

PUBLIC ACCOUNTS COMMITTEE
(1973-74)

(FIFTH LOK SABHA)

HUNDRED & TWENTY SIXTH REPORT

[Paragraphs relating to Railway Operations and Expenditure included in the Report of Comptroller & Auditor General of India for the year 1971-72— Union Government (Railways)]



LOK SABHA SECRETARIAT
NEW DELHI

April, 1974/Chaitra, 1896 (Saka)

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Page	Para	Line	For	Read
(v)	2	2	held	laid
14	1.24	2	turnround	turn-round
"	"	7	turnround	turn-round
"	1.25	4-5	Rail-ways Board's	Railway Board's
"	"	9	1960-61	1960-61,
15	1.27	2	increase	increased
28	1.54	1	for	far
"	"	8	remedied	remedied
			(from bottom)	
35	1.75	4	had shown	shown
54	2.55	9	for the existing line	read as follows:
			"detected during the inspection. The reason for supplies being deficient"	
55	2.61	4	representing	representing
60	3.16	10	R.C.C. mix of	R.C.C. mix of
67	3.35	6	brought to be	brought to the
			the	
78	4.13	4	three	three
85	5.16	5	court of law	court of law.
	5.17	10	the insure	to insure
92	6.12	9	colliery	colliery
100	7.15	5	March, 1972	March, 1972.
101	7.18	15	5649 litres	5649 litres
103	7.24	12	January, 1974	January, 1970
108	7.37	1,	by the Commi.	by the Committee
			tee	from
117	7.54	3	1962 and 1963	1960 and 1963
"	"	4	basic	basis
120	7.59	1	relateable	relatable
129	1.25	4	Railways Board's	Railway Board's
130	1.27	2	increase	increased
131	"	12	flow of loads	flow of loads
137	2.29	5	had been stated	had then stated
140	2.62	3	of ascertain	to ascertain
146	4.13	7	regarding	regarding
149	6.10	9	loaded	loaded
"	"	10	Dhanbad	Dhanbad
150	6.12	9	Colliery	Colliery
152	7.16	1	but express	but express
154	7.37	2	efficiency	efficiency
			Bureau	Bureau
"	"	4	contractors no	Contractors on
			Railways	Railways
157	7.59	10	of such a way	in such a way
"	"	11	a adequate	an adequate
158	"	11	relateable	relatable
159	7.60	1	whole affairs	whole affair

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17-10-73 (FN)	
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(1973-74)

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Shri T. R. Krishnamachari—*Under Secretary.*

*Elected on 29-11-73 vice Shri D. S. Afzalpurkar died.
† Ceased to be member of the Committee consequent on retirement from Rajya Sabha
w.e.f. 2-4-1974.

INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Hundred and Twenty-Sixth Report of the Committee (Fifth Lok Sabha) on paragraphs relating to Railway Operations and Expenditure included in the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).

2. The Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways) was held on the Table on the 6th March, 1973. The Committee examined the paragraphs relating to Railway Operations and Expenditure included in the Report of the Comptroller and Auditor General of India for the year 1971-72 on the 16th and 17th October, 1973, and 28th and 29th January, 1974. Written information in regard to these paragraphs was also obtained from the Ministry of Railways (Railway Board).

3. The Committee considered and finalised this Report at their sitting held on the 19th April, 1974. Minutes* of the sittings of the Committee form Part II of the Report.

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

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

6. The Committee would also like to express their thanks to the Chairman and officers of the Railway Board for the cooperation extended by them in giving information to the Committee.

NEW DELHI;

April 19, 1974

Chaitra 29, 1896 (S)

JYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.

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CHAPTER I

MAINTENANCE AND UTILISATION OF ROLLING STOCK

Wagon turn-round

Audit Paragraph

1.1. The term "Wagon turn-round" has been defined as the time interval (in days) which elapses between two successive utilisations (loading) of a wagon.

1.2. The index of wagon turn-round for all railways during the last 7 years showed gradual deterioration as indicated below:—

Year	B.G. (Days)	M.G. (Days)
1965-66	11.8	8.41
1966-67	12.6	9.03
1967-68	12.6	9.54
1968-69	12.7	9.69
1969-70	12.6	9.41
1970-71	13.3	10.1
1971-72	13.5	10.6

1.3. The performance of certain railways during the same period was as under:—

Railway	Broad Gauge		
	1965-66	1970-71	1971-72
Eastern	6.76	8.83	10.3
Northern	7.03	7.40	7.83
Northeast Frontier	7.30	8.42	10.2
Western	6.02	7.22	6.17

Railway	Metre Gauge		
	1965-66	1970-71	1971-72
Northern	3.90	4.43	4.67
North Eastern	7.13	9.30	10.2
Northeast Frontier	11.4	11.9	12.3
Western	5.49	6.92	6.85

1.4. With the augmentation of the capacity of important marshalling yards and also increase in the speeds of goods trains a progressive reduction in the index was warranted.

1.5. The Ministry of Railways (Railway Board) stated (December, 1972) that part of the increase in wagon turn-round time was due to increase in lead of traffic, and partly due to traffic failing to come up to the expected level in the years 1966-67, 1967-68 and 1968-69 which resulted in idling of wagons; increase in the holding of special type wagons, the utilisation of which involved a certain amount of empty haulage; increase in the number of wagons held up inside Steel Plants in spite of comparatively less traffic; extensive anti-social activities since 1970-71 onwards, particularly in the eastern region of the country, affecting train running, yard and terminal performance; large scale emergency movements in 1971-72, slowing down movements of other traffic and consequently leading to detention to such other traffic wagons; and explained that the functioning of the railways should be viewed not in isolation but in the light of the various political, sociological and economic developments taking place in the country.

[Paragraph 9 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

1.6. The Committee desired to know what were the various indices to judge the efficiency of wagon movement and whether they showed any improvement since 1965-66. In a note, the Railway Board have stated:

The important indices to judge the efficiency of wagon movement from utilisation point of view are:

1. Wagon kilometres per wagon day.
2. Net tonne kilometres per wagon day.
3. Average wagon load during the run.
4. Percentage of loaded to total wagon kilometres.

These indices for the years 1965-66 onwards are given below:—

	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
BROAD GAUGE							
1. Wagon kilometres per wagon day	72.7	69.6	71.5	72.5	75.6	73.4	74.0
2. Net tonne kilometres per wagon day	934	892	889	905	916	908	935
3. Average wagon load during the run	18.6	18.5	18.1	18.2	17.9	17.9	18.0
4. Percentage of loaded to total wagon kilometres	68.6	69.1	68.4	68.5	67.4	68.9	70.2
METRE GAUGE							
1. Wagon kilometres per wagon day	59.7	57.6	56.8	58.8	60.1	58.4	58.5
2. Net tonne kilometres per wagon day	507	480	474	503	522	524	540
3. Average wagon load during the run	11.6	11.5	11.6	11.7	11.8	12.1	12.5
4. Percentage of loaded to total	72.0	71.7	70.7	71.5	72.2	72.8	72.6

Of these four indices indicated above, wagon kms. per wagon day relates only to the mobility aspect whereas the other three indices take into account also the tonnage obtained per wagon as well as the extent of haulage of empty wagons. Each of these indices thus relates to one particular aspect of wagon utilisation and a complete picture of the efficiency of wagon utilisation is obtainable only if all these indices are read together.

Wagon utilisation has been adversely affected from the end of 3rd Plan due to a variety of factors. Immediately after the end of the 3rd Plan, the economic recession in the country during the Plan holiday period naturally affected the offering of traffic for movement by rail and there was extensive idling of wagons on different Railways, Increase in the holding of special type of wagons like BOX, BOBX, BOBS, BFRs Tank Wagons etc., primarily for movement of raw materials to the Steel Plants and finished products from them also led inevitably to an increase in the extent of empty haulage. Such special type of stock have to be added to the wagon fleet to meet the intensive demand from such industry. But some increase in the extent of empty haulage and their idling during the periods when the industries for which they were procured do not require them, cannot be avoided. With the commencement of the 4th Plan and economic activity in the country picking up, conditions improved and in 1969-70. the major indices of wagon utilisation, like wagon Kms. per wagon day and not tonne Kms. per wagon day continued to maintain the improvement of the earlier years, simultaneously with a drop in the turn round both on the B.G. and on the M.G. Thus the turn round which was 12.7 on the B.G. during 1968-69 and 9.69 on the M.G., dropped to 12.6 and 9.41 respectively in 1969-70. In this connection, it may be explained that turn round which is defined as "the time of interval which lapses between two successive utilisations (loadings) of a wagon" and which is empirically derived by dividing the effective wagon holdings by the number of wagons loaded in a particular period, depends on the speed of movement, speed of handling at the terminals as well as on the average load of traffic. This turn round gets affected not only by slower movement but also by detention to wagons at major terminals or by major users like Steel Plants. An increase in lead of traffic also affects turn round. It is, therefore, possible that even with an improvement in wagon mobility, as reflected in wagon Kms/wagon day, turn round may be worse, on account of an increase in lead.

The load of traffic is a factor determined by the production pattern and demand pattern for different commodities in the country. For example as the demand for pig iron and finished steel

is growing continuously in all areas of the country situated far away from the Steel Plants, load of this traffic has been continuously increasing. Similarly the demand for cement has been continuously rising all over the country. With heavy concentration of cement factories in the South and to some extent in the west, cross country movement of cement has tended to increase in recent years contributing to an increase in the load of cement traffic. The green revolution in the North has again led to an increase in the load for foodgrains. Load of traffic is thus a factor over which the Railways do not have any control, but nevertheless it has a vital bearing on the turn round of wagons.

After 1969-70 conditions changed substantially, particularly on account of the unsatisfactory law and order situation in the Eastern sector affecting directly the working of the Eastern and S.E. Railways and indirectly, almost all the other zonal Railways on account of these Railways having to contend with less availability of wagon and also with difficulties in free movement to destinations on or across Eastern and S.E. Railways. Therefore, in the year 1970-71, there was a noticeable drop in indices of efficiency like wagon Kms. per wagon day, net tonne Kms. per wagon day and wagon turn round. The law and order situation in the Eastern sector continued to be unfavourable for major part of the year. There was some improvement only towards the end of the year, but the effect of this improvement could not be felt fully in the working of the Railways on account of this having been, more or less, compensated by the pressure of very heavy defence moves in connection with the Indo-Pak hostilities of 1971. Wagon Kms. per wagon day and net tonne Kms. per wagon day improved slightly both on the B.G. between 1970-71 and 1971-72, but the wagon round deteriorated on both the gauges. This deterioration was primarily the result of a substantial increase in the load of traffic from 615 Kms. to 641 on the B.G. and 422 to 447 on the M.G.

While the different indices of wagon utilisation have generally shown an improvement over the years, it may be observed from the figures, that in some cases the position today is only as it was in 1965-66 or even slightly worse. The Railways' continuous efforts to improve the position in these cases are thwarted by extraneous factors which retard the pace of movement and thereby affect wagon mobility."

1.7. During evidence a representative of the Railway Board deposed: "The para refers to 1971-72, but the ground covered is from 1965-66 to 1970-71. This period from 1965-66 to 1970-71 can be broadly divided into two phases 1965-66 to 1969-70 and 1970-71 onwards. The earlier phase is covered by the period, we have

referred to as the recession period. From 1970-71 onwards is the period, we have referred to as the disturbed period, when the law and order conditions were disturbed."

1.8. Referring to the period 1965-66 to 1967-68, the witness stated: "The fact is that our wagons were stabled and were lying idle. As the Chairman has pointed out, there was to be a certain rate of growth. We planned at a certain rate of growth. When we ended the Third Five Year Plan we were meeting the full demand of the traffic at that time. When this recession came, it was pointed out to us that we had some surplus stock. We said we had been planning for a certain growth. But when recession came we cut down our wagon orders. But the wagons for which orders had been placed two or three years earlier had to come."

1.9. He added: "We offered wagons to the trade and industry. The demand fell. As the demand did not exist, the wagons were stabled. I am referring to the period upto 1968-69. After that the position changed."

1.10. As to the utilisation of wagons in the period after 1969-70, the witness stated: "I would like to say that when this matter of wagons' utilization and turn-round was discussed in 1969-70 by the then PAC, we had submitted at that time that certain anti-social activities had started and they were interfering with the railway movement. Its intensity was tremendous in 1970-71 and in 1971-72. Now, I would like to say that these activities were the worst on the Eastern Railway serving Bihar and Bengal, South Eastern Railway serving Bihar and Bengal and North East Frontier Railway serving North Bengal. We analysed the situation statistically and found that there was a big drop on the broad-gauge on the Eastern Railway which was not possible for the other railways to make good, although other areas were working normally. When you review the performance of the Eastern Railway, you must take into consideration that it had the biggest wagons holding. In 1971-72, I think, it was 80,000. In fact, they were holding more wagons to the detriment of the other railways and as many as about 20,000 wagons were piled up and immobilised."

