note that both IISCO and TISCO, the two companies that were supplying MG rails, were allowed to go out of production resulting in complete dependence on import for meeting requirements of MG rails. Though the Ministries of Steel and Railways had decided in September 1982 that under no circumstances the production of MG rails in TISCO will be allowed to close, no effective steps were taken to implement this decision. The Committee strongly deprecate the inaction on the part of the Railways and Ministry of Steel on allowing indigenous production of MG rails to totally cease and opening the door for imports resulting in drainage of huge foreign exchange. The Committee desire that the alternative indigenous source since identified will be utilised for procurement of MG rails and if necessary other indigenous sources created and import of MG rails stopped by taking necessary steps under a time bound programme which may be drawn up within six months and intimated to the Committee.

Rails of longer length

32. At present tracks are laid with rails of 13 metres length. If rails of double this length are laid, there would be reduction in number of welds and overall saving in cost. Though BSP was requested in 1979 to supply rails partly in length of 26 metres and Railways made arrangements for their movement in special wagons, no supply of 26 metre length rails was made. On the other hand BSP was actually manufacturing rails of 26 metres' length only for export purposes.

33. Asked to state steps taken to procure rails of 26 metres' length, the Railway Board stated that the Railway Board has all along been pressurising BSP to manufacture longer rails and that after a meeting with Steel Secretary on 3 August 1988, BSP has indicated that it would be in a position to roll 26 metre long rails and supply a quantity of 1.80 lakh tonnes to start with.

34. The Ministry of Steel in a note to the Committee have clarified the position in this regard as under:

> "The equipment installed at Bhilai Rail and Structural Mill can basically produce 13 metre long rails though it is possible to a very limited extent to roll rails upto 26 mtr. length also. In fact Bhilai had gone in for export of 26 mtr. long rails in the past during 1977-78 when the indigenous demand for rails was less. This was achieved by combining 2 beds of the mill as well the finishing section at the cost of productivity. This could still be done but it would result in fall in total production. Therefore, 26 mtr. long rails' production would entail a heavy investment at Bhilai in finishing and handling facility. After these facilities are installed Bhilai would be in a position to roll 26 mtr. long rails."

35. On the steps taken to import rails of longer length instead of only 13 metres length, the Railway Board has stated that the proposal for import of rails of 26 metres length was discussed with Ministry of Surface Transport, Shipping Corporation of India, Port authorities, and Port consigness handling imported rails at the ports and that it was concluded that "the present unloading and clearing facilities are not suited for dealing with the longer rails cargo."

36. The Committee are deeply concerned to note that despite availability of capacity for production of 26 metres long rail with BSP, no efforts have been made over the years to ensure production of long rails for indigenous consumption. The Committee do not consider the reasons adduced for non-production of 26 metre rails as insurmountable and recommend that both the Ministries seriously consider and make an effort to solve the issue so that in the interest of overall economy, the manufacture of 26 mtr. long rails is started within a short time.

Sleepers

37. The Railways have been traditionally using wooden, cast iron and steel sleepers. Based on the recommendations of Railway Accident Enquiry Committee 1968, the Railway Board took a policy decision to introduce concrete sleepers with elastic fastenings which are economical and have more than twice the track service life than other types of sleepers.

38. The table below indicates the extent of procurement of sleeper of various types during 1984-85 to 1986-87:

Year	Total number of sleepers procured	Concrete sleepers	Wooden sleeper	Steel sleeper	CI sleeper	Percentage of CI sleeper to total sleepers
			(Figures in lakhs)			
1984-85 . . .	69.37	12.53	31.17	3.90	21.77	31.5
1985-86 . . .	63.94	14.71	22.43	3.30	23.50	36.5
1986-87 . . .	65.43	18.68	19.41	9.74	17.60	26.8

39. The table above would indicate that although the use of concrete sleepers has been on the increase, the use of CI sleeper has been the highest is compared with other types of sleepers except in 1986-87. The utility of CI sleepers is, however, stated to be limited as they are not suitable for heavy density track on which higher HP locomotives and trains with higher axle load wagons are run.

40. Audit has pointed out that though apart from longivity of life, concrete sleepers were costwise also comparatively cheaper, the full capacity of 21.00 lakh sleepers available since 1981-82 with 23 private firms and 2 Railway departmental units at Allahabad and Khalispur had not been fully utilised. In support following data has been furnished by Audit:

Year	Capacity	Supplied From		Total Supplies
		Private Sector	Allahabad Unit	Khalispur Unit	
		(inlakhs)			
1984-85 . . .	21.00	10.15	1.56	0.82	12.53
1985-86 . . .	21.00	12.30	1.60	0.81	14.71
1986-87 . . .	21.00	16.01	1.77	0.90	18.68

41. On the contributory causes for delay in implementing the decision of 1968 for introduction of concrete sleepers, the Ministry clarified the position as under:

> "The decision to go in for prestressed concrete sleepers was taken in late sixties and first 3 contracts for prestressed concrete sleepers were awarded in 1968-69, one in Pub-

lic Sector and 2 in Private Sector (in addition, one contract was also awarded for two block RCC Sleepers which later on was abandoned). Indian Railway took up the production of concrete sleepers exclusively with indigenous efforts. However, developmental efforts with indigenous technology could not succeed and the manufacturers faced teething troubles. It was soon realised that neither the Indian Railways for the indigenous enterpreneurs had adequate experience in the mass manufacturing, technique of this sophisticated product.

As a result of non-availability of material and equipment of requisite standard in the initial stages, all the three manufacturing units were closed down within 1-1/2 to 2 years of start since the rejection rate was as high as 50-60 per cent, which no industry could afford. All the 3 manufacturers felt the need for going in for help from foreign consultants, with proven capability. A decision was also taken at this stage to set up one unit with foreign collaboration in the departmental Sector so that experience in mass manufacturing technique could be gained and finer points of manufacturing technology and specifications understood by the Indian Railways."

42. On the progress made in establishing new production units for concrete sleepers, following information has been furnished by the Railways:

Year	No. of units added progressively	Progressive total	Annual Production
1	2	3	4
1968-69 (Subsequently closed & revived in 72-73)	3	3	Very small due to high percentage of rejection
1972-73	3	6*	Very small
1974-75	—	6	19,244 nos.
1975-76	4	10	1,05,400 nos.
1976-77	—	10	1,19,900 nos.
1977-78	—	10	1,57,000 nos.

*Including 3nos. revived.

Year	No. of units added progressively	Progressive total	Annual Production
1	2	3	4
1978-79	1(Deptl. with foreign collaboration at Allahabad)	11	1,99,000 nos.
1979-80	11	22	2,53,000 nos.
1980-81	1 (Deptl. with indigenous technology at Khalispur)	23	2,57,000 nos.
1981-82	—	23	3,99,000 nos.
1982-83	8	31	6,15,000 nos.
1983-84	—	31	10,32,000 nos.
1984-85	—	31	12,52,000 nos.
1985-86	—	31	14,52,000 nos.
1986-87	17 (including 3 for MG)	48	18,94,000 nos.
1987-88	—	48	22,94,000 nos.
1988-89	14 (including 4 for MG)	62	27,00,000 nos. (expected)

43. In regard to future plan, the Railway Board have stated that it has been planned to raise production further to a level of 51 lakhs for B.G. and 7 lakhs for M.G. by the end of the 8th Plan.

44. While the Committee take note of the fact that the extent of production of concrete sleepers has been increasing over the years, they cannot help pointing out that the progress is rather slow as compared to capacity created and is substantially falling short of the requirement. According to Audit, the capacity of the established plants was 21 lakh sleepers since 1981-82 whereas annual production had reached a level of hardly 14.52 lakhs sleepers even 4 years later. Considering the substantial economics expected in the use of concrete sleepers, the Committee recommend that reasons for lower utilisation of the capacity created may be investigated and steps taken to improve extent of utilisation with a view to ensuring supply to the Railways. The Committee also recommend that if necessary, more such units may be established.

Utilisation of concrete sleepers

45. Audit has pointed out that concrete sleepers procured between April 1983 and March 1987 were not fully utilised in track renewal works by the seven Railways. Whereas the Railways obtained 57.68 lakh concrete sleepers with which 3637 track kms. could be laid the track length actually laid with concrete sleepers during this period (April 1983 and March 1987) was only 2730 kms. i.e. 75 per cent. Railway-wise position of the number of concrete sleepers received and laid in track during the period 1984-85 to 1986-87 was as under:

Railway	Concrete sleepers received (in terms of track Km.)	Concrete sleepers laid in track (in terms of track Km.)
1. Central Railway	557	544
2. Eastern Railway	640	503
3. Northern Railway	620	525
4. Southern Railway	265	236
5. South Central Railway . . .	294	258
6. South Eastern Railway . . .	354	249
7. Western Railway	418	298
	3148	2613

46. In this connection the Ministry of Railways have explained that the laying of sleepers in the track depends on the availability of blocks, climatic conditions etc., that utilisation of 75 per cent production is quite satisfactory and that the stock imbalance essentially represented the requirements of 2-3 months at the beginning of the following year. The Railways also stated that to meet unforeseen circumstances, a certain amount of stock is considered necessary by the Railways at site so as to take care of delays in transport of the sleepers from the production units as the buffer stock at site would enable the track renewals to go on continously thereby avoiding the possibility of idling of track laying machines and allied establishment.