1.11. In reply to a question the witness stated: "The period upto 1969-70 was a period when there was recession and lack of traffic. But the period 1970-71 to 1971-72 was one where the difficulty was due to our inability to lift because of the extraneous factors which we have discussed earlier, such as the law and order position, disturbed conditions and so on. The correct gauge of our performance should be net tonne-Km. excluding the weight of the wagon, i.e. what we have loaded into the wagons and for how

long we have carried it. After all, the railways are supposed to lift the maximum load."

1.12. During evidence the Committee enquired how the increase in the holding of special type wagons affected the turn-round of wagons. In this connection, the representative of the Railway Board stated: "Until 20 years ago, we had mostly four-wheeler covered wagons of carrying capacity of 22/23 tonnes. Similarly we had open wagons of the same capacity. The only eight-wheeler wagons on the broad-gauge were the open trucks for carrying timber, machinery, logs etc. From 1950 onwards with the industrialisation of the country and setting up of the steel plants etc., we had to go in for special type of wagons of higher capacity. These wagons were of 55 tonnes capacity as against 22/23 tonnes-capacity of ordinary wagons. Some of these were specially meant for certain industries such as steel plants. These wagons were to meet the requirements of a certain volume of traffic in the Third Plan and to the extent that the traffic did not materialise in the 3rd Plan, there was a small surplus.

We planned a certain volume of traffic by the end of 3rd Plan. We invested money in certain works and we invested in rolling stock. It is a fact that by the end of the 3rd Plan, to the extent, the traffic did not come up, we had a surplus capacity in certain sectors."

1.13. The Committee desired to know the reason why the number of wagons held up inside steel plants increased in spite of comparatively less traffic. A representative of the Ministry of Steel informed the Committee during evidence: "The production figures of finished steel in the integrated steel plants were:

1967-68	4.57 million tonnes
1968-69	4.72 " "
1969-70	4.79 " "
1970-71	4.54 " "
1971-72	4.48 " "
1972-73	4.79 " "

We have already explained to the Railway Board the reasons for the hold-up of a larger number of wagons in Steel Plants circuit than the norm fixed by the Railways many years ago. These are: firstly, the changes in the mode of traction of Railways. When the steel plants were designed, the introduction of diesel and electric traction and heavier block loads were not contemplated; and to that extent, the steel plants have not kept pace with Railways.

The second factor is more frequent dislocations in the Railway system affecting uniformity of flow of loads into and from the steel plants. Then there has been more frequent imposition of route restrictions, increased incidence of receipt of blocks with mixed loads and frequent bunching." He added: "There were certain facilities created inside the plant initially. When the mode of operation was changed by the Railways, it was difficult to match that in the steel plants. We had provided handling facilities in the steel plants for receipt of particular types of wagons in certain proportions, but we found that the types of wagons that were coming were different. The initial facilities which were provided there proved to be some what inadequate. We do not have enough facilities to handle these new types of wagons. Subsequently, the Railway Board advised us that we must change over the facilities. Some of their suggestions have been taken up for implementation."

1.14. In reply to a question, the witness stated: "There has not been any improvement right now. We expect that there will be definite improvement in the coming years. Member, Transportation, Railway Board, had visited some of the steel plants last year along with Secretary, Steel Ministry and one of the things that was pointed out was inadequacy of locomotive power."

1.15. During evidence the representative of the Railway Board stated: "I will go back to the stage of planning of the steel plants. At that stage, there were only two steel plants, Tata Iron Steel Co. and the Indian Iron Steel Co. They had their own systems of working. They had special type of wagons provided in conjunction with the then East Indian Railway and the Bengal Nagpur Railway. When the steel plants were being set up by the Hindustan Steel Ltd. Plant, there were discussions regarding the type of wagons, to be used to suit their requirements as consideration of the type of raw materials which would be coming to these plants. A study was carried out by a team of the two Railways, the Eastern Railway and the South Eastern Railway to determine, how much time the steel plants would require for wagons inside the steel plants. On the basis of this study, certain detention times were allowed for different types of rolling stock. If it is a four-wheeler covered wagon bringing general goods or construction material, it is unloaded just like as in a goods-shed. If it is a side discharge wagon, you just open the switch and the contents fall into the trough; so less time is required. If it is a centre discharge wagon, it has to be taken on the high line and centre discharge is done; everything is dropped through the centre and so the handling time is different. The methods of handling are different for different

types of wagons and for each type of wagon a different time is required."

1.16. The witness added: "At that time, certain suggestions were made by the Railways to the steel plants that they must improve their internal handling, and certain changes in loading were suggested. It is our view that if these improvements were carried out by the steel plants, the detentions would be less. The detentions have gone up, whereas the steel plants' production has declined. Durgapur got into trouble and Rourkela too got into difficulties, the decline in output has been accompanied by increase in the detention to wagons inside the steel plants."

1.17. In reply to a question, the witness stated: "Our observations are that there has been handling of less traffic with less production; but detentions have been more than they used to be. We had therefore represented that the internal handling of the steel plants needs improvement. To the extent wagons are detained more by the steel plants there will be corresponding reduction in the availability at the other end.

So, we are only representing that we are meeting the full requirements of the steel plants by putting in more wagons at their service than were planned. If we do that, we must correspondingly deny them to other users.

Recently, the Ministry of Steel has considered the problem and appointed a Committee to go into the matter of the methods of handling of the steel plants to see to what extent the service can improve, and to what extent the steel plants can improve their handling and internal working arrangements etc., so that the utilisation of assets will improve, demurrage charges will be reduced and detention to wagons will come down."

1.18. In regard to the payment of demurrage by the steel plants, the representative of the Ministry of Steel stated: "The payments, which were around Rs. 61 lakhs in 1963-64 went up to Rs. 1.68 crores in 1969-70 and were as much as Rs. 2.38 crores in 1972-73. So, it has gone up four fold in ten years. It has almost doubled in a period of five years since 1967-68."

1.19. Asked about the reasons for this increase, the witness stated: "We agree that it is an unsatisfactory position and a Committee has been appointed to go into the matter. We are expecting the Committee to make their recommendations in about six months and they will be implemented in a year or two."

1.20. In the same context, the representative of the Railway Board deposed: "Talking about utilization of wagons, railways are

not interested in collection of demurrage. We want the utilization of assets to come up because we would earn much more by better utilization of wagons than a few crores of rupees by way of demurrage from the steel plants. In 1965-66, the pig iron produced was 7.09 million tonnes. In 1970-71, it was 6.99. The total output came down from 18.19 to 17.66. The raw-material intake came down from 29.4 to 28.2 million tonnes. The finished product from steel plants which was 6.32 in 1965-66 also came down to 6.2 in 1970-71. The average number of wagons held in steel plants daily in 1969-70 was 5,956; in 1970-71, it was 6,798 and in 1971-72, it was 6,942. During this period, the utilization had deteriorated and wagons were not turned out quickly because of this other users were deprived by giving more wagons to steel plants which could have done with less."

1.21. The Committee asked how dieselisation, electrification and increase in block rake movements had affected the wagon turn-round. In a note, the Railway Board have stated: "Dieselisation and delectrification do have a salutary effect on the mobility of wagons under normal conditions, but their overall effect on the turn-round is not very substantial. As mentioned in reply to Point No. 28, turn-round is governed not only by the physical movement of wagons but also terminal detentions in yards, stations, industrial sidings, ports, etc. Dieselisation and electrification, however, have impact on the mobility of wagons alone.

During the period from 1965-66 to 1971-72, there had no doubt been an increase in dieselisation and electrification, which apart from increasing throughout and capacity on different sections did help to some extent in improving the speeds of trains also. However, as mentioned in answer to Point No. 28, the effect of an improvement in speed on wagon turn-round is at best only marginal.

Block rake movement does help in improving wagon turn-round provided it is not neutralised by factors like detention at loading and unloading points and disruption to normal flow of traffic by extraneous factors. A major portion of the block rake movement pertains to the movement of raw materials to steel plants, export ore to ports and coal to power houses and other major industrial units, which have their own sidings to handle these rakes. These block rakes are generally given longer time for handling at the terminals. The actual detention to wagons in steel plants and ports had gone up during the period under review. These factors consumed a major part of the benefit that could have, otherwise, been derived from these block rake movements in so far as wagon turn-round is concerned. Another factor which has to be borne in mind

is that a major percentage of the block rake movement is in special type of wagons, such as hoppers, petrol tanks and other bogie stock, such as DFRs and BOXs, which necessarily have to run empty in one direction in most cases, thereby affecting their overall utilisation and turn-round.

Disturbed law and order conditions particularly in the Eastern sector in 1971-72, squatting on rail tracks, attacks on trains, theft of railway equipment including overhead traction wires, wagon fittings, telecommunication and signalling equipment and vandalism by miscreants in piercing the side-panels of wagons for robbing the contents etc. resulted in immobilisation of thousands of wagons. The pressure of large scale defence movements, movement of Bangla Desh refugees and prisoners of war, which continued almost upto the end of March 1972 had further adverse repercussions on the normal flow of traffic.

The cumulative result of all these factors was slowing down of operation and reduced mobility of wagons, which in turn resulted in deterioration in wagon turn-round despite the extension of dieselisation and electrification and increase in block rake movement during this period."

1.22. One of the main reason given for increase in wagon turn-round is the fact that there has been increase in leads. The Committee enquired whether increase in leads between 1965-66 and 1971-72 was more than offset by increase in speed of goods trains and if so whether the increase in speed of goods trains should not result in quicker turn round. In a note on the subject the Railway Board have stated: "The comparative figures of increase in leads and speed between 1965-66 and 1971-72 are as follows

	BROAD GAUGE		METRE GAUGE	
	Lead (kms)	Speed (Kms)	Lead (kms)	Speed (kms)
1965-66]	556	16.4	368	14.0
1971-72	641	18.2	447	14.9
Increase .	85	1.8	79	0.9

It would be seen that while the lead increased by about 15 per cent on the B. G., and 21 per cent on the M. G. between 1965-66 and 1971-72, the speeds went up only by 11 per cent on the B. G. and 6.4 per cent on the M. G., during the same period. The sped,
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as the term denotes, relates to wagons which run and not to those which are held in yard, industrial sidings, ports and other terminals, whereas 'turn-round' pertains to all wagons effectively available for loading irrespective of whether they are on the run or detained at various terminals for loading, unloading or for handling in marshalling yards. The effect of increase or decrease in speed is therefore only marginal on the overall turn-round of wagons.

As regards the relative effect of increase in speed and lead over wagon turn-round, it may be mentioned that while a B. G. wagon took 33.9 hours to cover a lead of 556 kms. at the then speed of 16.4 kms. per hour in 1965-66, it took 35.2 hours to cover the increased lead of 641 kms. at the higher speed of 18.2 kms. per hour obtainable in 1971-72. In absolute terms, it meant an increase in transit time by 1.3 hours. This shows that the marginal benefit that could have otherwise been achieved by increase in speed has been more than offset by increase in lead during this period.

It may also be mentioned here that notwithstanding the increase in speed, wagon kms. per wagon day on the B. G. were 74 in 1971-72. The net increase in lead in 1971-72 over 1965-66 was 85 kms. With the average mobility of wagons being 74 kms. per day, the extra time needed to cover this additional load would work out to little over 1.1 days. The turn-round of wagons increased by 1.7 days between 1965-66 and 1971-72 out of which 1.1 days is explained by the increase in lead itself beside the increase in speed.

The effect of increase in lead on the turn-round has been more severe in the case of metre gauge. The lead increased by 79 kms. and with the wagons kms. per wagon day being 58.5, the extra time needed to cover this enhanced lead was 1.3 days.

It would thus be seen that the effect of speed of goods trains on the turn-round is at best only marginal and in case there is a substantial increase in lead simultaneously this marginal benefit is also fully absorbed."

1.23. In reply to a question whether the further addition to wagon holding has contributed to the deterioration in the indices of wagons utilisation, the Railway Board have, in a note, stated: "It is true that holding of a large number of wagons in excess of what is justified by the traffic requirements is bound to interfere with the efforts to secure their optimum utilisation. The Railways are fully alive to the implications of holding excess stock and have, therefore, avoided provision of any cushion while planning for the manufacture of additional wagons.

The procurement of additional wagons is done strictly on the basis of forecast of traffic as given by the Planning Commission and other user Ministries. These requirements are scrutinised in detail and provision for additional wagons is made on as realistic a basis as possible, without providing any extra cushion for unforeseen factors.

The impression about the Railways holding a large cushion of wagons has perhaps been generated by the fact that while holding of wagons on the Indian Railways increased, there was no corresponding increase in the originating tonnage lifted by the Railways in 1971-72. It may be clarified that this phenomenon is due primarily to :—

- (a) increase in lead and resultant increase in net tonne kms.,
- (b) existence of a large number of extraneous factors slowing down railway operations.

As regards (a), it may be mentioned that while the originating tonnes dropped from 203.0 million in 1965-66 to 197.8 millions in 1971-72, there was a substantial increase in net tonne kms. from 1,16,936 millions in 1965-66 to 1,33,270 millions in 1971-72. In other words, increase in lead necessitated use of additional wagons to carry even the reduced level of originating traffic.

As regards (b), the seriously disturbed working conditions obtaining on the Railways particularly in the Eastern, South Eastern, and N.F. Railways in the eastern sector during 1971-72 had very adversely affected the mobility of traffic and hence the utilisation of wagon fleet. Extensive anti-social activities were prevalent in that area which badly interfered with normal train running. There were numerous cases of theft of overhead electric wires, communications cables, signalling equipment, wagon fittings, etc. Besides, there were a number of cases of assault on railway staff on duty, attacks on running trains for purposes of looting the contents of wagons etc. There were a series of strikes and bundhs which crippled movement of traffic. All these factors indirectly contributed to demoralisation of the railway staff at different levels who had to work under unprecedented pressure. Though conditions of working in Railways other than those situated in the eastern sector were comparatively better, their performance could not fully off-set the drop in efficiency particularly on the Eastern and the N.F. Railways. The sluggishness in operation on these Railways caused by extraneous factors can be gauged from the following efficiency indices which showed a deteriorating trend as compared to some

other Railways:—

		Eastern	N.F.	S.Rlv.	Central	Western
Net tonne kms. per wagon day (BG)	1970-71	625	565	686	1016	1039
	1971-72	539	478	766	1218	1338
Wagon km. per wagon day (BG)	1970-71	51.9	41.8	60.9	87.7	89.7
	1971-72	45.8	30.9	66.6	97.3	107.1
Turn round (in days) (BG)	1970-71	8.83	8.40	9.29	7.10	7.22
	1971-72	10.3	9.50	8.62	6.35	6.17

Simultaneously, large scale emergency movements had to be undertaken by the Railways in connection with Indo-Pak War. There were also heavy movements of refugees from and to Bangla Desh and of prisoners of war. These lighting, white-hot and red-hot priority moves naturally had an adverse effect on the movement of other traffic and led to extra detentions to such wagons in yards, stations and enroute.

The cumulative effect of all these factors was a deterioration in the indices of wagon utilisation including wagon turn-round.

The Railways have nither specifically planned for nor do they have any excess cushion of wagons."

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

1.25. The other important indices of wagon utilisation are: (i) wagon Kilometres per wagon day, (ii) Net tonne kilometres per wagon day, (iii) Average wagon loading during the run and (iv) percentage of loaded to total wagon kilometres. According to Railways Board's own assessment while the different indices of wagon utilisation have generally shown an improvement over the years, in some cases the position to day is only what it was in 1965-66 or even slightly worse. In this connection it is worth noting that the index of net tonne Kms. per wagon day on B.G. was 908 in 1960-61

889 in 1967-68, 908 in 1970-71 and 935 in 1971-72. The index of average wagon load during the run was 18.5 in 1960-61, 18.6 in 1965-66, 17.9 in 1970-71 and 18.00 in 1971-72. Thus the position is actually worse than what it was over a decade ago.

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

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

Detention to wagons in sick lines, Transportation workshops and Mechanical workshops

Audit Paragraph

1.28. The percentage of wagons awaiting repairs in sick lines, Transportation workshops (running sheds) and in Mechanical workshops has been increasing over the years indicating increased detentions to wagons.

Percentage of wagons awaiting repairs to total on line:—

	In sick line and transportation workshops		In Mechanical workshops		Total	
	B.G.	M.G.	B.G.	M.G.	B.G.	M.G.
1965-66	3.10	2.29	0.89	1.08	3.99	3.37
1966-67	3.34	2.57	0.87	1.03	4.21	3.60
1967-68	3.25	2.73	0.84	0.84	4.09	3.57
1968-69	3.14	3.15	0.86	0.88	4.00	4.03
1969-70	3.46	3.12	0.95	1.04	4.41	4.16
1970-71	4.13	3.31	0.98	1.15	5.11	4.46

1.29. Besides the increasing trend in proportion of wagons awaiting repairs, the detentions in Mechanical workshops for repairs also have been increasing, as seen from the following statistics showing the average number of days wagons despatched during the year remained in Mechanical workshops:—

Railways		1968-69	1969-70	1970-71	1971-72
Central	B.G.	4.46	4.66	5.96	6.03
Eastern	B.G.	5.37	5.52	5.40	5.86
Northern	B.G.	4.79	5.03	5.42	8.3
	M.G.	6.89	6.70	5.73	5.35
North Eastern	M.G.	•	5.77	5.83	5.75
Northeast Frontier	M.G.	•	•	•	•
Dibrugarh workshops		•	5.33	6.69	6.45
Bongaigaon workshops		•	12.1	12.5	12.9
Southern	B.G.	•	4.35	4.39	5.26
	M.G.	•	2.94	4.29	4.68
South Central	B.G.	4.09	4.05	4.59	7.10
	M.G.	3.84	3.72	3.70	7.81
South Eastern	B.G.	7.32	6.55	8.53	10.6
Western	B.G.	6.23	5.29	8.85	11.6
	M.G.	3.86	3.95	6.50	7.31

*Not available

Due to both these factors, the availability of wagons in good repairs out of the total on line has gone down during 1970-71.

1.30. The Ministry of Railways (Railway Board) stated (November, 1972) that the wagon ineffectiveness, increased slightly in 1969-70 and 1970-71, only, primarily due to the serious law and order situation that developed in the eastern part of the country, affecting in particular the Eastern and South Eastern Railways. There was also an increase in the theft of bearing brasses and wagon components which rendered a large percentage of wagons ineffective.

(Paragraph 10 of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways).

1.31 Explaining the reasons for the increase in the percentage of wagons awaiting repairs in sick lines, Transportation Workshops (running sheds) and in Mechanical Workshops, a representative of the Railway Board deposed during evidence: "We have the system to watch maintenance of stock. For the wagons we have fixed up a nominal target that the total ineffective wagons should be within 4 per cent. The wagons are given a major heavy overhaul in workshops once in 3½ years, once in four years, depending upon the type of stock. Then they are also given minor repairs in places what we call the sick lines. There are some petty repairs in the yards too. All these repairs put together, our aim is that at no time the wagons ineffective be more than 4 per cent of the total fleet.

From 1965 onwards the figures have been varying between 3.9 per cent to 4.4 per cent in normal years. The figures really deteriorated in the year 1969-70 and 1970-71. Here also the deterioration was really marginal—half a per cent. We have further analysed it and we find that this deterioration to the All India figure was caused by the Eastern Sector Railways—i.e. South Eastern, Eastern and North Frontier. Here the figures went up considerably in the years 1969-70, 1970-71 and also 1971-72. These three Railways have contributed to certain deterioration in the overall All India figure. The reasons for the deterioration of maintenance in the Eastern Sector can be three or four.

Firstly there is heavy vandalism and the second was difficulty in obtaining spare parts. We started finding it difficult to obtain our usual spare parts with the result that the time taken in workshop was increasing. The manhours were increasing.

The third reason was the increasing damage which was being caused to our wagons by the loading of finished steel products from the steel plants. The loading of steel products should really be

done in special stock. The special stock is not available, so the steel plants have been loading more and more in whatever wagons they had. This load causes very heavy damage to the wagons which had to be sent to the workshops for major repairs. The fourth point which has caused an increase in ineffective wagons is the increase in the workload of a wagon when it goes to the workshop for a major overhaul. We have provided 200 hours per wagon for heavy repairs in a workshop. Because of these factors the man-hour load on each wagon increased to as much as 390 man-hours, but mainly in the Eastern, North and N.F. sectors. The workshop which normally attended to 50 wagons a day, it came down to 30 wagons, 28 wagons, because the adequate man-power was not there to handle such heavy repairs on each wagon."

1.32. Referring to the inadequacy of the man-power contributing towards ineffectiveness of wagons, the Committee enquired what was the difficulty in having more men. To this the witness replied: "We took a decision some 1½ years ago to increase the man-hours. In view of the need to keep the productivity at a certain level, we were trying for quite some time to do this additional work with the existing manpower available. But we found that we had to increase the manpower and we have done it now in a big way."

1.33. About the measures taken to improve the situation the witness stated: "In 1965-66 the ineffectives were 3.99 per cent and it went up to 5.11. It was worse in 1970-71 but it has now come down in the current year to 4.11. Our best performance was in 1965-66; we reached our worst performance in 1970-71, but we have come down now from 5.11 to 4.1—that is, an increase of 1 per cent in a matter of 18 months. Now, besides injecting more staff into the major workshops, we are also taking steps to expand the capacity. In order to handle the additional workload, we have made certain plans for expansion. A new workshop is being set up at Vijaya-wada. By the end of the Fifth Plan we will be able to completely wipe out the deficit and also work to an 'ineffective' of 4 per cent."

1.34. He further added: "You will be glad to know that from 1971-72, particularly in 1972, we have almost returned to the normal and we are nearabout 4 per cent. While, we have laid this internal yardstick for measuring our maintenance efficiency, these are not the figures which can be rigidly adhered to. It is not possible that day in and day out we can stick to this."

1.35. The Committee were given to understand that detentions in sick lines and transportation workshops mainly occur due to delay in repairs, by the Mechanical Department, of these sick wagons and

delays in removal either after repairs or to the Mechanical Workshops for special repairs or periodical overhaul. In regard to the techniques of repairs followed on Indian Railways, a representative of the Railway Board stated during evidence: "The difference is that in other countries they have mechanised repair techniques to a very great extent to save on labour; but we do not have that problem. If we do over-mechanisation, it will be too much labour saving. But we are improving our techniques and we having more modern workshops also."

1.36. In reply to a question the witness added: "The basic problem has been that there is a shortage of capacity in the major sick lines with the result that a lot of work has to be done in the work and therefore their figures have gone up."

1.37. The table below gives details of the capacity, outturn and arrears in periodical overhaul of wagons:

Railway	Workshop	Periodical overhaul of wagons			Extent of arrears in periodical overhaul of wagons on 1-4-72
		Capacity per month	Actual outturn in 1971-72	Outturn per month in 1971-72	
South Eastern	Kharagpur	1300	9729	811	10926.5
Western	*BG 780 POH 100 NR raised to 950 POH		8696	725	5507.5
	M.G.	475	2793	233	2430
South Central	Hubli	46	363	30	97
North Eastern	Gorakhpur	421	4297	358	
	Izatnagar	275	2895	241	3261
	Samastipur	150	1355	113	
Northeast Frontier	Dibrugarh	150	1488*	124	Not available
	New Bongaigaon	150	1639	138	Not available
Southern	Perambur (BG)	525	5512	459	3316
	Mysore (MG)	225	2484	207	1421
Eastern		1557	10122	844	Not available

1.38. It is seen from the above that the outturn from workshops of wagons after periodical overhaul was generally below the planned capacity of the workshops during 1971-72 and the number of wagons overdue for periodical overhaul was also large. Asked about the reasons for not utilising the planned capacities of the workshops, the Railway Board have, in a note, stated: "On the Eastern Railway the full capacity of Kancharapara and Liluah workshops could not be utilised for the overhaul of wagons due to—

1. Shortage of electric power and sudden load shedding.
2. Shortage and irregular supply of industrial gases viz. oxygen and acetylene which are commodities most needed for repairs of wagons.
3. Heavy workload on the body repairs of fourwheeler stock due to heavy corrosion and vandalism.
4. General law and order problems which were many particularly in the Eastern region.
5. Postponement of periodical overhaul following demand for wagons during the Indo-Pakistan conflict.

On the North Eastern and Southern Railways, outturn in the shops was affected due to shortage of electric power and industrial gases. In addition, the four-wheeler stock had heavier work content due to damaged body panels on account of corrosion and vandalism. On the North Eastern Railway staff had also resorted to go slow tactics resulting in serious drop in outturn.

South Central Railway does not overhaul any general service B.G. goods stock. It only repairs some departmental stock.

The capacity on the South Eastern Railway was fully utilised.'

1.39. During evidence the representative of the Railway Board wagon comes for repairs, it should have 200 man-hours of work content of the wagons. We have laid down a target. When a wagon comes for repairs, it should have 200 man-hours of work. That was about eight or nine years ago. Today the work content of a wagon has gone up from 200 to 280 man-hours."

He added: "We have increased the number of workshops and also increased the man-power to meet the situation."

1.40. The Committee enquired about the extent of arrears in periodical overhaul of wagons and how the Railway Board proposed to overtake these arrears. In a note on the subject the Railway

Board have stated: "The percentage of overdue POH wagons on the Indian Railways is as under:

	Broad Gauge	Metre Gauge
31-3-1968	8.83	8.18
31-3-1969	10.69	9.3
31-3-1970	11.02	7.3
31-3-1971	13.35	7.93
31-3-1972	15.77	9.12
31-3-1973	18.73	10.97

As regards Metre Gauge wagons, the overdue POH percentage has remained at the level of 8 to 10 per cent which cannot be considered as abnormal. To enable feed to shops a certain level of overdues of this order has to be aimed at. The installed capacity in Metre Gauge shops is 31,170 FW units as against the arisings of 31,117 FW units. It will thus be seen that the position in respect of Metre stock is satisfactory.