47. The Committee do agree that a certain amount of balance stock at the end of a year is unavoidable to meet needs of following 2—3 months emergency requirements etc. However, the Committee are concerned to note that accumulations are quite heavy in certain Railways atleast as will be clear from the following particulars:

	Quantity received during 84-85 to 1986-87 (in terms of track Kms.)	Quantity laid in track
Eastern Railway	640	503
Northern Railway	620	525
South Eastern Railway	354	241
Western Railway	418	298

The Committee recommend that a review of the accumulation of stock may be made and the progress of utilisation may be monitored by the Railway Board to ensure optimum and timely utilisation of the stock.

Laying of concrete sleepers

48. Concrete sleepers are much heavier than steel sleepers or wooden sleepers and each concrete sleeper weights around 280 to 300 kg. The laying of concrete sleepers in track involves use of portal cranes, sleeper layers, etc. and resort to manual laying are against extant instructions of RDSO. Audit has informed that the number of machines available for concrete sleeper laying declined from 27 in 1983-84 to 22.5 in 1986-87 and this was attributed to the machines being under repairs. Six sleeper laying machines which were received in 1975 at a cost of Rs. 18 lakhs had remained unutilised on Central, Eastern, Northern, Southern, South Eastern and Western Railway.

49. The Detailed position of availability of portal cranes and their utilisation for the period April-June 1988 is given below:

Railway	Available Portal	No. of Cranes	Target (Kms)	Actual (Kms)	%Achievement
	5T	9T			
Central	4	4	39	11.64	29.8
Eastern	4	4	39	17.30	44.3
Northern	4	6	51	25.81	50.6
Southern	4	3	33	23.64	71.6
South Central	4	4	39	22.63	58.0
South Eastern	—	4	24	4.40	18.3
Western	4	4	39	5.48	14.0
	24	29	264	110.90	42.0

50. The target for utilisation of Portal Cranes per month for 4 Nos. of portal cranes of 5T is 5 kms. and for 4 Nos. of portal cranes of 9T is 8 kms.; against this only 42 per cent of target could be achieved. The Ministry of Railways have stated the reasons for lower utilisation of Portal Cranes as follows:

"(i) The targets fixed are for continuous operation on long stretches whereas in actual practice the base camp has to be shifted from one location to another after completing the work at one site. This involves loss of working days.

(ii) 24 Nos. 5T portal cranes out of a total of 53 cranes are more than 15 years old and have almost lived their life. These will be scrapped in next one to two years as we receive their replacement. The condition of these cranes also affects the output.

(iii) Non-availability of sufficient traffic block on heavy density routes, where most of the cranes are working, also effects the output.

(iv) The work of deep screening of ballast and consequent track renewal by portal cranes reduces substantially during the rainy season. The overall performance of portal cranes is thus affected during the monsoon.

(v) There are a large number of activities which are required to be co-ordinated for the final relaying operation. This includes supply of concrete sleepers from the factory to the base depot for the fabrication of panels, deep screening of ballast, supply of new welded rails, arrangement for an independent engine for working the relaying trains etc. There are many secondary activities to these operations. Many a times, due to unavoidable reasons, co-ordination of all activities is not established, which results in loss of working days."

51. In a note furnished to the Committee, the Ministry of Railways (Railway Board) initially intimated as follows:

"After using the sleeper layer for some time, and keeping in view the meagre traffic blocks of 1½ to 2 hours, that are made available the field Engineers tried a different system of relaying without the use of sleeper layers, successfully. In the process developed by our Engineers, after the old track panel is removed, the new track panel assembled ready at an assembly depot and brought to site on BFR Wagons, is laid in place after the old track panel is removed. By this process the total progress achieved in a given traffic block would be increased considerable. It was in this context the use of sleeper layers was discontinued. Discontinuing the use of sleeper layers and directly lying the new sleepers as track panels was in the course of technology progression."

52. The Member (Engineering), however, observed during evidence in this regard as under:

"Concrete sleepers may suffer damage by manual handling. Even today half of the laying is done manually because we have not been able to procure enough number of machines."

He also added:

"If we do it manually, howsoever careful you may be, the sleeper has to be unloaded and put in position. There would be a lot of stress and strain on the sleepers..... Visible damages may not be much but there may be hidden defects which may surface in the long run."

53. Whereas the extant instructions of RDSO prohibit manual handling of the concrete sleepers for laying and Member (Engineering) has supported the stand, the Railway Board have claimed in their written note to the Committee that discontinuing the use of sleeper layers and directly laying the new sleepers as track panels is in the course of technological progression. As, however, to assemble track panels with concrete sleepers at assembly depots also the sleeper layers will have to be used and concrete sleepers should not be manually handled, the Committee are not convinced of this reason for under-utilisation of the sleeper layer. The Committee hence recommend that the existing instructions in this regard may be reviewed and appropriate fresh directions given.

Comparative Costs of Production of Sleepers

54. According to Audit, the production from departmental units resulted in extra expenditure as the prices of supply of private firms were below the cost of departmental production. During 1986-87, the departmental cost exceed the price of private firms by Rs. 172 to Rs. 200 per sleeper which worked out to Rs. 340 lakhs for the entire departmental production of that year .

55. According to the Railway Board, however, for the private firms, 4 numbers of MCI Inserts for each sleeper are supplied free of cost by the Railways and in addition Railways pay Sales-Tax and Excise Duty for private production. Thus, total cost of a concrete sleeper supplied by a private manufacturer has been assessed as under:

	Rs.
(i) Cost	344.00
(ii) Add for E.D. @15.75%	54.18
(iii) Add for S.T. @4%	15.92
(iv) Add for 4 inserts supplied free	80.00
Total	489.94

56. The cost of Railways' own production being Rs. 477/-, the Railway Board have contended that its cost is comparable to the price of supplies by private parties.

57. The Committee do not agree with the stand of the Ministry that the cost of production of departmental units are comparable

with the price of indigenous producers for the simple obvious reason that Railways do not pay either excise duty or sales tax whereas private parties have to pay both. As these two elements are to be excluded for comparison and not included as contended by the Railways the price of a sleeper supplied by a private manufacturer would work out to Rs. 424 per sleeper as against Rs. 477 per sleeper for Railways production. The Committee recommend that the cost of departmental production should be minimised by optimising production and reducing overheads.

Operations of departmental units for sleepers

58. In view of the increasing demand for concrete sleepers for Indian Railways it was considered essential to establish at least one factory with foreign collaboration to gain experience. A decision was, therefore, taken in 1973-74 to go in for collaboration for one factory at Allahabad. The construction work for Allahabad factory was started in 1975. According to Audit, this unit estimated to cost Rs. 128.50 lakhs was set up with West German technology to have a production capacity of 20,000 sleepers per month in terms of collaboration agreement signed in March 1976. The actual capital cost till it started production in May 1981 was Rs. 4.13 crores. The plant has been able to attain only a production rate of 14,208 sleepers per month in 1986-87 or 57 per cent of its rated capacity. Besides, the rate of rejection of its output was as high as 6.2 per cent in January 1987. In June 1982, another departmental unit at Khalispur was set up and commissioned for production at a rate of 4100 sleepers per month adopting indigenous technology, at a cost of Rs. 90 lakhs. The unit attained the rate of monthly production of 6500 sleepers in 1985-86, exceeding its capacity, due to increased automation and improvement in manufacturing technique. Its rejection rate and cost of production were lower than those at Allahabad unit. In short, the performance of Khalispur unit set up with indigenous technology was better than that of Allahabad unit set up with foreign collaboration.

59. Besides, the average cost of production during 1986-87 in Allahabad unit was Rs. 477 as against Rs. 400 per sleeper in Khalispur unit.

60. The Committee enquired about the reasons for increase in the cost of project at Allahabad from Rs. 1.29 crores to Rs. 4.13 crores. The Ministry of Railways (Railway Board) in a note have given the following reasons:

(i) inclusion of additional plant for import, such as steel processing plant, conveyors etc. as it was thought that the items of work like thread rolling etc. can be got done through trade indigenously and no machinery would be needed. Later efforts established need for imports.

(ii) escalation in the cost in the intervening period.

(iii) originally 75 lbs. rails and sleepers were provided in the estimate but since 75 lbs. rails were not available, second-hand 90 lbs. rails and sleepers had to be used.

(iv) Provision of yard for material handling and other facilities. This could be decided only after the detailed drawings were received from the foreign collaborations.

(v) provision of some additional facilities, such as, rest shelters, canteen, ambulance room, lavatories and other structures to comply with the Factory Act.

61. From the information made available to the Committee, it is seen that the rated capacity of production of concrete sleepers at Allahabad unit at present is 15,000 Nos. per month on an average against the planned capacity of 20,000 sleepers per month. The lower rate of production has been attributed to frequent break downs of plant and machinery resulting in work stoppages and loss of production.

62. The Committee asked whether any remedial measures have been taken to avoid recurrence of such deficiencies. The Railway Board in their reply have stated that every effort is being made to bring the work stoppages and consequent loss of production by keeping the down-time of the machinery and plant to the minimum. The Railway Board have further stated that because the plant employs very sophisticated machinery for which spares are not available indigenously and (this being only one factory of its kind in the country), the indigenous manufacturers of the spares are also not coming forward since the demand is very limited and also not of continuous nature and restrictions apply for the import.

63. The rejection rate at Allahabad unit was very high, till March 1984 it was 4.76 per cent as against the rejection rate of 2.68 in the other departmental unit at Khalispur. The Private Sector manufacturers' rates of rejection of 2.4 per cent at one place and 1.75 per cent at another place are reported to have come down with the experience they gained and with improvement in the production techniques.

64. According to information furnished by the Ministry, percentages of rejection till June, 1988 were as under for the two departmental units:—

Calender Year	*Allahabad Unit	Khalispur Unit
1981	3.10	
1982	3.74	
1983	5.02	
1984	4.02	0.61
1985	1.58	0.60
1986	3 82	0.96
1987	7.53	2.87
1988 (Till June)	9.63	2.58
	Overall	1.3%

Overall percentage : 5.02
Till June, 1988

65. The Committee are surprised to note that there was substantial cost escalation in establishment of the Allahabad unit from the estimated Rs. 1.8 crores to Rs. 4.13 crores, a more than three fold increase. Despite the substantial investment with imported technology, it is unfortunate that its level of performance is poor though the indigenous technology adopted in private units, and the Khalispur unit of Railways have been performing far better. The Committee are strongly of the view that no proper evaluation of the technology offered by the foreign collaborators was made nor was a proper cost estimate prepared inspite of the enormous inhouse facility for both in the Railways. The Committee feel that these failures were the result of casual and perfunctory attitude of the Ministry even to matters of vital interest to the Railways themselves. The Committee desire that appropriate lessons may be learnt from this case and recommend that adequate evaluation of indigenous technology may be done before resorting to import of technology and when such import is considered essential proper evaluation of both the technology and cost be made so that such poor results are averted in future.

66. The rate of production at the Allahabad unit has been less than 60 percent of its installed capacity and the percentage of

rejection was as high as 7.53 percent in 1987. In 1988, instead of coming down in rose to 9.63% (upto June). The Committee recommend that a review of the causes for poor performance of Allahabad unit may be conducted by Railway Board and appropriate measures to improve its performance taken.

67. The Committee are equally concerned to note that the rates of rejection in departmental units are very high as compared to private units. The Committee recommend that the causes for high rejection may be investigated by RDSO and appropriate remedial measures taken to improve their performance.

Import of 20,000 *tonnes of wear resistant* 60 *kg. rails without settlement of elongation limit.*

68. Based on evaluation of global tenders, the Railway Board placed in April 1979 an order for import of 10,000 tonnes of wear resistant 60 kg. rails with a foreign supplier. In June 1979, the quantity was raised by 10,000 tonnes without fresh quotations. The increase in quantity without fresh quotation was made by Railways taking into account the trend of prices in the world market. The supplier had quoted three rates in his tender of February 1979; the lowest rate being with reference to the supplier's own chemical composition. The second lowest offer to which was based on Railway's specification was accepted by the competent authority. According to Audit whereas Railway's specification provided for an elongation* of 11.5 per cent the supplier had offered a reduction of Rs. 90.50 per tonne of elongation of 9 per cent (minimum) (which is 1 per cent more than VIC specification) was acceptable.

69. In regard to elongation, the VIC specification allows a minimum of 8 per cent elongation and the tender in this case provided for elongation of 11.5 per cent as proposed by the RDSO of the Railways which was based on the available data about the "Gothard line in Switzerland". The Railways had however been importing all along with reference to UIC specification only but in this case the elongation was kept at 11.5 per cent for a new chemical composition developed by the RDSO.

70. However, after the acceptance of offer was conveyed, the supplier stated that he could not supply with more than 9.5 per cent

*Elongation refers to the ultimate tensile strength that the rail should withstand before it breaks for a minimum stress of 119 kgs. per mm sq.

and the specification was modified. Audit has pointed out that at the time of acceptance of modification for elongation, no efforts were made to get reduction of rate though the supplier had offered a reduction of Rs. 90.50 per tonne for an elongation of 9 per cent and in this case the reduction in cost could be to the extent of Rs. 18 lakhs.

71. From the note recorded by RDSO on 6 September 1979 before acceptance of the modification, it is noticed that:

> "the Cr. M.V. composition of the firm could be accepted if the firm gives a commitment that inspite of the chemistry indicated by them, the rails will be supplied in fully killed condition (in which case it will be more or less similar to the Cr. M.V. steel which has been incorporated in para 7(i) of the contract."

72. Asked to indicate why the Railway Board did not seek assurance for "fully killed quality", the Railway Board stated in a note as under:

> "The chemical composition indicated by the firm wherein minimum silicon percentage was not specified, meant that the rails will not be of fully killed quality."

73. However, the notings* in Railway Board's records indicated that the firm had offered rails with maximum silicon of 0.9 per cent and in the circumstances, what was required was to confirm that minimum would not be less than 0.2 per cent. This was not a case where no provision of silicon was made by the supplier in his offer.

74. On the demand for elongation of 11.5 per cent as against VIC specification of only 8 per cent, the Member (Engineering) stated during evidence:

> "We tried to get 11.5 per cent elongation. But they could offer us only 9 per cent elongation. Again, we checked back with some other countries. Some of the developed countries are also using either 8 per cent or 8.5 per cent elongation. So, we accepted the 9 per cent elongation. But, we preferred a particular offer of ours where the minimum silicon is 0.2 per cent That was ensured."

*Copy at Appendix II

75. In a subsequent note furnished by the Railway Board, to the Committee, (after the evidence) it has been stated that in the original offer, the supplier had quoted elongation of 9 per cent only even for the rails to the Railways specification and that the clause about minimum elongation at the time of original evaluation seems to have been taken applicable only to the special chemical composition offered by the supplier. As the supplier's chemical composition was not accepted, the Railway Board contended that the elongation offer was same for all three alternatives and hence the reduction in rate was not available.

76. In regard to suppliers' chemical composition the Member (Engineering) stated during evidence that in the composition of the supplier, they did not give minimum content of silicon but prescribed only the upper limit and that the Railways' idea was to have "some residual silicon so as to ensure that the steel was totally free from oxide content." Asked to clarify whether it did not look that the alternate chemical composition of the firm was quite acceptable, the witness observed that their offer was only 9 per cent whereas our specification was 11.5 per cent.

Extra expenditure of Rs. 65.48 lakhs in purchase of 10.000 tonnes of rails.

77. In February 1984, an order was placed for supply of 25,000 tonnes of rail of a specified type from a South Korean firm 'C' at FOB price of $310/311 per tonnes. When the execution of this contract was in progress, another firm (also of South Korea) with whom an earlier contract for 10000 tonnes of same type had been placed in September 1983 at a higher rate ($350 per tonne) defaulted and firm 'C' was willing to supply additional 10,000 tonnes at its rate of $310/311 per tonne. Instead of accepting the officer, the Railway Board went for fresh global tenders, placed orders at $326 per tonne on another firm and incurred extra expenditure of Rs. 65 38 lakhs.

78. On the reasons for non-acceptance of the offer of the South Korean firm for additional quantities, the Ministry stated in a written note to the Committee as under:

> "In addition to the firm from South Korea, one firm from France and another from Spain offered through their letters, though not in response to any specific enquiry, to supply the quantity under consideration (9,500 tonnes) at marginally lower prices than that of the South Korean Firm. Since there were more than one offer for the

supply of rails and the rate offered by the firm from Spain was even lower than the rate at which the South Korean firm was supplying rails against the order for 25,000 tonnes and it was not possible to place the order on the South Korean firm. As such, it was decided to float a limited tender to obtain the most competitive offer."

79. The Railway Board had taken the stand with reference to the earlier contract (for supply of rail with 9 per cent elongation) that they had forecast the world price trend through their Railway advisers. In the circumstances, the Railway Board was asked to justify why the offer of firm 'C' was not accepted. The Financial Commissioner observed:

"It was an unsolicited offer. When this offer was being considered there was an offer from a French firm as well as a Spanish firm. All the three did not give any offer. They said they will supply this. These are all unsolicited offers in nature. When we knew that along with South Korean firm another two unsolicited offers were there, it was decided to go in for limited tender. Our normal practice is to go in for global tenders in case of imports." He also justified the action to call fresh tenders on the ground that under world Bank's regulations, supplementary order on a contract cannot be placed beyond 15 per cent of original order.