In so far as the B.G. goods stock is concerned, the overdue percentage has been steadily increasing following the increased work content mainly on four-wheeler stock brought about through heavy corrosion and vandalism. The present holding of B.G. wagons is in the region of 3,76,000 four-wheeler units. Taking the average approximate annual arisings for POH on the basis of the revised return dates promulgated w.e.f. 1-7-73 comes to 83,000 FW units per annum. The actual out-turn over the last three years has been as follows:

Year	Outturn	Overdue POH % at end of year	% Rate of increase between successive periods
1970-71	73,312.5	13.35	
1971-72	60,765.5	15.77	2.42
1972-73	67,270.5	18.73	2.96
July '73		22.18	3.45

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With the anticipated induction of 84,000 four-wheeler units during the Fifth Plan period the B.G. holdings is expected to rise to the level of 4.7 lakhs four-wheeler units. With the arisings being far in excess of the present annual target capacity for POH which is at the level of 84,460 four-wheeler units per annum, the following steps have been taken to increase the repair capacity in workshops:

1. Jagadhri workshop was proposed for expansion in this connection and was included as item 112 of 1972-73 Northern Railway's Works Programme. This expansion is in progress by which target capacity is expected to increase by 3,200 FW units annually by the end of 1974-75.
2. A new Wagon POH shop for BG wagons has been sanctioned on South Central Railway in 1973-74 Works Programme. The funds provided in the current year were Rs. 15 lakhs and Rs. 1.48 crores have been asked for in 1974-75 Works Programme. If the work is suitably expedited, this Workshop should become functional by 1977-78 for 25 per cent of the target capacity which would progressively increase to the full capacity of 13,600 four-wheeler units by 1980-81.

In addition, it is proposed to further enhance the POH capacity within the limitation of funds that may be made available during the Fifth Plan as under, as this represents the most expeditious and with the minimum investment outlays:

Expanding the present capacities of Raipur, Kota and Jhansi workshops to the optimum possible.

With this it is anticipated that the arising trend of overdue POH will be reversed by the fourth year of the Fifth Plan.

Modernisation of selected sick lines is also planned with a view to cater to the repair needs of goods stock arising from extension in POH periods. The quality and quantum of attention provided by these sick lines will reduce the workload at time of POH, thus assisting in most expeditious repair by shops."

1.41. The Committee desired to know whether due to arrears in carrying out periodical overhaul, the percentage of wagons awaiting repairs had increased. To this, the Railway Board replied: "Due to inadequacy of POH capacity, if percentage of overdue POH of wagons increases, then due to the poor condition of such wagons, the percentage of wagons awaiting repairs is found to increase. It has been specifically noticed that there is market proneness for

overdue POH wagons to be ineffective and sick. The increase in defects needing repairs on such overdue POH wagons follows practically a linear graph on time basis. It is very necessary that adequate capacity for POH be available/developed in the workshops as well as in the Depots/sick lines to currently attend to the POH arising of wagons. Necessary action in this direction has been initiated."

1.42. The Study Team of the Administrative Reforms Commission in their report of November, 1968 on Railways had made several recommendations in regard to development of workshop facilities on Indian Railways. In regard to reorganisation of the workshops the Study Team had observed: "...there are today as many as 30 major and 18 minor mechanical workshops on the Indian Railways for the repair and overhaul of rolling stock. This had led to considerable multiplication of repair arrangements, multiplicity of costly equipment and a diffused stocking of spare parts and materials which inevitably builds up inventories. This has hampered the rational distribution of work and the introduction of a systematic belt-type repair system in suitable major railway workshops so as to reduce costs and improve productivity. We, therefore, consider that it is high time that workshop reorganisation is taken up with sufficient forethought, imagination and coordinated planning to obtain optimum results. Unless this problem is examined in the light of the changing requirements, there is a grave danger of capacity remaining idle, *ad hoc* use being made of facilities which may not be adequately productive and the likely accumulation of components and spares for certain classes of locomotives which may soon be eliminated. The problem, therefore, warrants close examination and early action."

1.43. The Study Team further observed: "Some of the railways abroad, notably the German and the Japanese, provide ample evidence of having achieved substantial results by adopting improved techniques. The services of Mr. Michael Dehm, Director of Productivity, German Federal Railways, were secured by the Ministry of Railways towards the end of 1958 to examine the working of the repair workshops of the railways. His report contains some very valuable suggestions for effecting substantial economies and increased productivity.

It was also stated by Mr. Dehm that the German Railways would be willing to provide the following facilities, if it was decided to implement these recommendations, namely:

- (i) Deputation of necessary technical personnel to India whose wages would be paid by the German Railways,

but the Indian Railways would bear their expenses on boarding and lodging in India;

- (ii) All the technical data needed for implementation of the recommendations;
- (iii) Supply, free of charge, of jigs and fixtures which were spare with them but would be useful in India."

1.44. In regard to the implementation of the recommendations made by Mr. Dehm the Study Team records: "It is unfortunate that the follow-up action on the recommendations has been delayed so long and that the assistance offered was not availed of. We recommend that this report should be quickly reexamined and implemented to the extent found possible."

1.45. Referring to the above recommendation of the Study Team, the Committee enquired whether the same had been implemented. A representative of the Railway Board deposed: "The main recommendation is that all the workshops should be organised on a central basis and put under Central control like what has been done in Germany and Britain. We have not yet implemented the recommendation but are actively considering it."

1.46. Taking note of the modern trend in foreign countries in regard to delinking of operating units from repair workshops, the Study Team of Administrative Reforms Commission had also recommended that Kanchapara and Kharagpur workshops should be placed under the control of the General Manager, Chittaranjan Locomotive Works, Chittaranjan and the General Manager, Diesel Locomotive Works, Varanasi respectively. The Committee were informed during evidence that this recommendation was still under consideration. The Chairman, Railway Board explained: "This recommendation of putting the workshops under CLW and DLW was not feasible because those two General Managers have already enough work with their own manufactures and they have enough problems on hand. Our system is different from the one in the Continent. We have pooled wagons. Our wagons are all over the place and the workshop capacity is worked out on the basis of allocation of wagons on the ownership basis to the different railways. The workshop of that particular railway is responsible for those wagons. When they are to be repaired, they come back to the railways. We have found that it is far better for the General Manager to be responsible for the control rather than somebody who goes roving round and who is not able to exercise day to day control over this. We are thinking of a better system of organisation for the workshop management within the railways rather than having a separate organisa-

tion on a universal basis. The existing weaknesses are really within the organisation of the workshops and this is being looked into."

1.47. As to the reasons for the under-utilisation of installed capacity of railway workshops the Railway Board have stated that shortage of industrial gases and damage to wagons on account of corrosion were contributory factors. In regard to gas a representative of the Railway Board stated: "The total availability of this gas is limited. In fact, for the last three or four years, we have gone out of stock with the result that there is a serious set-back in repairs in all the workshops. There are three firms such as Indian Oxygen, Asiatic Oxygen and one more firm. These are three main sources of supply."

1.48. On being asked whether the Railway Board planned to have their own production of gas on which they were spending about a crore of rupees per year, the witness informed the Committee that the matter was under consideration. He also added: "We can set up our own plant. Some of the existing units can set up captive plants in our workshop so that we can get regular supply. These are the two possibilities."

1.49. In regard to captive plants, the witness added: "In that case we would not do capital investment. If I ask them to set up captive plants in our workshop, I will get gases at the rated contract at standard prices without having to invest our capital."

1.50. The Committee enquired about the anti-corrosion measures taken on the Railways. The witness stated: "We have been taking full anti-corrosion measures so far as passenger coaches are concerned. We are going to introduce it for the wagons also. The problem is that suppliers have to set up certain special facilities for giving this anti-corrosion treatment from the very beginning. They have now been asked to set up those facilities."

1.51. Subsequently, in a note furnished at the instance of the Committee, the Railway Board stated: "A committee consisting of the Chief Mechanical Engineers, Eastern and S.E. Railways, Director Standards (W) and Director (M&C), RDSO was constituted in May, 1973 to go into the question of corrosion on wagon panels and to recommend remedial measures for prevention of corrosion. This committee while going into this question also held detailed discussions with the important wagon manufacturers. The Committee has since submitted its report and main recommendations made by them are briefly as under:—

- (i) Mechanical damage to wagon panels forms the starting point of corrosion from the exposed bare metal surface.

For this purpose damage to wagon panels should be avoided by ensuring proper packing conditions and by installing mechanised retarders in hump yards to control shunting speeds.

- (ii) Use of general service wagons for transport of hot refuse, cinder ash in private sidings and yards to be prohibited. Use of lining materials like polythene bonded gunny cloth on the floor and sides before loading commodities like salt, fertilisers, sulphur etc.
- (iii) Eliminate as far as possible riveted joints by welded fabrication.
- (iv) Use of low alloy steel sheets and other steel sections for wagon manufacture.
- (v) Emphasis laid on surface preparation of panel sheets, floor angles, riveting strips, crib angles, skirting plates etc. used for wagon manufacture in the fabrication shops by grit blasting of surfaces and then use immediately of another coat of zinc chromate primer again followed by a finishing coat of red oxide so that there is proper protection given to the exterior surface.
- (vi) Use of angular grit and of dry blasting equipment. The surface preparation in respect of new wagon construction, for pragmatic application, has been asked to be carried out in three phases with two stages in the first phase.
- (vii) With regard to surface preparation and painting techniques for older wagons undergoing ROH repairs in wagon repair shops it has suggested grit blasting on both sides to a height of 230 mm from lower level for plates/sheets followed by immediate application of zinc chromate primer and coat of red oxide used for patches while beyond that level for body patches grit blasting and painting is to be done only for the exterior. The crib angles and floor angles and riveting strips which are being replaced during POH should be grit blasted on both sides and painted before being fitted. Provision for grit blasting and painting to be adopted should be as per corrigendum 0-5 of R-6—59 specification.
- (viii) The Committee has recommended painting procedure for new builds and wagons currently in service, wagons built during interim stage and wagons built during final stage. Further some specific recommendations with regard to quality of primer and finishing paints has also been made.

Based on the recommendations of this committee RDSO have framed the revised painting schedule for wagons and have issued necessary instructions to the Railways on 29-11-1973 to implement the same immediately."

1.52. The Committee are concerned to note that the percentage of wagons awaiting repairs in sick lines, Transportation Workshops (running sheds) and in Mechanical Workshops has been increasing over the years indicating substantially increased detention of wagons, though the Workshops capacity remain unutilised. The percentage of BG wagons awaiting repairs to total on line increased from 3.99 in 1965-66 to 5.11 in 1970-71. In the case of MG wagons the percentage of wagons awaiting repairs rose from 3.37 in 1965-66 to 4.4 in 1970-71. The Committee were informed during evidence that for the purposes of measuring maintenance efficiency of Railways it had been laid down that ineffective wagons should not any time exceed 4 per cent of the total stock. Judged on the basis of this criterion there has been severe deterioration during the years 1968-70 and 1970-71. Besides the increasing trend in proportion of wagons awaiting repairs, the detentions in Mechanical Workshops for repairs have been considerably increasing on most railways from year to year. Further the percentage of overdue POH of BG wagons had increased from 8.83 at the end of March, 1968 to 22.18 (more than 2-1/2 times) at the end of July, 1973. Due to poor condition of such wagons the percentage of wagons awaiting repairs is bound to increase. It is now essential to find out the wagons that are being supplied by private company (ies) whether they are generally upto the mark or not.

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

- (i) Shortage of capacity in the major sick lines for ordinary repairs.
- (ii) Faulty repair techniques followed in the workshops.
- (iii) Lack of modern workshop facilities; and
- (iv) Under-utilisation of available workshop capacity for periodical overhaul of wagons due to various reasons such as

shortage of power, shortage and irregular supply of industrial gases, heavy work load on the body repairs of four wheeler stock due to heavy corrosion etc.

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

1.55. They recommend that the question of reorganisation of workshop facilities on Railways may be re-examined at the highest level within a target date with a view to formulate a time bound programme for bringing in the necessary improvements, keeping in view particularly the Fifth Plan requirements of wagons. Measures should also be taken to improve the productivity of the workshops.

**North Eastern Railway—Increase in the number of
engine failures**

Audit Paragraph

1.56. An engine is considered to have failed when it is unable to work its booked train from start to destination or causes a delay of one hour or more through some defects. The various causes leading to engine failure are classified by the Railway Administration as (i) defective design/material, (ii) bad workmanship in shops/sheds, (iii) mismanagement by crews, (iv) bad fuel/water and (v) other miscellaneous causes.

1.57. A review of the statistics relating to steam engine failures on the Railway from the year 1966-67 to 1970-71 (Appendix I showed that (i) the number of engine failures increased from 120 during 1966-67 to 182 during 1968-69 and stood at 164 for the year 1970-71; (ii) the percentage of failures attributable to bad workmanship and mismanagement was 90.3 during 1970-71 as against 73.3 for the year 1966-67; (iii) the performance index of Kms. per engine failure also deteriorated from 236 thousand Kms. in 1966-67 to 183 thousand in 1970-71; and (iv) the engine failures were generally more pronounced on the passenger services than on goods services. The incidence of engine failures relating to passenger services to total engine failures varied between 60.2 per cent and 70 per cent during the period from 1966-67 to 1970-71, except in the year 1967-68 when it was 46.5 per cent.

1.58. Engine failures which reflect operational efficiency of maintenance of the steam locomotives involving standards of maintenance in sheds, workmanship in shops and operation by engine crews, had shown a deteriorating trend since 1966-67.

1.59. The Railway Administration stated (October, 1972) that the factors governing the engine failures were largely human and, therefore, required continuous attention to ensure that adequate control on engine failures was being exercised; that engine failures were invariably meticulously enquired into and administrative action initiated to avoid recurrence of such cases. However, the increase in percentage of the failures caused by bad workmanship and mismanagement, from 73.3 per cent in 1966-67 to 90.3 per cent in 1970-71 indicates that measures taken by the Administration to control such failures had not been fully effective in arresting the deteriorating trend of maintenance and operation since 1966-67.

[Paragraph 11 of the Report of the Comptroller and Auditor
General of India for the year 1971-72—Union Government
(Railways)].

1.60. During evidence the Committee desired to know how the Railway Board accounted for the number of engine failures on North Eastern Railway which increased from 120 in 1966-67 to 164 in 1970-71. A representative of the Railway Board explained: "Primarily due to bad maintenance and inadequate supplies of spare parts. But here I would like to mention that for engine failures, we have laid down a yardstick for keeping it under control and our yardstick was all along 1,60,000 kilometers till about four to five years ago. This has been raised to 2 lakhs. Because some Railways have given better figures, we raised the target. If you will see the figures for North Eastern Railway for the last 10 years, I would submit that the figures of 1961-62 and 1962-63 which stood at 74,000 kilometers and 98,000 kilometers improved to as much as 2,36,000 kilometers. In 1966-67 they dropped for two years, but in 1968-69 they started showing improvement again.

Each engine failure is immediately investigated by a District Mechanical Engineer and thereafter thoroughly scrutinised by the Chief Mechanical Engineer. We also get monthly statement in the Railway Board office of the instances of engine failures on the various Railways.

The North Eastern Railway started coming down in 1967-68 and the matter was taken up with the North Eastern Railway. It was mainly due to faulty maintenance and steps were taken by the North Eastern Railway to rectify them. It took them a couple of years to sort out their difficulties. I have no justification in this regard obviously it was failure in maintenance, but it has been put right now. The latest figure for 1971-72 is 2,60,000 kilometers."

1.61. The witness further added: "A locomotive fails due to three things. One is had maintenance, the second is mis-management on the part of the driver and the third is faulty material—this is, the material used on the locomotive as spare parts which are not of steel."

1.62. In reply to a question the witness explained that the life of many of the parts required for replacement was two to three years. Asked whether Railways were accepting any sub-standard parts which might be responsible for engine failure, the witness replied: "I said 'no' because our inspection of what we buy is very rigid; but we cannot say that we can eliminate it 100 per cent. So, the main reason will be either faulty maintenance or mis-management. Now, there is shortage of steel for spare parts and that also affected us over the years. For the last four or five years we are not getting adequate steel and other materials."

1.63. Referring to the large percentage of failures attributable to bad workmanship and mis-management, the Committee desired to know the reasons for this. The representative of the Railway Board stated: "It is sheer neglect..... Maintenance is the responsibility of the maintenance staff of loco-sheds or the repair staff of the workshops. But the crew also handle the locomotives; they oil them, grease them, etc.

To give you an example, if the boiler becomes over-heated it fuses. The crew sometimes become negligent about the level of water and the boiler gets over-heated. If the crew does not manage it properly, there is no damage to the engine as such, but it would be deemed a failure. At one time, we used to take up the matter very severely. Now, it is a matter of telling them that this is the thing that has to be very carefully watched."

1.64. As to the measures taken to control mis-management and bad workmanship, the witness stated: "While the investigations are always carried out thoroughly and preventive action is also taken, in only one aspect we have not been able to take action in the last few years, that is, the disciplinary action against the staff who are held responsible."

1.65. The Committee asked how the figures of engine failures on the North Eastern Railway compared with the failures on other metre gauge railways. In this connection the representative of the Railway Board stated: "Actually, the performance on the North Eastern Railway is quite good as compared to North Frontier Railway. There, the figure is even worse. The performance on the Northern and Western metre-gauge sections is also about the same. The incidence of engine failures is a thing which we have had all along. The only thing is that it has increased during certain periods on different railways. We keep a very close watch on it."

1.66. On being asked whether the use of more over-aged locos on North Eastern Railway resulted in more failures, the witness stated: "We confine the over-aged engines to very un-important services on the branch-line or on the shunting or things like that. Those engines are not put on the trunk routes. These old engines are utilised on inferior services. On the trunk routes, on the main line, where the engines carry through goods train or passenger train, where the engine has to do a very long distance and it has a full load behind it, even there a new engine is at times inclined to fail due to various reasons. The age of an engine would contribute to a higher incidence of engine failures. Since such old engines are utilised on inferior services, that is not making any extra contribution."

1.67. He added: "The opinions of different mechanical engineers on this issue can vary. But since our normal policy is that over-aged engines should be confined to inferior services, then the higher incidence of engine failures there will not be there."

1.68. The Committee were informed that keeping in view the figures of foreign countries the initial performance index of 1,60,000 kms. per engine failure was revised by the Railway Board to 2,00,000 Kms. in November, 1966. The following table gives details of the actual performance on some of the railways:

	Kms. per engine failure (figures in thousands)					
	South Central	North Eastern	North East Frontier	Southern	Northern	Western
1965-66	..	186	213
1966-67	205	236	199
1967-68	301	159	156
1968-69	209	157	97	174	288	216
1969-70	202	191	Not available	149	296	246
1970-71	205	183	86	96	338	261
1971-72	163	236	Not available	216	307	205

1.69. It is seen from the above that the performance on Railways like South-Central, North and Western was more than the target. The Committee asked whether the existing target of 2,00,000 kilometers for engine failure was realistic in the light of actual performance of some of the Railways. In a note the Railway Board have stated: "The target of Kilometres per engine failure had been increased to 2,00,000 in November, 1966 from the previous figure of 1,60,000 Kms. The targets as a rule are set at higher levels so that efforts may be intensified by the Railways to achieve the same and endeavour to constantly improve performance. Efforts at improving the performance in respect of engine failures will continue but the difficulties in the availability of certain steel sections for the

motion parts and the present day staff problems constitute impediments in achieving this goal on certain Railways. These are being tackled vigorously and Railways are resorting to imports of steel to overcome the same."

1.70. The figures on engine kms. per engine failure on North Eastern Railway during 1966-67 to 1970-71 were as under:

1966-67	2,36,000
1967-68	1,59,000
1968-69	1,57,000
1969-70	1,91,000
1970-71	1,83,000

1.71. Referring to the above figures the Committee enquired why could not the position of engine failures and performance index of kms per failure achieved in 1966-67 on N.E. Railway be maintained in subsequent year. In a note the Railway Board have stated: "Engine failures are accidents and statistics pertaining to this vary widely. To assess the performance of a railway figures for much longer period are therefore considered desirable to review. The engine failure statistics of NE Railway for ten years from 1961-62 to 1971-72 indicate considerable improvement. The figure of Kms. per engine failure in 1971-72 had improved to 2,36,000 against the target of 2,00,000. It has to be appreciated that the shortage of certain steel sections for the manufacture of motion parts coupled with go slow tactics by staff have also on occasions affected the performance in this respect. Efforts, however, continue to be made in this index of performance and which has been reflected in 1971-72 performance."

1.72. In another note the Railway Board have stated: "It is not correct that there has been a deteriorating trend. The performance of North Eastern Railway during the last 3 years has been satisfactory and in 1971-72, the performance was above the target fixed by the the Railway Board. It is correct that in 1967-68 and 1968-69, the performance had deteriorated but a comparison with figures from 1961-62 to 1964-65 indicates that the performance was at better levels. However, during these years the performance was near the earlier target of 1,60,000 Kms. per engine failure."

1.73. The Committee enquired about the steps proposed to be taken by the Ministry of Railways to control the increasing incidence of engine failures. In this connection the Railway Board have stated: "Every case of engine failure is investigated in detail by Mechanical Engineers at the Divisional level and these reports are scrutinised at the Headquarters level by Deputy Chief Mechanical Engineers and Chief Mechanical Engineers. The analysis of failures are carried out every month and at the shed and divisional level, the Committees of Foremen, Inspectors and Mechanical Engineers examine the various aspects causing engine failures. Even at the Headquarters level Committee of Deputy Chief Mechanical Engineers study these analysis and adopts various measures to improve the performance and suitable directives are issued to improve the maintenance practices as well as takes steps to ensure that correct materials are used in the manufacture of components. Staff responsible for neglect are suitably taken up. Whenever necessary, modifications in the components for better service are made and preventive schedules are suitably modified, keeping in view the trends of failures.

These thus constitute the methodology adopted to control and remedy the incidence of engine failures."

1.74. As to the steps taken or proposed to be taken to improve the workmanship on the Indian Railways, the Railway Board have in a note stated: "Every case of engine failures is investigated in detail by Mechanical Engineers at the Divisional level and these reports are scrutinised at the Headquarters level by Deputy and Chief Mechanical Engineers. The analysis of failures are carried out every month and at the shed and divisional level a Committee of Foremen, Inspectors and Mechanical Engineers examine the various aspects causing engine failure.

2. At the Headquarters level the Committee of Deputy Chief Mechanical Engineers study these analysis and adopt various measures to improve the performance and suitable directives are issued to improve the maintenance practices as well as to take steps to ensure that correct materials are used in the manufacture of components.

3. Staff responsible for neglect are suitably taken up. Whenever necessary, modifications in the components for better service are made and preventive schedules are suitably modified, keeping in view the trends of failures.

4. The various training course are being conducted on the railways to train the artisans and supervisors in the maintenance of the locomotives.

5. Mechanical Engineers have been asked to frequently visit Loco Sheds and made surprise checks so that better check and control is exercised in the working of Loco Sheds.

6. A concerted drive is maintained to ensure better staff motivation so that effects of go slow and neglect are overcome."

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

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

Chapter II

PURCHASE OF STORES

South Central Railway-Procurement of small track fittings at extra cost.

Audit Paragraph

2.1. Orders for the supply of 31.69 lakhs of steel keys were placed by Director General, Supplies & Disposals on firm 'A' on 8th April, 1970 at the rate of 57 paise per piece, out of which 14.44 lakhs steel keys were to be supplied to South Central Railway by March, 1971. As adequate quantity of steel billets was not received out of the quota for allotment by Director General, Supplies and Disposals, the firm did not supply any keys upto December, 1970.

2.2. In view of large requirements of steel billets for firms on whom D. G. S. & D. had placed orders for fabrication of track fittings for Railways a proposal for import was processed through a series of high level meetings from January, 1970 onwards and the decision to import steel billets was taken in July, 1970. The Railway Board arranged for the import of 28,000 tones of steel billets in October, 1970, to be supplied within two to four months. Full quantity of steel billets was received by March, 1971 out which only 1,243 tonnes could be issued to fabricators by November, 1971 [c.f. para 20 of the Report of the Comptroller & Auditor General of India for the year 1970-71—Union Government (Railways)].

2.3. In May and June, 1970, when the proposal for import was under consideration, the Railway Board instructed the Railways to resort to direct procurement from trade to meet their urgent requirements for small track fittings for Track Renewal Works. Accordingly, the South Central Railway Administration placed direct purchase orders on 26th December, 1970 and 27th February, 1971, for the supply of 3.25 lakhs steel keys at a rate of Rs. 1.25 per piece on firm 'A' which had failed to supply keys by December, 1970 against orders placed by Director General, Supplies & Disposals, in April, 1970. The extra payment made to the firm on this account worked out to Rs. 2.21 lakhs.

2.4. The main justification for the direct purchase of steel keys at a higher rate from firm 'A' was that the fabricator would have to arrange the raw material by himself from other than controlled

sources and that the requirements of keys were most urgent and could not be met from the normal sources of supply under the running contracts with the Director General, Supplies & Disposals owing to non-supply of raw materials.

2.5. It may, however, be pointed out that the direct purchase at higher rates was avoidable in view of the arrangements having already been made for the import of billets and partial restoration, by the end of 1970, to the Director General, Supplies & Disposals the special quota of steel billets from the steel plants, further, the supply position could have been improved by special efforts made through the Director General, Supplies & Disposals (under whose running contracts substantial quantities were pending from the firm).

2.6. The Railway Administration stated (October, 1972) that the supply position of keys was extremely critical and the Railway purchased only 13 percent of the outstanding number of steel keys and it was also not considered necessary to consult the Director General, Supplies & Disposals as there was a complete failure in the supply of keys against orders already placed by him. They also stated that the cost of keys manufactured by using imported billets and supplied against the subsequent running contract of the Director General, Supplies & Disposals finalised in August, 1971 was Rs. 1.12 per key and if the Railway had waited for about a year they could have saved only 13 paise per key or about Rs. 39,000 at the most.