80. The Chairman, Railway Board, however, agreed during evidence that as contended by Audit, the Railways ought to have taken steps to find out feasibility of planning orders with the on going contractor. However, so far as this case was concerned, he observed that the whole issue got to be confused when the insolicited offers came. The Member (Engineering) also con HMHMHMM case the Railways were in a position to consider and accept the offer from firm 'C' for the additional quantity of rate needed.

81. On the position of the other two unsolicited offers following position has been recorded in Ministry's file:

"While M/s. Mahindra and Mahindra wanted a request for enquiring from them for their offer, M/s. Usha on behalf ENSIDESA, Spain, in their letter dated 25.9.84, finally indicated a rate of $315.00 FOB Stowed Aviles. They have not quoted any CIF rate. Accepted rate of M/s.

Sumsung, South Korea is on CIF basis $346/$347 Madras Calcutta Port. Ministry of Shipping and Transport (Transchart) quoted a rate of $42.0 in September, 1983 for Ocean freight from Spain to Calcutta hence CIF rate would be $357.00 compared to the CIF rate of $346/347 of M/s. Samsung.

It will not also be prudent to consider the offer of M/s. Usha at this state, as it would only invite similar unsolicited offers from other firms and complicate matters, apart from the ensuing delay in receipt of rails so urgently required for track renewals".

82. The office note also indicated that when the first contract was awarded to the South Korean firm, the tender submitted by the Spanish Firm was nearly 11 per cent more than the rival quotation.

83. The Committee feel that there are several issues in respect of the two supply orders which need for investigation. These are listed below:

I. *Contract with 9% elongation.*

(1) Though unsolicited offer from existing suppliers for additional quantities cannot be accepted beyond 15 percent as contended in the purchase made in 1984 from a South Korean firm, an unsolicited offer for 10,000 tonnes was however accepted in June 1979 despite non-finalisation of admissible limit of elongation.

(2) Additional orders for 10,000 tonnes in June 1979 was placed even before the issue relating to extent of elongation was settled because Government's acceptance with 11.5 percent elongation must have been conveyed in April 1979 itself.

(3) As the supplier did not apparently raise objection to elongation clause till after June 1979, (for over two months), the subsequent stand that his offer was with 9 percent elongation is a clear modification calling for appropriate action.

(4) It is not clear whether the RDSO demanded 11.5 percent elongation after ensuring the availability of technology therefor and whether, this technology is now available and if so, since when.

(5) If any other tenderer had responded to Railway's requirement of 11.5 percent elongation why no action was taken to cancel the order due to absence of proper understanding of contract and to place order with the one willing to supply with 11.5 percent elongation?

(6) For fully skiled quality, there is need for minimum of 0.3 percent silicon as deposed by Member (Engineering) before the Committee. As the alternative chemical composition offered by the tenderer provided for maximum of 0.9 percent silicon what is the basis for Railways' present stand that rails would not have minimum quantity of silicon? Even if doubt existed due to non-mention of minimum quantity, why was the party not asked to state whether the rails would have the minimum quantity of silicon as recommended by the RDSO?

(7) What were the specific considerations under which RDSO's recommendations for acceptance of tenderer's alternative with maximum of 0.9 percent silicon but subject to provision of minimum of 0.3 percent silicon not even examined and referred to the party?

(8) In the circumstances, has not avoidable expenditure of Rs. 18 lakhs been incurred and if so, what are the steps taken to fix responsibility?

II. *Rejection of unsolicited offer*

(1) Since an unsolicited offer for 10000 tonnes of rails had been accepted in June 1979 (despite variation in quality of rail), why was it not accepted in this case?

(2) What were the results of trade enquiries on market trend as ascertained at the relevant time?

(3) When the French firm had not quoted any rate but had only expressed willingness to offer without quoting any rates, on what basis the Railway stated that an unsolicited second lower offer had been received.

(4) On what basis did the Railways inform the Committee that the offers of French and Spanish firms were marginally cheaper whereas no specific offer was received from French firm and the calculations made by Railways have indicated that the offer of Spanish firm was costlier?

In the circumstances, the Committee recommend that the inconsistencies and irregularities committed in the two cases resulting in avoidable extra expenditure of Rs. 83.38 lakhs may be investigated by an independent Committee, responsibilities fixed and appropriate action taken under intimation to the Committee.

NEW DELHI;
April 25, 1989
5 *Vaisakha*, 1911 (*S*)

AMAL DATTA
Chairman,
Public Accounts Committee

APPENDIX I

3.1 *Procurement and utilisation of track materials*

1. *Introduction*

The Railway system in India as on 31st March 1986, had 77153 running track kilometres comprising 47810 in the broad gauge, 25097 in the metre gauge and the balance in the narrow gauge systems. The broad gauge system falls in four categories depending on traffic density (gross tonne kilometres per annum) and each category is subdivided in five groups, depending on speeds of trains using the track Standards have been laid down for all groups and categories, about weight of rails to be used (ranging from 60 kg to 52 kg per metre) and number of sleepers to be laid (between 1660 and 1310 per km.). Similar standards have been laid down for systems of other gauges also. A complete picture of these standards is given in Annexure III.

Due to normal wear and tear as well as changes in traffic density etc. track renewals have to be continously undertaken to bring the track up to the prescribed standards through track renewals programmes. However, the Railways have not maintained the required tempo in track renewals, and accumulated arrears in track renewals.

The arrears in track renewal increased from 13048 km at the end of March 1980 to 20306 km at the end of March 1985 due to inadequate allocation of funds and constraints in availability of materials. During the Sixth Plan (1980-85) the actual track renewal achieved was only 9558 km as against the target of 1400 km. In the two years thereafter, Railways overtook a part of the arrears by providing additional funds. As on 31 March 1987, the arrears were 13033 km. of which 9481 km were in sections with traffic density of more than 10 Gross Tonne Kilometres. The backlog in renewals led to imposition of speed restrictions over 2154 km in 1984-85, 2090 km in 1985-86 and 2291 km in 1986-87, affecting adversely fuel consumption and turn round of rolling stock.

2 *Scope of review*

The progress in track renewal works depends crucially on availability of rails and sleepers. Therefore a review by Audit covering

procurement and utilisation of rails and sleepers was undertaken and the results are set out below.

3. *Organisation*

The Railways, submit to the Board, annual indents for rails and sleepers required for approved works between September and November of the previous year. These indents are consolidated and orders are placed on steel plants to the extent acceptable to them and for the balance tenders are invited. Urgent requirements, not available from indigenous sources are imported. Orders for wooden sleepers are placed on Forest Departments of the States of Uttar Pradesh, Assam, Madhya Pradesh, Andhra Pradesh, etc. after discussions.

4. *Highlights*

The supply of broad guage rails from indigenous source viz. the Bhilai Steel Plant was only to the extent of 57 to 88 per cent of the requirements during the years 1981-82 to 1986-87. The indigenous production of metre gauge rails had stopped in April 1982. Consequently the Railways resorted to costlier imports.

In the import of 10,000 tonnes wear resistant rails in April 1979 the Railway Board failed to press for a rebate of Rs. 18 lakhs following relaxation of specification. The cost economy of importing through Vishakapatnam port to save substantial haulage cost was also not considered.

Economic option of accepting additional quantity of rails offered by a supplier was not exercised, resulting in extra expenditure of Rs. 65.38 lakhs in a later import.

Import of metre gauge rails through an order placed in November 1985 was injudicious and involved extra expenditure of Rs. 53.75 lakhs.

Despite potential for considerable economy procurement of longer rails had not commenced.

Prdouction of concrete sleepers in the departmental units during 1986-87 was costlier by Rs. 340 lakhs than the supplies by the private firms. The available capacity in the country for production of concrete sleepers was also not utilised fully resulting in procurement of cast iron sleepers which are costlier in the long run.

Of the two departmental units, the one with indigenous technology at Khalispur performed better than the one at Allahabad with imported technology.

Though 3637 track km could have been laid with the 57.68 lakh concrete sleeers procured between April 1983 and March 1987, 75 per cent only were laid in track.

Requirements of cost iron sleepers were not assessed realistically and 21.77 lakh CI sleepers were procured in excess during 1984-85.

The Railway Board did not avail of reduced rates offered by some of the CI sleeper suppliers resulting in extra expenditure of Rs. 295 lakhs.

Rails

5. *Indigenous supply*

The only source of indigenous supply of broad gauge rails is the Bhilai steel plant, which has annual capacity to supply 5 lakh tonnes. Howvere, its commitment to supply and actual supply fell below requirements of railways. The trend of steady increase in supplies since 1981-82 was reversed in 1986-87 when the supplies fell below even the level attained in 1983-84. Further details are given in Table 12.

The drop in supply in 1986-87 was attributed to adoption of conventional open hearth process and stoppage of payment of overtime in steel plants with effect from 1 April, 1986. The plant undertook modernisation in stages after 1984-85 and the facilities are expected to be operational only after 1987-88. It has at present no facilities for end hardening of rails for increasing wear resistance, which is a feature in imported rails. It is yet to install facilities for sawing, drilling and straightening rail ends.