2.7. The Railway Board further stated (January, 1973) that: (i) as against the requirement of 2,300 tonnes of tested billets for manufacture of 31.69 lakhs keys, the firm received only 340 tonnes of tested billets upto November, 1970; (ii) they had been pursuing the question of supply of keys to meet urgent requirements in the quarterly production schedule meetings held by the D. G. S. & D.; and (iii) the Railway Administration had also been directly chasing up the firms for the supply of the keys against the D.G.S. & D.'s orders endorsing copies of these letters to the D. G. S. & D. They also explained that the D. G. S. & D. had entered into further contracts for a total quantity of 101 lakhs of keys with imported billets at an average rate of Rs. 1.254 per key and, therefore, there was no significant loss to the Railways in having procured keys @ Rs. 1.25 per key.

2.8. It may be stated that since the billets had already been procured by the Railways for issue to the fabricators subject to the difference between the cost of imported and indigenous billets being

borne by the Railways, a comparison with the price of keys fabricated out of such imported billets is not appropriate. After taking into account the higher landed cost of imported billets—Rs. 1,200 against Rs. 659 per tonne for indigenous supply—the extra amount paid to the firm worked out to Rs. 1.17 lakhs computed on the basis of rate accepted in April, 1970.

[Paragraph 15 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

2.9. Explaining the circumstances leading to direct purchase of Keys by the South Central Railway, the Chairman, Railway Board stated during evidence: "The position was that at the time when these purchases were authorised, the deliveries were not forthcoming from the suppliers because of the shortage of billets. The South Central Railway open line had, in 1969-70, as against the requirements of 25.8 lakhs of keys, received only 1.4 lakhs of keys and in 1970-71, as against 19.25 lakhs of requirements, they received nothing.

In other words, in these two years, out of 44 lakhs of requirements, they received barely 1.4 lakhs. For the entire Indian Railways as a whole, in these two years, from April, 1969 to November, 1970, the total requirement of keys for which order was placed was for about 299 lakhs. Out of that the delivery has been only 68½ lakhs. For very emergent requirements, the Railways were permitted to place their limited orders. The South Central Railway placed an order for about 3.25 lakhs against a shortfall of nearly 43 lakhs for works. Even emergent works were not fully covered. It touched only the surface."

2.10. The Committee desired to know the urgent works of the South Central Railway for which direct purchases were made. In a note, the Railway Board have intimated: "South Central Railway's urgent requirements of mild steel keys was of the order of 25 lakhs comprising of the following:

1. Track renewals including track circuiting works	10 lakhs
2. Day to day maintenance and casual renewals	10 lakhs
3. Doubling and conversion	5 lakhs

However, for the purpose of placing requisition for direct purchase.

the requirement of 3.25 lakhs of keys were shown against the following works:

Quantity	Name of work
(1) 25,000 nos.	CTR work for 47.00 kms. on Ballarshah-Kazipet section (W.P. item No. 92 of 70-71 and sanction No. W. 504/C/23 of 3-6-68).
(2) 3,00,000 nos.	(i) 1,00,000 nos. for CTR work of 47.00 kms. on Ballarshah—Kazipet section (W.P. Item No. 92 of 70-71 and sanction No. W. 504/C/23 of 3-6-68). (ii) 1,00,000 nos. for CTR work of 37.053 kms. on Ballarshah—Kazipet section (W.P. item No. 93 of 70-71 and sanction No. W. 504/C/27 of 21-7-69). (iii) 1,00,000 nos. for CTR work on Pune-Sholapur section for 36.77 kms. (W. P. item No. 140 of 70-71 and Rly. Board's sanction No. 70/W6/RWT/E/69 of 18-3-72)."

2.11. Asked whether keys directly procured were utilised on works for which they were planned originally, the Railway Board stated: ".....there were many urgent requirements requiring a total 25 lakhs keys and within these requirements there were competing demands. As far as the requisition as such is concerned, 25,000 keys were used for the works listed (complete track renewal for 37 Kms. on Ballarshah-Kazipet section) therein and the rest were used on the other competing demands as follows:—

	Nos.
(a) Miraj—Kolhapur conversion	1,00,000
(b) Track Renewal works including track circuiting works:	
(i) Complete Track Renewal for 49.7 Kms. on Pune—Sholapur section (W.P. item No. 148 of 1969-70)	33,000
(ii) Urgent CTR for 25.9 Kms. on Wadi—Secunderabad Sec. PWI/R/Lingspalli (W.P. Item No. 143 of 1968-69)	20,000
(iii) Urgent Through Sleeper renewal of 26.0 Kms. PWI/Bapatla on Gudur—Vijayawada section (W.P. item No. 154 of 1968-69)	48,000
(iv) Urgent Through sleeper renewal of 25.67 Kms. on Vijayawada—Gudivada Sec. (W.P. Item No. 165 of 1969-70) PWI/SW/Gudivada	8,000
(v) Urgent through sleeper renewal of 17.00 Kms. on Vijayawada—Gudivada Sec. (W.P. Item No. 163 of 1969-70) PWI/S/Vijayawada	16,000
(vi) Urgent track circuiting works	36,000
Total of 'b'	1,61,000
(c) Urgent Track maintenance works including casual renewals	39,000

2.12. During evidence the Committee enquired why the keys procured on emergent basis for certain works were not used on those works. The Chairman, Railway Board stated: "They had to choose from a very large number of urgent works. At the time of placing of the indent, they identified some of them. So it does not mean that the others were less urgent. They were in such a tight spot that they had to choose from a very large number of works and they chose some. When the keys were received, half of them were used on these works. The only additional work that came was Miraj-Kolhapur conversion project. It was in the emergency requirements list. But the opening date had to be brought forward; it was decided that they should open this conversion in April-May, 1971. That is why about one lakh keys were diverted to that."

2.13. In reply to a question the witness stated: "The emergency was building up from 1969-70. As against the requirements of 25.8 lakhs, they got 1.4 lakhs (keys)." The Committee asked about the special steps taken by the South Central Railway to approach the DGS&D for expediting supplies of Keys under the running contracts. In this connection the witness stated: "Our Railway Officer who is doing liaison is there. The positions watched by the Railways from time to time. They are in touch with regard to overall supply. These were contingent on supply of billets. In 1970-71 upto November 3.2 percent of the supplies were received. That was the state of affairs. There were many items like this. South Central Railway's writing hundreds of letters would not have changed the position. The bureaucratic way of writing to them to keep the record straight is one thing, but that would not have changed the position." He added: "South Central Railway was writing to all of them, suppliers against whom orders were placed. They endorsed all these copies to the DGS&D. They were chasing them and at the same time endorsing copies. What more can they do?"

2.14. To another question the witness replied: "I think the Railway did very well. If I were in their position, I would have been forced to make an even higher purchase but, they did not do it. I would imagine their situation in 1970-71 when their outstanding was 44 lakhs and they received only 1.4 lakhs. One may say that they have not failed and have acted prudently."

2.15. In regard to the position regarding supply of billets to the manufacturing firm and supplies of keys made by the firm during the relevant period, a representative of the DGS&D deposed: "Admittedly the billet situation was somewhat bad. As soon as the Steel Ministry abandoned completely our quota sometime in 1969, the supply position of billets did not come up sufficiently for another

eight to nine months. Later they started coming... Out of 31 lakhs and odd, 14 lakhs and odd were meant for the South Central Railway. Out of this, even before the receipt of raw materials from the Steel Mills against the essentiality certificate, the firm started the supplies some time in September, 1970. They supplied about 85,000 and followed it by another 42,000 before December, 1970. Bulk of the steel was received some time in December-January. The steel received while quantitatively sufficient to manufacture the entire quantity it was not entirely tested quality. A major portion was of commercial quality. Further the sizes in which the billets were indented were not received and much higher sizes were released to the firm. The firm got into correspondence with the steel mills and certain changes in the subsequent supplies were made. The supply position between the crucial period, that is, by March, 1971 was something like this.

They supplied in September, 1970, 85,000 keys—all went to South Central Railway. Then, again in December they supplied about 0.4 lakhs keys—all went to South Central Railway. A bulk supply was made in March—6 lakhs and odd for the entire railways but, South Central Railway got 2.60 lakhs. The point at issue was whether they could have completed the entire requirements of the South Central Railway during that period. It may be stated that it was not possible in the sense that they did not have the right quality of raw materials. If you see the performance of the firm right through, they had completed the rest of the contract for the supply after getting the right quality of billets subsequently. It had accounted for the entire quantity of billets and the full quantity of 31 lakhs and odd had been supplied including the requirements of the South Central Railway."

2.16. The Committee enquired whether it would have made some difference if the South Central Railway had written to DGS&D much earlier in regard to their urgent requirements. To this the representative of the DGS&D replied: "I think it should have. It would have been at the expense of some other consignee to the same extent in the sense that this firm was the only firm which had started supplying in right earnest and a corresponding order placed on three other firms had not been kept up by them." The witness further stated: "In any case they came in with a request and we did help them by supplying them 5 lakhs of keys. In fact we got a letter thanking us for assisting them in this regard."

2.17. The Committee desired to know why DGS&D permitted a direct purchase by the South Central Railway from the firm with

whom they had a running contract. The representative of the DGS&D stated: "The question as to how we allowed our fabricator to supply directly, I am afraid, we did not know about the direct order until it was placed."

2.18. On this being pointed out by the Committee the Financial Commissioner for Railways stated: "We had written several letters on the subject, in September, 1969, in December, 1969, in March, 1970, bringing out the lack of supplies from this particular firm and sending a copy to the DGS&D, requesting them to do something about it."

2.19. In reply to a question why the DGS&D were not informed about the direct purchase from the same firm, the witness stated: "Under the rules, the Ministry of Railways are entitled to make some minimum direct purchases from the open market. Under that delegation of powers, we made these direct purchases. It was a matter of urgency." He further added: "If the DGS&D thinks that any useful purpose will be served by intimating this kind of transaction to them, we shall do that. There is no objection on our part to do so. We buy the minimum requirement in an emergency. If we keep on coordinating with the central agency, then the whole purpose of emergency will be lost."

2.20. In this connection the representative of the DGS&D stated: "As he pointed out, they can buy emergency requirements. They have got the powers to do that. They do not have to consult us. But the problem in such a case is, when the suppliers are the same. If you place a direct order on them, it has a bearing on the existing orders with them. To that extent, there is some sort of jeopardy to a contract at a lower price. That may get delayed."

2.21. The Committee asked whether it was a healthy practice to make direct purchases on higher rate from the supplier which had failed to supply against DGS&D contract. To this the Financial Commissioner for Railways replied: "DGS&D enters into rate contract for large quantities and it does happen that sometimes the contractors are unable to supply to us the materials required on demand. Railways are put in a very difficult predicament. They bring it to the notice of the Company and DGS&D. Then as an administrative Ministry, we authorize a small portion of the things to be purchased from the market. It is also true that at that time, the prices are a little higher than originally agreed to according to the rate contract. The explanation usually given is that for the smaller quantities, the rates are slightly higher than the bulk supplies. The philosophy behind entering into a rate contract is that

by bulking the supplies, DGS&D gets cheaper prices. When they fail to satisfy our demand because certain market conditions prevail, we are forced to buy at somewhat higher price than the rate contract."

2.22. In reply to another question the witness stated: "in emergent purchases, there is always an element of extra cost. We would like to buy on a priority basis and the fabricator will charge more. May be he diverts supplies from somebody else. But this is a feature, with which we have to live. But then it is a very small percentage. This problem keeps on coming every time."

2.23. The Audit paragraph states that in view of the large requirements of steel billets for firms on whom DGS&D had placed orders, 28,000 tonnes of steel billets were imported. Full quantity of steel billets was received by March, 1971, out of which only 1243 tonnes could be issued to fabricators by November, 1971. The Railway Board have intimated that the year-wise issue of imported billets are as indicated below:

Year	Quantity M/Tons
1970-71	500
1971-72	4200
1972-73	14500
1973-74 upto Feb. 74	4300
Total	23,500

2.24. In a note the Department of Supply have stated: "The distribution of 28,000 tonnes of imported billets was made by Railway Board through the Central Railway. Only a quantity of 7,774.610 M.T. of imported billets was released against DGS&D's orders upto-date. The distribution of these billets to different fabricators against the DGS&D's contracts is shown in the statement below:

Statement of imported billets released by Central Railway against DGS&D orders for fabrication of track materials in contracts concluded by the DGS&D.

(Releases were made initially on 31-12-71 against Bank Guarantees received from the fabricators/contract-holders).