Table 12

(Figures in lakh tonnes)

Year	Requirement	Supply commitment by BSP	Actual supply by BSP	Percentage of compliancee to requirment
1981-82	3.25	2.10	1.84	57
1982-83	3.25	2.10	2.02	60
1983-84	2.92	2.40	2.40	82
1984-85	3.50	2.68	2.68	77
1985-86	3.70	3.60	3.25	88
1986-87	4.01	3.50	2.37	59

Metre gauge rails were obtained for many years from Indian Iron and Steel Company (IISCO) and Tata Iron and Steel Company (TISCO). They however, stopped rolling metre gauge rails in March 1979 and April 1982 respectively, claiming that the prices were unremunerative. Though the Ministry of Steel had agreed in September 1982 to take steps to restart production of such rails by TISCO, supply has not started so far (November 1987). Consequently, the Railways were obliged to import annually 20,000 to 65,000 tonnes of metre gauge rails. During 1986-87, the average price of import (inclusive of freight and customs duty) at a port of entry in India was Rs. 8400 per tonne which exceeded the rate of Rs. 7370 per tonne paid to Bhilai Steel Plant for comparable broad gauge rail. The failure to reactivate the indigenous source of supply led to costlier imports.

6. *Import of rails*

The gap between requirement and indigenous supply was met through imports by the Raiways, taking also into consideration the prospects of supply of sleepers and other fittings required for use along with imported rails. The import during the seven year period 1980—87 was 3.134 lakh tonnes valued at Rs. 113.12 crores as detailed in Table 13.

Table 13

Year	Quantity imported			Value
	BG ('000 tonnes)	MG	Total	(Rs. in crores)
1980-81	26.6	—	26.6	12.12
1981-82	8.5	6.3	14.8	5.42
1982-83	—	—	—	—
1983-84	45.0	25.0	70.0	24.18
1984-85	—	—	—	—
1985-86	19.5	35.0	54.5	19.72
1986-87	63.5	—	63.5	21.66
1987-88	75.0	9.0	84.0	30.02
Total :			313.4	113.12

The imports were from West Germany, Poland, United Kingdom, France, South Korea, Yugoslavia and Canada. Major supplies were made at c.i.f. prices not exceeding Rs. 4800 per tonne. No significant trend towards large increases during this seven year period 1980—87 was noticed.

Audit comments on certain features connected with import of rails are given below.

(i) The Ministry of Raillways placed in April 1979 an order for import of 10,000 tonnes of wear resistant (WR) 60 kg. rails. The life of this variety of rails is over five times that of indigenous rails. The import was mainly for use in the difficult Kottavalasa-Kirandul Ghat Section of South Eastern Railway (5500 tonnes) and track renewal in the heavily worked Grand Chord section of Eastern Railway (2700 tonnes). An additional supply of 10,000 tonnes at the same rates was ordered in June 1979 on the ground that there was increasing trend in the price of rails in the world market. The totall supply of 20,000 tonnes was received by June 1980—one half at Calcutta and another half at Bombay. A review of the contract revealed the following points:—

(a) The supplier had offered in February 1979 a reduction of Rs. 90.50 per tonne if elongation of 9 per cent (minimum) against 11.5 per cent (minimum) prescribed in the specification was acceptable. This was not accepted. In November 1979, however, the Railway Board relaxed the specification accepting elongation of 9 per cent (minimum) as a result of representation from the firm. But no reduction in prices attributable to this relaxation was sought. On this being raised by Audit, the Railway Board stated in December 1987 that the chemical composition of rails for which rebate was offered was inferior to the one for which orders were placed. This, however, does not clarify why a rebate was not pressed for lowering of specifications. Based on the offer given by the firm, this failure to seek a rebate led to extra expenditure of the order of Rs. 18 lakhs.

(b) The Railway Board did not consider inclusion of Vishakapatnam as a port of discharge. Hence 6 052 tonnes of rails allotted to South Eastern Railway were discharged at Calcutta Port, transported by road to Shalimar Goods shed at Calcutta and despatched to Waltair Division involving rail haulage for about 900 km which could have been avoided to a large extent had the supplies been received through Vishakapatnam Port. The Railway Board stated in December 1987 that the cost of establishing organisation for clearance at Vishakapatnam would have been more. It was however, seen that the Railway Board had not worked

out the relevant economics of importing through Calcutta and Vishakapatnam although the additional haulage cost from Calcutta was of the order of Rs. 18 lakhs at public tariff rates.

(ii) An order was placed in September 1983 for supply of 10,000 tonnes of 52 kg rails on a firm 'B' of South Korea at an FOB price of $350 per tonne. Though the delivery period was extended up to 30 April 1984, it supplied only 556.5 tonnes by July 1984 when the order was cancelled at the risk and cost of the firm. In the meantime, the Railway Board, after calling for global tenders, placed in February 1984 an order on firm 'C', also of South Korea, for supply of 25000 tonnes of same type of rails at a lower FOB price of $ 310/311 per tonne. This firm 'C' offered in August 1984 to supply additional quantity up to 10,000 tonnes without change in prices or conditions of supply. Instead of accepting this offer, particularly in the context of cancellation of orders on firm 'B' at its risk and cost, the Board decided to float fresh short notice tenders for 9,500 tonnes in December 1984. The lowest tender received from a French firm in April 1985 for supply at FOB price of $ 326 was accepted and supplies received between December 1985 and May 1986. This led, apart from delay of over one year in the receipt of rails, to an extra expenditure of Rs. 65.38 lakhs computed with reference to the offer for additional supply given by firm 'C'.

The Railway Board stated in December 1987 that prices in international market depended on demand and supply and order book position of steel plants, but did not clarify why the economic option of ordering the additional quantity on firm 'C' was not exercised.

(iii) A negotiated contract for supply of 10,000 tonnes of 60 lb/29.9 kg metre gauge section rails was entered into with a British firm 'D' in September 1985 at the FOB rate of $ 319 per tonne. At the time the offer of this firm was under consideration, the Board had received, against another global tender for supply of 30,000 tonnes of 37.2 kg. section rails, an offer from firm 'E' of South Korea for supply at f.o.b. price of $317 per tonne against which order for only 20,000 tonnes was placed in November 1985.

It was noted by Audit that the contemporaneous offer of firm 'E' was lower by $27 on c.i.f. basis as compared to the offer of firm 'D'. Besides, the Board had decided more than one year earlier, in Februar 1984, that in high densit metre gauge sections

37.2/44.6 kg rails (offered by firm 'E') should be used in place of 60 lb/29.9 kg rails (offered by firm 'D'). In the circumstances procurement from firm 'D' instead of from firm 'E' was injudicious and involved an extra expenditure of Rs. 33.75 lakhs.

The Railway Board stated in December 1987 that the new standard was to be brought into use as soon as they could be implemented. This did not clarify the audit points raised.

7. *Economies of longer rails*

At present tracks are laid with rails of 13 metre length. The joins are welded through flash butt welding plants in panels of 39 or 65 metre lengths for reduction of noise and improvement of riding conditions. Bhilai steel plant had facilities to make longer rails up to 26 metre each. The increase in length of rails would have led to reduction in the number of welds and overall savings in cost. The Railway Board, therefore, requested the plant in 1979 to supply rails partly in lengths of 26 metres each and instructed seven out of nine railways to receive a maximum of 2000 tonnes of rails in 26 m lengths and make arrangements for their movement in special wagons. However, no suply of 26 m rails has been so far (September 1987) received from Bhilai steel plant despite the reiteration of the request for longer rails in September 1986. On the other hand the same plant produced rails of this length for export to Iran and Korea.

In the global tenders for rails some of the offers included a reduction in rates for supply of rails in lengths of 18 to 26 metres, as against the standardised 13 metres. The Railway Board, however, did not consider the economical alternative of getting longer rails.

The continued procurement of rails only in lengths of 13 metres led to extra expenditure which, however, could not be quantified. The cost of each weld is about Rs. 100.

The Railway Board explained in December 1987 that 52 kg rails are not amenable for indigenous production in length beyond 13 metres.

8. *Supply of defective rails by the Bhilai Steel Plant*

The Southern Railway Administration observed in December 1985 manufacturing defects in the rails supplied by the Bhilai steel plant during 1980. It had to withdraw 390 tonnes of these rails already laid on an import section to ensure safety. The steel plant was

advised in January 1986 to introduce 'on line' ultrasonic testing of rails to check the internal soundness of the rails before despath to the Railways to prevent such defective supply in future. The replacement cost of these 390 tonnes of rails removed from track was Rs. 28.74 lakhs excluding cost of welding, transporation to site etc. which is yet to be recovered or adjusted. The position of rails of the same batch of production supplied and laid in track on other Railways had not been ascertained.

Sleepers

9. *Procurement of sleepers*

The Railways have been traditionally using wooden, cast iron and steel sleepers. Based on the recommendations of Railway Accident Enquiry Committee 1968, the Railway Board took a policy decision to introduce concrete sleepers on a large scale in the trunk routes. Concrete sleepers with elastic fastenings are economical and have more than twice the track service life of other types of sleepers.

Despite efforts to increase other kinds of sleepers cast iron (CI) sleepers, formed the mainstay of the railway systems and about half the track is supported by cast iron sleepers as indicated in Table 14.

Table 14

As on 31 March	B.G. track kilometres laid with Concrete sleepers	Wooden sleepers	Steel sleepers	C.I. sleepers	Total (all types)
1985	2,462	7,665	10,405	25,205	45,737
1986	2,500	7,700	10,500	24,400	45,100
1987	3,922	7,614	10,533	24,670	46,739

Table 15

Year	Total number of sleepers procured	Concrete sleeper	Wooden sleeper	Steel sleeper	CI sleeper	Percentage of CI sleeppper to total sleepers
		(Figures in lakhs)				
1984-85 . . .	69.37	12.53	31.17	3.90	21.77	31.5
1985-86 . . .	63.94	14.71	22.43	3.30	23.50	36.5
1986-87 . . .	65.43	18.68	19.41	9.74	17.60	26.8

The utility of CI sleepers is strictly limited as they should not be laid in heavy density track on which higher horse power locomotives and trains with higher axle load wagons are run. However, due to lower receipts of other sleepers the percentage of CI sleepers procured to total supplies was high and ranged between 26.8 and 36.5 as shown in Table 15.

During 1986-87, the average prices for comparable sleepers were as below:

	Rs.
1. Concrete sleepers from departmental units	477
2. Concrete sleepers from private firms	344
3. Cast Iron sleepers	420
4. Steel sleepers from Durgapur Steel Plant	650
5. Wooden sleepers from State Forest departments	550

10. *Concrete sleepers*

The annual capacity for production of concrete sleepers in the country by 1981-82 was 17.5 lakh sleepers in 23 firms in private sector and 3.50 lakh sleepers in the railway departmental units at Allahabad and Khalispur (Varanasi). However, the actual supply in the last three years was well below the capacity as shown in the Table 16.

Table 16

Year	Capacity	Supplies from Private sector	Allahabad unit	Khalispur unit (in lakhs)	Total supplies
1984-85	21.00	10.15	1.56	0.82	12.53
1985-86	21.00	12.30	1.60	0.81	14.71
1986-87	21.00	16.01	1.77	0.90	18.68

The failure to utilise the available capacity led eventually to more procurement of the cast iron sleepers. Since they would need more frequent replacement due to their shorter life, their use was costlier in the long run. The Railway Board explained in December 1987 that the capacity shown above does not get installed as soon as the contracts are awarded as some of the firms fail and some delay the starting of their production.

The production from departmental units resulted in extra expenditure as the prices of supply by private firms were below the cost of departmental production. During 1986-87, the departmental cost exceeded the price of private firms by Rs. 172 to Rs. 200 per sleeper or Rs. 340 lakhs for the entire departmental production of that year.

11. *Departmental unit at Allahabad*

This unit estimated to cost Rs. 128.50 lakhs was set up with West German technology to have a production capacity of 25000 sleepers per month, in terms of a collaboration agreement signed in March 1986. The actual capital cost till it started production in May 1981, was Rs. 4.13 crores. The plant has been able to attain only a production rate of 14208 per month in 1986-87 or 57 per cent of its rated capacity. Besides. the rate of rejection of its output was as high as 6.2 per cent in January 1987 as against only 0.8 per cent in Khalispur unit. The average cost of production during 1986-87 in Allahabad unit was Rs. 477 exceeding that of Rs. 400 in Khalispur unit.

The collaboration agreement provided for payment of royalty of one DM in repatriable foreign exchange and one Indian Rupee for each sleeper for a period of five years from commencement of production. but to cover only 10 lakh sleepers in all. This ceiling limit has not been reached even after six and half years from May 1981, when the unit commenced production. A proposal to extend the agreement is under consideration. This was justified on the ground of non-availability of adequate raw material, loss of certain dimensional drawings supplied by the collaborator and need for training at the works of the collaborators.

The collaboration provided for use of either 7.5 or 9.5 mm diameter wire in the production process. However. the use of 7/7.5 mm diameter wire was costlier since it involved use of eight wires as against four wires required in the case of 9.4 mm diameter wires and four sets of fixtures involving extra labour. The initial production commenced only with 7/7.5 mm diametrer wires available in the country. However, adequate efforts have not been made for setting up indigenous facilities for procuring 9.4 mm diameter wire which would have led to cost reduction. Between April and September 1985. only 250 tonnes of such a wire could be obtained as against requirement of 2000 tonnes. Consequently about 85 per cent of production appeared to involve use of 7/7.5 mm diameter wires. at higher costs.

12. *Departmental unit at Khalispur*

This was set up and commissioned in June 1982 for production of 4100 sleepers per month, adopting indigenous technology, at a cost of Rs. 90 lakhs. The unit attained the rate of monthly production 6500 sleepers in 1985-86, exceeding its capacity, due to increased automation and improvement in manufacturing technique. Its rejection rate and cost of production were lower than those at Allahabad unit. In short, the performance of Khalispur unit set up with indigenous technology was better than that of Allahabad unit set up with foreign collaboration.

13. *Utilisation of concrete sleepers*

A review of the receipt and utilisation of concrete sleepers disclosed that the sleepers procured between April 1983 and March 1987 were not fully utilised in the track renewal works by the seven Railways which received the sleepers. They obtained 57.68 lakh concrete sleepers with which 3637 track km could be laid. But the track length actually laid with concreate sleepers during this period was only 2730 km i.e. 75 per cent. Among these Railways, the utilisation rate ranged between 98 per cent in Central Railway to 64 per cent in Northern Railway. The detailed position of sleepers received and laid in track, railway-wise, during 1984-85 to 1986-87 is shown in Annexure IV.

Even the utilisation was not in accordance with identified priorities. The instructions to lay these sleepers on Group 'B' routes with speeds between 130 & 180 kmph were not followed in Central, Southern & South Eastern Railways. Adequate priority was also not given to lay concrete sleepers in Group 'A' tracks with highest speed and heavy traffic. As a result even on the Rajdhani routes (Group 'A') on the Western, Northern and Eastern Railways, the track laid with concrete sleepers formed only 21, 37 and 67 per cent respectively of the total track, thereby affecting the speed and mobility of high speed trains.

The laying of concrete sleepers in track involves use of portal cranes, sleepers layers etc. The number of machines available for concrete sleepers laying declined from 27 in 1983-84 to 22.5 in 1986-87. This was attributed to the machines being under POH or under repairs. Six sleeper layer machines which were receiped in 1975 at a cost of Rs. 18 lakhs had remained unutilised on Central, Eastern, Northern, Southern, South Eastern and Western Railways.

Due to inadequate availability of the sleeper laying machines, the Railways had to resort to manual laying against the extant instructions of RDSO. The Northern Railway did not take up manual laying and consequently had the lowest utilisation percentage of 64 among all the Railways.

14. *Steel Sleepers*

The only source of indigenous supply is Durgapur Steel Plant which has a capacity to produce 10 lakh sleepers per annum. However, its annual supply ranged only from 2.8 to 3.3 lakh tonnes between April 1980 and March 1986. Consequently, the Railways had to import 36 thousand tonnes of steel sleepers between 1980 and 1986 at a FOB cost of Rs. 15.50 crores. Taking into account prices at which indigenous procurement was made, the import resulted in additional expenditure of Rs. 8.64 crores.

15. *Cast Iron Sleepers (CI)*

In terms of the procedure followed by the Railway Board, procurement of CI sleepers is made every year for the entire difference between the total number of sleepers indented by the Railways and the number of sleepers, other than CI sleepers allotted to them. This procedure failed to take note of actual variations caused by reduction in demand for sleepers, and receipt of other types of sleepers. Consequently, the procedure led to both contracted and actual supplies exceeding the modified requirement for CI sleeper during the year 1984-85 and 1985-86 as shown in Table 17.

Table 17

(Number in lakhs)

Year	Modified requirement (including margin) of sleepers for approved works	Supply of sleepers other than CI sleepers	Gap to be filled by CI sleepers	Contracted supply of CI sleepers	CI sleepers supplied	Excess supply of CI sleepers
1984-85	47.26	47.69	Nil	21.77	21.77	21.77
1985-86	57.17	40.35	16.82	23.50	23.50	6.68

Against open tenders for supply of CI sleepers, the Railway Board received in April 1983, 227 offers. The lowest rate received was Rs. 2821 per tonne and was found quite reasonable with reference to the rate accepted in August 1981 and adjusted for changes in price levels since then. Out of the 227 offers, the rates quoted in 194 tenders exceeded this lowest rate of Rs. 2821 per tonne. In accordance with the established practice, a counter offer of this lowest rate was decided to be made to the tenderers for acceptance.

It was also noted by the Board that with the keen competition and already high level of participation, it would not be prudent to proliferate suppliers to unmanageable numbers. Accordingly, the Board decided to invite in future only limited tenders for CI sleepers from a panel of firms with proved capacity for quality supply.