Firm's Name	Despatches made by Railways Depots against the release advice issued by the DGS&D	
	M.T.	
1. Ramchander Heeralall	(a)	464·200
2. Ajanta Iron & Steel	(a)	510·350
	(b)	500·00 0
	(c)	500·000
	(d)	258·000
3. Associated Engg. Ind.	(a)	190·600
4. Gujarat Iron & Steel	(a)	101·200
5. HISCO	(a)	249·800
6. Laule	(a)	160·000
7. GKW	(a)	256·000
8. Sudarshan Steel	(a)	528·165
9. S.E.W.	(a)	733·000
	(b)	302·304
	(c)	330·000
	(d)	270·000
	(e)	421·000
Total		5,774·610
	(f)	1,000·000
		Under despatch from Rly Depot.
10. Punjab Steel Rolling Mills	(a)	1,000·000
Grand Total		<u>7,774·610</u>

2.25. On being asked about the reasons for long delay in the issues of imported billets, the Chairman, Railway Board stated in evidence: "That was an arrangement that had to be done in consultation with the DGS&D and basically, the fabricator found it difficult to provide money against the supply of billets because of

the rates involved. When they got it from the JPC, they had a quick turnover. Here is a case where they had to take over a much larger stock; the problem was that they could not invest that much money in stocks. The only question there was the settlement of bank guarantee which had to be settled with them finally. Delay of course occurred in handing over all the stocks."

2.26. In the same context the Financial Commissioner for Railways said: "This was one of the items which was lying in stores to which attention was drawn pointedly. Since all our transactions in the matter of fabrication of keys etc. are carried out through the DGS&D, really, it is in the hands of the DGS&D for his final disposal of billets."

2.27. In reply to a question the witness stated: "We agree that the stock stored should have moved earlier, as it was said that it was urgently required."

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

2.29. It may be recalled that in paragraph 2.112 of their Seventh Report (Fifth Lok Sabha) the Committee had desired that the Government might consider whether it was at all desirable to resort to local purchases at higher rates from the firms holding contracts to supply the same goods. The DGS&D had then stated that as a matter of general policy, they did not favour direct purchases in

respect of stores on contract. The Committee consider that only in exceptional cases should such procurement be resorted to in consultation with the DGS&D. They desire that suitable instructions in the matter should be issued to all the indenting departments forthwith.

2.30. The Committee are also unhappy to note that 28,040 tonnes of steel billets imported on an urgency basis and which were received in India by March, 1971, have not yet been fully utilised. As at the end of February, 1974, 4,500 tonnes of the billets were awaiting disposal. The Committee cannot but deprecate the locking up of resources in this manner.

Central Railway—Loss on procurement of bearing plates due to non-adoption of drawings in metric units.

Audit Paragraph

2.31. The metric system of weights and measures was introduced by stages from October, 1958 and finally on 1st December, 1967 the use of non-metric units was declared illegal. The Central Railway Administration placed an indent on Director General, Supplies & Disposals on 23rd December, 1967, for procurement of 1,95,000 numbers of bearing plates, the specifications and drawings of which were in non-metric units. While inviting tenders, the Director General, Supplies & Disposals amended these specifications to conform to metric units but drawings in the non-metric units were retained. On the basis, a contract for the supply of bearing plates at the rate of Rs. 4.19 each was awarded to firm 'A' in April, 1968. Since the firm failed to make supplies, the contract was cancelled in January, 1969 at their risk and cost. In April, 1969, fresh orders conforming to the drawings in non-metric units were placed on another firm 'B' for supply of bearing plates at the rate of Rs. 5.60 each, the extra expenditure being recoverable from firm 'A'.

2.32. In May, 1969, the Central Railway Administration suggested to the Director General, Supplies & Disposals to substitute the non-metric drawings by metric drawings. Metric drawings of the bearing plates were the equivalent conversion of the inch unit drawings and there was no difference between these two drawings excepting the variation in dimensions due to rounding off to the nearest figure. The Director General, Supplies & Disposals, however, did not agree to the Railway's suggestion on the plea that it was obligatory to order stores to identical drawings in such cases of risk purchase. Firm 'B' delivered only 16,104 nos. of bearing plates and thereafter failed to complete the supply even after grant of extensions. In

September, 1970, the order on this firm for the balance quantity was cancelled at their risk and cost.

2.33. Legal advice given in September-October, 1970 was that the contracts with both these firms were void in law, since they stipulated supplies conforming to drawings in non-metric units, the usage of which had become illegal at the time the contracts were awarded. Consequently, the enforcement of recovery of extra expenditure arising due to such risk purchases had to be given up and the balance quantity was ordered on firm 'C' at the rate of Rs. 7.50 each, after adopting drawings in metric units. This resulted in an additional expenditure of Rs. 6.65 lakhs and Rs. 350 lakhs computed on the basis of accepted rates of firm 'A' & 'B' respectively.

2.34. The Railway Administration stated (August, 1972) that since this was a standard material required by Railways, the Director General, Supplies and Disposals who was dealing with indents from all the Railways for the same item could have substituted the non-metric drawings with the metric drawings, as he had done in other similar cases in consultation with the Railways.

2.35. The Ministry of Supply stated (September, 1972) that the Director General, Supplies & Disposals was acting only as an agent and it was for Railways to satisfy that the stores conformed to requirements stipulated in the indents. Further, the drawings in non-metric units and metric units given by Central Railway were not identical and substitution straightaway by the Director General was not possible.

[Paragraph 17 of the Report of Comptroller & Auditor General for the year 1971-72—Union Government (Railways)].

2.36. The Committee were informed that the Research, Designs & Standards Organisation had issued in October, 1964 metric drawings equivalent to the then existing inch unit drawings of bearing plates but this drawing [T 10141(Adv)] was not referred to by the Railway while forwarding the indent to the DGS&D. During evidence the Committee enquired why did not the Central Railway submit the indents in metric drawings even in December, 1967. The Chairman, Railway Board explained: "The Railway made a mistake in not specifying the metric drawings. It could have been detected at the time of placing the contract."

2.37. Subsequently, in a written note, the Railway Board stated: "The change over from the FPS system to metric system involved revision of a very large number of drawings. For track items alone the number of drawings to be revised was 1250.

The revision of drawings in metric units is an extremely complicated work in as much as each part has to match with the other components of the assembly so that the assembly as a whole functions as an integral unit. For example, in the instant case the bearing plate had to be used in conjunction with the rail, M. S. Keys, round spikes and the sleeper.

Railways experienced considerable difficulty in changing over to metric units as there was the possibility that parts manufactured to metric units may not fit the assembly which earlier had parts to FPS units."

2.38. According to the Audit paragraph the Railway Administration suggested only in May, 1969 to the DGS&D just after the contract on firm 'B' at the risk and cost of firm 'A' was concluded in April, 1969, the desirability of substituting metric drawings for the non-metric drawings. To a question why did the Central Railway not adopt entirely metric units before May 1965 in terms of Bombay weights and Measures (Enforcement) Act, 1958, the Railway Board have replied: "The Central Railway received the revised drawing for anti creep bearing plates in metric units to Drawing No. T 10141 in 1965. But the revised specifications to metric units were published in May, 1967. Moreover the Railways faced practical difficulties in the switch-over to the materials in metric units."

2.39. The Committee desired to know why the DGS&D did not ensure that their contracts subsequent to April, 1958 were only in terms of metric units so that they did not become void in law. In a note on the subject, the Department of Supply have stated: "Under the Weights & Measures Act, 1956, the Metric System of weights and measures was introduced by the Government of India w.e.f. 1-10-58, but this act was enforced by stages and finally by a Gazette Notification the use of non-metric units was declared illegal only from 1-12-67. Therefore, the contracts in FPS units concluded between the period 1958 and 1967 were not void but valid contracts. In view of the practical difficulties in switching over from FPS to Metric Units the Indenting Railways continued to send their indents for supply of stores in FPS Units even after 1-12-67. The contract for the Bearing Plates in question was concluded in April, 1968 in FPS drawing because the governing FPS drawing was in force at that time and had not been superseded by the Metric Drg. by the RDSO, who is the authority issuing such drawings. That would go to explain why indents both to FPS drawings and the Metric Drgs. still continued to be received in the DGS&D and the DGS&D was obliged to procure the stores as indented by the Indentor."

2.40. During evidence the representative of the DGS&D stated: "At the end of 1967, it was a transitional period for implementing the Bombay Weights & Measures (Enforcement) Act. We finally got the instructions from the Government of India in February, 1969 to strictly follow the new i.e., Metric system and not to issue any tender enquiries in the earlier system, i.e., in FPS Units.

So far as this indent is concerned, it gave the specification T-7/1955. It also mentioned the drawing No. T-2155 which was in FPS system. The specification T-7/1955 had been superseded by T-7/1967. These specifications are reviewed from time to time by RDSO. Any modifications or revision to the specification is indicated by the year in which it is revised. So, T-7/55 was revised to T-7/67. For making any changes in the drawings and specifications, we are guided by the quarterly notifications issued by the RDSO.

I have before me here Bulletin No. 133 of July, 1967 which right on the first page says:

'Indian Railways standards and specifications newly issued, revised, cancelled and IS/BS/DGS&D specifications adopted for use of Indian Railways since Notification No. 132 of April, 1967.

We have got to keep ourselves and the drawings and specifications Section in the DGS&D up-to-date with the help of these Bulletins.

Now, this Bulletin made the previous specification obsolete. So, we had to go by the Specification T-7/67. The specification T-7/55 mentioned in the indent was amended by our inspecting officer to read as T-7/67.

As far as the drawings are concerned, it is true that the Drawing No. T-10141 in metric system was in force on the day the Indent was checked. It was issued in October, 1964. Till today, we have no information from the RDSO to say that the Drawing No. T-255 has been superseded by T-10141. In view of the fact that we got the instructions from the Government in February, 1969 to implement the Weights & Measures Act strictly and since both the drawings, so far as we are concerned, were current and, in fact, they are current even till today, we left the drawing No. T-255 intact in the Indent."

2.41. The Chairman, Railway Board stated during evidence: "The specifications and drawings were available in metric units. The point is that the Railways made a mistake in giving it in FPS. But, in the early stages of the conversion in every case the DGS&D had been returning such things. In this case, for instance, they correct-

ed the specifications to metric but the drawing was left as FPS." The Committee asked why did the DGS&D not consult the Railway or the 'Railway Liaison Officer and alter drawing received from the Central Railway to conform to metric units even though in some cases such references had been made by DGS&D previously. In a note, the Department of Supply have stated: "The DGS&D did not feel the necessity to consult the Railways or the Railway Liaison Officer so as to alter the FPS Drgs. received from the Central Railway to Metric Drawings, since both the drawings were in force. References to alter the FPS to Metric Drawings were being made by the Inspection Wing of the DGS&D only in cases where doubts arose as to the correct drawings that were current. In this case the Metric Drawing is not an exact conversion of the dimensions given in the FPS drawing. Also, the headings or description on the drawings are not the same. Therefore, the Inspection Wing of the DGS&D did not consider the two drawings in FPS and Metric Units to be identical."

2.42. The Committee are distressed to learn that even though the use of non-units was declared illegal with effect from 1.12.1967 by a gazette notification issued under the Weights and Measures Act, 1956, contracts entered into by DGS&D after this date stipulate supplies conforming to drawing in the non-metric units. This has had the effect of rendering the contracts void in law which could not be enforced against the defaulting parties. As a result additional expenditure to the tune of several lakhs had had to be incurred by the DGS&D in procuring bearing plates for the Central Railway. In the case under reference the Central Railway Administration while placing an indent on DGS&D on 23rd December, 1967 for procurement of 1,95,000 numbers of bearing plates failed to give the specifications and drawing in metric units. This is admittedly a serious lapse for which the responsibility should be fixed for appropriate punishment under advice to the Committee.

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

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

Central South Eastern and Southern Railways—Non-recovery of advance payments made to a firm on proof of despatch of stores found deficient on receipt

Audit Paragraph

2.45. In paragraph 24 of Audit Report, Railways, 1969 it was mentioned that a sum of Rs. 44 thousand representing the estimated cost of deficiencies was due to be recovered from a firm in Calcutta to whom 90 per cent advance payment of Rs. 83 thousand had been made, as the supplies of signal posts made were found incomplete on receipt by the consignee (Northern Railway). The Government informed the Public Accounts Committee in October and December, 1970 that the matter was before the Arbitrator. On further enquiry, the Ministry of Supply stated in July, 1972 that the cases were still with the Government Counsel who had to file fresh application before the Arbitrator for 'Substituted Service' and that the Arbitrator had issued order sheets on some of the Directors of the firm.