In this background, the Board decided to make the counter offer only to 53 established suppliers, and sought in July 1983, extension of offers beyond their initial validity up to 12 July 1983. While exceeding the validity, five firms offered reduction in rates ranging from 3 to 5 per cent. Instead of seriously considering this offer for reduction, the Board placed orders in November 1983 at the counter offer rates of Rs. 2821 per tonne for supply of 1.7 lakh tonnes on 48 firms, excluding the five firms which offered a reduction on this rate.

Thereafter, the Board continued to place repeat orders at the same rate on the same firms up to December 1985 without inviting fresh tenders. While doing so, orders were placed also on these five firms which had been excluded initially at the rate of Rs. 2821 per tonne, ignoring the reduction in rates offered by them. Thus in all 3.49 lakh tonnes of CI sleepers were procured between November 1983 and December 1985 at the rate of Rs. 2821 per tonne failing to take advantage of the offer for reduction of 3 to 5 per cent in this rate. This entailed extra expenditure which would be of the order of Rs. 295 lakhs.

ANNEXURE III

(cf. Para 3.1.1)

Track Standards

Broad Gauge	Category of route				
Traffic density (GMT/annum)	Group 'A' routes (speeds up to 160 kmph)	Group 'B' routes (speeds up to 130 kmph)	Gorup 'C' routes (suburban section).	Group 'D' routes (speeds upto 100 kmph)	Group 'E' routes (speeds below 100 kmph and branch line Sections)
			Rails (k.g. per metre)		
Over 20	60	60	60	60	Normally released rails of 44.6 kg section and above may be used. If primary renewal is considered necessary and traffic density is more than 5 GMT 52 kg rail section should be used.
15 to 20 . .	52 (60 kg rail if concrete sleepers are used)	52 (60 kg rail if concrete sleepers are used)	52	52	
10 to 15 . . .	Do.	52	52	52	
Under 10 . .	Do.	52	52	52	
			Sleeper Density (Numbers per Km)		
Over 20 . . .	1660	1540*	1540*	1540	1310
5 to 20 . . .	1660	1540	1540	1540	1310
0 to 15 . . .	1660	1540	1540	1540	1310
Under 10. . .	1660	1540	1540	1340	1310

*This may be increased to 1660 when speed is increased beyond 130 kmph.

Track Standards

Metre Gauge

Cateogry of route	Speed	Traffic density	Rails	Sleeper density (number per km)
	More than 75 kmph	NA	90 R (new)	1540
R-I	Up to 75 kmph	More than 5 GMT	90 R (new)	1540
R-II	Up to 75 kmph	2.5 to 5 GMT	Second hand 90 R or 75 R (new)	1540
R-III	Up to 75 kmph	1.5 to 2.5 GMT	Second hand 90 R or 75 R (new)	1308
S	less than 75 kmph		Second hand 60 R (Minimum)	1230

ANNEXURE IV

(Cf. Para 3.1.13)

Railway-wise position of concrete sleepers received and laid in track

Particulars	Railways						
	Central	Eastern	Northern	Southern	South Central	South Eastern	Western
1. Concrete sleepers received							
(a) Number in thousands	857	986	967	408	453	545	645
(b) In terms of track km.	557	640	620	265	294	354	418
2. Concrete sleepers laid with							
(a) Machines (km) .	255	197	507	226	169	112	208
(b) Manually (km) .	289	306	18	10	89	137	90
3. Total concrete sleepers laid (km) . . .	544	503	525	236	258	249	298
4. Percentage of sleepers laid to total received .	98	78	64	89	88	70	71

APPENDIX II

Sub: Contract No. Track/21/77/0801/7/50125 for 60 kg/m UIC Special Wear Resistant Rails.

Ref: M/s Roger Enterprises Pvt. Ltd.'s letter No. RPL/ALP/R-5/4157/79 dated 4.9.1979.

As per para 1.5 of Annexure G of the Contract, the Railway specification stipulates a minimum elongation of 11.5 per cent. The firm in their original offer had stated (Page 14 of their original tender at S. No. 100) that the minimum elongation will be 9 per cent. This clause about the minimum elongation was at that time understood to be applicable to the special chemical composition offered by the firm consisting of chromium Molebdinum and vanadium.

2. Rail-steel with a larger elongation percentage is preferable to one with a lower elongation in view of the former having a greater energy to resist fractures. It had, therefore, been recommended that supply to minimum elongation of 11.5 per cent should be taken and alternate composition offered by the firm was not recommended for acceptance.

3. The firm has since clarified that the minimum percentage of elongation will be 9 per cent. It has also referred to UIC specification in this context. On a perusal of clause 27.3 of UIC specification 860/0 for wear resistant rails (UIS 90 kg per mm^2) it is seen that the minimum elongation stipulated therein that at the request of the supplier, the purchaser administration may accept for wear resistant rails a lower elongation after fracture but not less than 8 per cent. 11.5 per cent elongation prescriber in our stipulation was on the basis of some data available in RDSO about the Gothard line in Switzerland. Since the UIC specification allows a minimum of 8 per cent at the request of the supplier, the minimum elongation of 9 per cent as offered by the firm is recommended for acceptance for alloy steel rails (UTS 110 kg/mm^2) also.

4. At page 3 of the original tender of the firm, the rate quoted is 20 DMs less for the special chemical analysis which differed from that stipulated in our tender documents. Earlier it was felt that 9 per cent elongation applied only to this chemical composition. Now

that 9 per cent elongation is recommended for acceptance, there is no objection to accepting the alternate chemical composition offered by the firm as below:—

Cr.		0.7	1.2%
P Max.		—	0.03%
S max.		—	0.03%
Mo Max		—	0.1%
V max.		—	0.2%
C		0.6	0.8%
Si max		—	0.9%
Mn	0.8	—	1.3%

The firm has not indicated the minimum percentage of silicon content in the above analysis. It is necessary to stipulate that the supply made to the alternate offer should be of fully killed steel and the minimum silicon content should be 0.2%.

5. The above has also been discussed with Dir (M&C), RDSO on phone on date (6.9.1979) and he agreed with the above views.

Sd/-

R.D.S.O.

6.9.1979

Sd/-

D.C.E.

APPENDIX III

Statement of conclusions/recommendations

Sl. No.	Para No.	Ministry/ Deptt.	Conclusion/Recommendation
1	2	3	4
1	12	Railways	The operations of the Railways are totally dependent on the availability of sound and well-maintained tracks throughout the country, so that the tracks are not a contributory factor for accidents even to the slightest extent and the Railways are in a position to give efficient and safe service to the public. Viewed in this context, the Committee consider it imperative that track renewal programmes ought to be given the top priority in the operations of the Railways. The Committee are, however, dismayed to be informed by the Chairman, Railway Board that due to lack of high priority for track renewal programmes, arrears increased. The arrears in track renewal which stood at 13048 KMs in March 1980 increased to 20306 KMs in March 1985 (26 per cent of total track). Though the tempo of track renewal in Seventh Plan has been increased considerably, the Committee are concerned to note that a backlog of track renewal to the extent of 12000 KMs at the end of Seventh Plan would still remain to be overtaken in Eighth Plan. The Committee deeply regret the failure of the Railways to ensure

1	2	3	4
			timely renewal of tracks, which has adverse effects on the smooth operation of the Railways. The Committee strongly recommend that a review of plan priorities be done and the track renewal given its due priority so that under no circumstances, arrears in track renewals are allowed to accumulate. The Committee note from the statement of funds provided and funds spent in each year since 1980-81, that consistently the actual expenditure in every year other than 1986-87 has exceeded the provisions and the overall excess was to the extent of 27 percent in 6th Plan period and 12 percent so far in the 7th Plan period. The Committee wonder whether the excess expenditure was consciously incurred by the various Zonal Railways in their anxiety to ensure renewal of tracks not provided for by the Railway Board in the annual plan in the interest of safety or the excess was due to level of expenditure far more than the anticipated for the track length planned and approved by Railway Board for renewal. In either case, the Committee deprecate the lack of proper financial planning and recommend that the causes for consistent excesses may be investigated and results intimated to the Committee.
2	13	Railways	From the statement of expenditure on track renewals, the Committee note that the average cost of renewal has shown a

			steady increase, the rate of increase being as high as 19 percent in 1985-86 and another 15 percent in 1987-88. The Committee cannot resist the impression that cost of renewals has increased far in excess of normal rises in cost indices reasons for which are not apparent. The Committee recommend that the contributory causes for the spiralling of cost of renewal may be investigated and the result intimated. The Committee also recommend that a review of the estimated cost of renewal for the 8th Plan may be conducted as it is felt that the average rate of Rs. 23.09 lakh per Km for the 8th Plan is too high as compared to the rate of Rs. 17.25 lakh per KM. in 1987-88.
3	21	-do-	The Committee are dismayed to find that despite the available capacity for production of 5 lakh tonnes per annum of B.G. rails with BSP, Railways failed to give firm commitments of requirements of rails for the 7th Plan Period as a result of which the BSP could not take appropriate investment decision, failed to accept demands upto the capacity and as a consequence, Railways resorted to import for which there would have been no justification but for the failure of the Railways themselves. Since the funds for the track renewal are met out of Plan allocation the Committee are at a loss to understand how and why the Railways were unable to know the extent of funds available during the Sixth Plan in advance and to make the commitment necessary for the investment plan. The Committee conclude that the planning process at the Ministry level needs tonning up in this regard. The Committee

1	2	3	4
			recommend that the circumstances due to which the Railways could not give firm commitment on a plan programme may be fully investigated, the loopholes in planning identified and steps taken to plug them intimated to the Committee.
4	22	Railways/Ministry of Steel	While on the one hand, BSP has stated that it could not reach its capacity due to absence of firm commitments, the Committee are uphappy to note that BSP failed to supply rails even upto the extent of orders accepted by them, the shortfall during a period of 8 years being to the extent of 1.85 lakh tonnes. The Committee desire that the failure to supply even the Committed quantity by the BSP should be taken up at the Ministry level to ensure that such undesirable situations do not recur.
5	31	-do-	It is disquieting for the Committee to note that both IISCO and TISCO, the two companies that were supplying MG rails, were allowed to go out of production resulting in complete dependence on import for meeting requirements of MG rails. Though the Ministries of Steel and Railways had decided in September 1982 that under no circumstances the production of MG rails in TISCO will be allowed to close, no effective steps were taken to implement this decision. The Committee strongly deprecate the inaction on the part of the Railways and Ministry of Steel on allowing indigenous production of MG rails to totally cease and opening

			the door for imports resulting in drainage of huge foreign exchange. The Committee desire that the alternative indigenous source since identified will be utilised for procurement of MG rails and if necessary other indigenous sources created and import of MG rails stopped by taking necessary steps under a time bound programme which may be drawn up within six months and intimated to the Committee.
6	36	-do-	The Committee are deeply concerned to note that despite availability of capacity for production of 26 metres long rail with BSP, no efforts have been made over the years to ensure production of long rails for indigenous consumption. The Committee do not consider the reasons adduced for non-production of 26 metre rails as insurmountable and recommend that both the Ministries seriously consider and make an effort to solve the issue so that in the interest of overall economy, the manufacture of 26 mtr. long rails is started within a short time.
7	44	Railways	While the Committee take note of the fact that the extent of production of concrete sleepers has been increasing over the years, they cannot help pointing out that the progress is rather slow as compared to capacity created and is substantially falling short of the requirement. According to Audit, the capacity of the established plants was 21 lakh sleepers since 1981-82 whereas annual production had reached a level of hardly 14.52 lakhs sleepers even 4 years later. Considering the substantial economies expected in the use of concrete sleepers, the Committee recommend that

1	2	3	4
			that reasons for lower utilisation of the capacity created may be investigated and steps taken to improve extent of utilisation with a view to ensuring supply to the Railways. The Committee also recommend that if necessary, more such units may be established.
8	47	Railways	The Committee do agree that a certain amount of balance stock at the end of a year is unavoidable to meet needs of following 2-3 months emergency requirements etc. However, the Committee are concerned to note that accumulations are quite heavy in certain Railways atleast as will be clear from the following particulars:

	Quantity received during 84-85 to 1986-87 (In terms of track KMs)	Quantity laid in track
Eastern Railway	640	503
Northern Railway	620	525
South Eastern Railway	354	241
Western Railway	418	298

The Committee recommend that a review of the accumulation of stock may be made and the progress of utilisation may be monitored by the Railway Board to ensure optimum and timely utilisation of the stock.

9	53	Railways	Whereas the extent instructions of RDSO prohibit manual handling of the concrete sleepers for laying and Member (Engineering) has supported the stand, the Railway Board have claimed in their written note to the Committee that discontinuing the use of sleeper layers and directly laying the new sleepers as track panels is in the course of technological progression. As, however, to assemble track panels with concrete sleepers at assembly depots also the sleeper layers will have to be used and concrete sleepers should not be manually handled, the Committee are not convinced of this reason for under-utilisation of the sleeper layer. The Committee hence recommend that the existing instructions in this regard may be reviewed and appropriate fresh directions given.
10	57	Railways	The Committee do not agree with the stand of the Ministry that the cost of production of departmental units are comparable with the price of indigenous producers for the simple obvious reason that Railways do not pay either excise duty or sales tax whereas private parties have to pay both. As these two elements are to be excluded for comparison and not included as contended by the Railways the price of a sleeper supplied by a private manufacturer would work out to Rs. 424 per sleeper as against Rs. 477 per sleeper for Railways' production. The Committee recommend that the cost of departmental production should be minimised by optimising production and reducing overheads.

1	2	3	4
11	65	Railways	The Committee are surprised to note that there was substantial cost escalation in establishment of the Allahabad unit from the estimated Rs. 1.28 crores to Rs. 4.13 crores, a more than three fold increase. Despite the substantial investment with imported technology, it is unfortunate that its level of performance is poor though the indigenous technology adopted in private units, and the Khalispur unit of Railways have been performing far better. The Committee are strongly of the view that no proper evaluation of the technology offered by the foreign collaborators was made nor was a proper cost estimate prepared inspite of the enormous in house facility for both in the Railways. The Committee feel that these failures were the result of casual and perfunctory attitude of the Ministry even to matters of vital interest to the Railways themselves. The Committee desire that appropriate lessons may be learnt from this case and recommend that adequate evaluation of indigenous technology may be done before resorting to import of technology and when such import is considered essential proper evaluation of both the technology and cost be made so that such poor results are averted in future.
12	66	-do-	The rate of production at the Allahabad unit has been less than 60 per cent of its installed capacity and the percentage of rejection was as high as 7.53 per cent in 1987. In 1988, instead of coming down, it rose to 9.63 per cent (upto June). The Committee recommend

			that a review of the causes for poor performance of Allahabad unit may be conducted by Railway Board and appropriate measures to improve its performance taken.
13	67	Do.	67. The Committee are equally concerned to note that the rates of rejection in departmental units are very high as compared to private units. The Committee recommend that the causes for high rejection may be investigated by RDSO and appropriate remedial measures taken to improve their performance.
14	83	Do.	The Committee feel that there are several issues in respect of the two supply orders which need for investigation. These are listed below: I. *Contract with 9 per cent elongation.* (1) Though unsolicited offer from existing suppliers for additional quantities cannot be accepted beyond 15 percent as contended in the purchase made in 1984 from a South Korean firm, an unsolicited offer for 10,000 tonnes was however accepted in June 1979 despite non-finalisation of admissible limit of elongation. (2) Additional orders for 10,000 tonnes in June 1979 was placed even before the issue relating to extent of elongation was settled because Government's acceptance with 11.5 percent elongation must have been conveyed in April 1979 itself.

9	2	3

(3) As the supplier did not apparently raise objection to elongation clause till after June 1979, (for over two months), the subsequent stand that his offer was with 9 percent elongation is a clear modification calling for appropriate action.

(4) It is not clear whether the RDSO demanded 11.5 percent elongation after ensuring the availability of technology therefor and whether, this technology is now available and if so, since when?

(5) If any other tenderer had responded to Railway's requirement of 11.5 percent elongation why no action was taken to cancel the order due to absence of proper understanding of contract and to place order with the one willing to supply with 11.5 percent elongation?

(6) For fully killed quality, there is need for minimum of 0.3 percent silicon as deposed by Member (Engineering) before the Committee. As the alternative chemical composition offered by the tenderer provided for maximum of 0.9 percent silicon what is the basis for Railways' present stand that rails would not have minimum quantity of silicon? Even if doubt existed due to non-

mention of minimum quantity, why was the party not asked to state whether the rails would have the minimum quantity of silicon as recommended by the RDSO?

(7) What were the specific considerations under which RDSO's recommendations for acceptance of tenderer's alternative with maximum of 0.9 percent silicon but subject to provision of minimum of 0.3 percent silicon not even examined and referred to the party?

(8) In the circumstances, has not avoidable expenditure of Rs. 18 lakhs been incurred and if so, what are the steps taken to fix responsibility?

II. *Rejection of unsolicited offer*

(1) Since an unsolicited offer for 10000 tonnes of rails had been accepted in June 1979 (despite variation in quality of rail), why was it not accepted in this case?

(2) What were the results of trade enquires on market trend as ascertained at the relevant time?

(3) When the French firm had not quoted any rate but had only expressed willingness to offer without quoting any rates, on what basis the Railway stated that an unsolicited second lower offer had been received?

1	2	3	4
			(4) On what basis did the Railways inform the Committee that the offers of French and Spanish firms were marginally cheaper, whereas no specific offer was received from French firm and the calculations made by Railways have indicated that the offer of Spanish firm was costlier?
			In the circumstances, the Committee recommend that the inconsistencies and irregularities committed in the two cases resulting in avoidable extra expenditure of Rs. 83.38 lakhs may be investigated by an independent Committee, responsibilities fixed and appropriate action taken under intimation to the Committee.

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