2.46. Further examination revealed that the same firm had obtained similar 90 per cent advance payments aggregating Rs. 5.59 lakhs on the strength of inspection notes and proof of despatch of stores to other consignees, viz., Central, Southern and South Eastern Railways against different orders placed by the Director General, Supplies & Disposals but on receipt, stores estimated to cost Rs. 3.94 lakhs were found to be deficient. These cases are mentioned below:—

Central Railway

2.47. Based on the indents placed by Central Railway, the Director General, Supplies & Disposals concluded a contract with the firm in July, 1962 for supply of 99 signal brackets (channel type) 2 doll and 3 doll with signal fitting etc., at a cost of Rs. 1.50 lakhs. The supply was to be completed by 31st December, 1962. The firm tendered the materials for inspection during the period from 15th November to 29th December, 1962 and these were passed by the Director of Inspection, Ministry of Supply. The firm obtained advance payment amounting to Rs. 1.35 lakhs on the proof of inspection and despatch of stores. The supplies were received at the Stores Depot, Bhusaval between 5th December, 1962 and 21st January, 1964. The Railway Administration found that a large number of components were deficient and this was taken up first with the firm in April, 1963. The Director General Supplies & Disposals and the Pay and Accounts Officer, Calcutta were also requested in July and September, 1963 to withhold payment till they were advised of the receipt of all the components. The firm supplied certain components in October, 1963 and January, 1964 and advised the Railway Administration in April, 1964 that their firm was being re-organised

and they would complete the supplies shortly. However, in July, 1965 the firm advised the Director General, Supplies & Disposals that since they had got no workshop, the shortages could be made good by purchases elsewhere and the cost of items short supplied deducted from their dues. In September, 1967 the Railway Administration ultimately purchased the components at a total cost of Rs. 1,29,544.30 after examining the feasibility of their manufacture in Railway workshops and consulting the Director General, Supplies & Disposals and requested him in March, 1971 to prefer a claim for this amount. The Director General, Supplies and Disposals had, however, informed the Administration in May and August, 1969 that the firm was no more in existence and the case had been referred to Arbitration but added that even if the award was given in their favour the prospect of recovery appeared to be bleak.

South Eastern Railway

2.48. Against four orders placed by the Director General Supplies and Disposals on the same firm between July, 1962 and April, 1963 for the supply of 2 doll and 3 doll signal brackets, lifting barriers, channel posts etc., to South Eastern Railway, the firm secured advance payments aggregating Rs. 3.20 lakhs during the period from August, 1962 to October, 1964 on the strength of inspection notes and proof of despatch of stores to the consignee. The supplies which were received in various consignments between 1962-63 and 1963-64 were found to be incomplete. In September, 1963, the Pay & Accounts Officer, Calcutta was advised by the Railway Administration to withhold payment. The Director General, Supplies and Disposals, however, granted extension of time to the firm to make good the shortages and advised the Pay & Accounts Officer not to withhold payment. Out of total amount of Rs. 3.20 lakhs paid to the firm Rs. 87 thousand represented payment towards receipt of 20 sets which were complete, leaving a balance of Rs. 2.33 lakhs recoverable from the firm. Against this sum, the Pay and Accounts Officer could recover only Rs. 22 thousand from other dues of the firm. Thus a sum of Rs. 2.11 lakhs was due to be recovered from the firm. The Director General, Supplies & Disposals, however, asked the firm in December, 1968 to deposit a sum of Rs. 1.70 lakhs in respect of 3 out of the 4 orders but the amount is yet (December, 1972) to be recovered.

2.49. In August, 1971, the Director General, Supplies & Disposals informed the Railway Administration that the case was being processed for recovery through the Court of Law after ascertaining the name and present address of the firm. He further advised in February, 1972 that the subject cases referred to the court were dismissed on the plea that the correct address of the firm was not known and that these cases had again been referred to the court for publication.

Southern Railway

250. Advance payment amounting to Rs. 1.04 lakhs had been made to the same firm on the proof of despatch and certificate of inspection by Director of Inspection against two orders placed by the Director General, Supplies & Disposals in August, 1962 and February, 1963 for supply of 31 numbers 2 doll and 33 numbers 3 doll signal brackets to Southern Railway. The supplies which were received on different dates between October, 1962 and May, 1963 were found to be deficient and the firm was requested to make good the deficiencies but these have not been received so far. The total value of the deficient components had been assessed at Rs. 53 thousand in respect of one of the two orders. The particulars of deficient components in respect of the other order was furnished to the Director General, Supplies & Disposals in October 1966. The matter is still (December, 1972) under correspondence with the Director General, Supplies & Disposals and the connected files of the Railway Administration are stated to be with the special Police Establishment, Calcutta.

[Paragraph 18 of the Report of the Comptroller and Auditor General for the year 1971-72 Union Government (Railways).]

251. The Committee desired to know what type of inspection was carried out by DGS&D before advance payment to the extent of 90 per cent of the total cost was made to the firm. A representative of the DGS&D stated in evidence: "According to our contract terms, when a store is inspected to see whether it is according to the specifications, the inspector would advise the consignee and the purchase officer and hand over the inspection note to the firm as well as send a copy to the accounts office, under which that firm comes, firstly, for despatching the stores and claiming the bill by enclosing the railway receipt and a copy of the inspection note attached to it. In this case, he draws 90 or 95 per cent. He claims the balance amount on receipt a certificate from the consignee of having received the stores in full. He releases copies No. 2 and 5 of the inspection note, it comes to the firm and the firm, on the authority of the certificate, claims the balance of payment."

252. The witness added: "In this case this firm has been registered with the Government, both with the railways as well as the DGS&D since 1942. This contract relates to a period a decade ago. In retrospect when we see their performance, it was very satisfactory till this series of orders were placed. Subsequently, apparently they went through a bad financial position and they asked for certain accommodation, which was given for a period of three months. In the meantime, even the inspected goods were not despatched.

Ultimately, we had to chase them and the railways had to purchase the components of their own to make the system working."

2.53. The Committee enquired whether all items of stores required to be supplied under the three agreements referred to in the Audit paragraph were actually presented for inspection and passed as conforming to the specifications. In a note, the Railway Board have stated: "All the items offered for inspection by M/s..... against the seven orders (referred to in Audit para 18) were inspected and passed by the Inspection Authority as conforming to the relevant specification incorporated in the orders."

2.54. During evidence the representative of the DGS&D stated: "There was no defect in the inspection note. It covered the full quantity. What happened was that the firm did not despatch the entire inspected quantity and claimed payment on the basis of the inspection note."

2.55. The Committee asked when the materials had been inspected by the Director of Inspection, what were the reasons for supplies being deficient and incomplete and could not these deficiencies have been detected during inspection. In a note on the subject, the Department of Supply have stated: "The materials offered by the firm, inspected and passed by the Director of Inspection were complete as per the orders. The stores would have been rejected if these were deficient and incomplete as those could have been easily detected and incomplete reported by the Railways was apparently due to the non-despatch of the components after inspection by the firm."

2.56. Asked whether DGS&D had ascertained the capability of the firm to manufacture the equipment before tenders were accepted, the DGS&D stated: "All the seven orders were placed on the firm during July 1962 to April 1963. At that time, the firm were registered as manufacturers and supplies of various items. In fact, they were registered with the DGS&D since 1943. Therefore, before placing the orders under reference, there was no necessity to ascertain the capability of the firm to manufacture the equipment."

2.57. In the case relating to South Eastern Railway although the Railway Administration asked the Pay and Accounts Officer, Calcutta to withhold payments to the firm, the DGS&D advised the Pay & Accounts Officer not to withhold the payment. Giving reasons for this order the representative of the DGS&D stated during evidence: "Looking back I can say that this action was incorrect and inadvertently done but the circumstances leading to this are not on record as far as record goes. What was mentioned was that there were records to show that the firm has been a good supplier in

the past and that they wanted a couple of months to reorganise themselves and supply them."

2.58. Asked whether responsibilities had been fixed for the lapse in this case, the witness stated: "It is very difficult because this case pertains to contracts of about a decade ago." He added: "This is one of the contracts which went astray. We place large number of contracts every year."

2.59. As to the present position of the arbitration case, the Department of Supply have, in a note, stated: "Since the whereabouts of the firm were not available, notice for attending the arbitration could not be served on the firm. A notice has been published in the *Hindustan Times* dated 12-12-1973 for appearance of the firm or its Director within 4 months."

2.60. In another note, the Department of Supply have intimated: "The Special Police Establishment, Calcutta have intimated that the prosecution case has since been closed. Now the case is pending for examination of the accused by the Court, arguments and judgement."

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

2.62. Arising out of this unfortunate case are the following procedural lacunae:

- (i) The firm in question is stated to have been registered with the Government, both with the Railways and the DSG&D, since 1942. The relevant orders were placed on the firm

about two decades later. The Committee are, therefore, unable to agree that there was no necessity to ascertain the capacity of the firm to manufacture the equipment at the time of placing the orders. According to them it is not correct to assume that a certification of the capacity of the firm once done will hold good for all times. A system of periodical verification, say once in five years, appears called for in view of the unpleasant experience in this case.

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

2.63. The Committee find that needless solicitude was shown to this firm by the DGS&D. For example the Pay & Accounts Officer, who was advised by the South Eastern Railway Administration to withhold payment to this firm in September, 1963, was asked by the DGS&D not to withhold payment. The DGS&D instead granted extension of time to the firm to make good the shortages. Ultimately, however, neither the shortages were made good by the firm nor could the full recovery be made from the firm. The DGS&D's conduct appears difficult to understand. On the basis of the evidence tendered before them the Committee cannot but condemn his action. The Committee would, therefore, like Government to investigate whether there was any mala fide intention.

CHAPTER III

WORKS EXPENDITURE

South Central Railway—Extra payment to a contractor due to incorrect fixation of rate

Audit Paragraph

3.1. In January, 1966 a contract valued at Rs. 68.68 lakhs was awarded for the construction of a multistoreyed building at Secunderabad for the Headquarters offices of South Railway. One of the items related to R.C.C. work 1:2:4 with broken stone to pass through 1.91 cm. dia. ring in columns, lintels, beams etc., including shuttering and staging with Railway's steel for reinforcement. The accepted rate for this item of work was Rs. 79.45 increased by 99.95 per cent (i.e. Rs. 158.86) per cu. m. The special specifications attached to the agreement provided *inter-alia*, that all concrete used in R.C.C. work should conform to the requirements of strength prescribed for M. 250 concrete in Indian Standards Specifications. If the concrete did not come up to the requirements of prescribed strength, the remedial measures as prescribed by the Engineer would be adopted by the contractor at his cost.

3.2. While the work was in progress, the Administration decided to change the R.C.C. mix for beams from 1:2:4 to 1:1½:3, as the former mix would not give the strength prescribed for M.250 concrete, and also for reasons of easy workability coupled with better compaction and vibration to the degree required and serious practical difficulties stated to have been encountered in pouring concrete due to congestion of heavy reinforcement. Since the rate for R.C.C. work in beams in the ratio 1:1½:3 had not been given in the Standard Schedule of Rates of the Central Railway, 1964 which was applicable to this case, the Administration sanctioned it as a non-scheduled item in March, 1969, working out a new rate from the fundamentals adopting the prevailing market rates for the entire labour and material involved in the item. By this method of computation, a new rate of Rs. 283.17 per cu. m. was arrived at for making payment to the contractor, instead of allowing only reasonable increases to cover the element of cost of additional material and labour over the accepted rate of Rs. 158.86 per cu. m. for R.C.C. work in beams with 1:2:4 mix. Such a fixation, based on the prevailing market rates, resulted in an extra payment of Rs. 3.10 lakhs to the contractor.

3.3. Also the actual sanction issued in March, 1969 for the operation of the new non-scheduled item of R.C.C. work 1:1½:3 in beams did not specify either the required strength or any change in the method of compaction.

3.4. The Administration stated (December, 1972) that in accordance with the General Conditions of Contract, the rate for any item of work not contained in the Standard Schedule of Rates, should be agreed upon between the Engineer and the Contractor before execution of such items of work and accordingly, the rate was determined on the basis of prevailing market rates, which was the correct method of computation and which was also the prevailing practice in other Government Departments.

[Paragraph 24 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)].

3.5. Giving reasons for changing the R.C.C. mix for beams from 1:2:4 to 1:1½:3, the Railway Board have, in a note, stated: "The structural drawings prepared by R.D.S.O. provided for vibrated controlled concrete to conform to M250 strength. During the construction it became evident through the testing procedures that this strength could not be achieved with the 1:2:4 vibrated concrete as ordinarily used. Hence the aggregate composition and water, cement ratios had to be changed to realise the workability required for achieving the required strength in accordance with the nature and distribution of the reinforcement in various sections. In the case of other structural elements (such as beams) and junctions according to their stress and location conditions and steel content, the mix had also to be changed for achieving the workability necessary for the strength criteria."

3.6. The Committee drew attention to the Audit observation that the actual sanction issued in March, 1969 for the operation of the new non-scheduled item of R.C.C. work 1:1½:3 in beams did not specify either the required strength or any change in the method of compaction. As to the reasons why this was not done, the Railway Board have stated: "In the sanction it was not necessary to specify the strength or the method of compaction because the working drawings and special specifications clearly specified that concrete work should conform to M.250 strength including the method of compaction."

3.7. During evidence the Committee asked about the reasons for allowing enhanced rates to the contractor in spite of the fact that

the special specification of work attached to the tender provided that all concrete used should conform to the requirement of strength prescribed for M.250. In this connection the Chairman, Railway Board stated: "The schedule of rates provided only for ordinary concrete. Controlled concrete is a totally different thing. When the drawings etc. were prepared originally, it was done on the basis of largely the architectural drawings and specifications and even the RDSO and the South Central Railway at that time did not have sufficient experience of concrete framed/structure. They were used to steel frame structure, which they have been using in their designs. Here, it was decided that we should go in for concrete frame structure. The question was, whether they should have waited for another two years till all the designs and drawings were based on the concrete frame structure. If controlled concrete is used, then it becomes a totally different kettle of fish. Then, the variation in the rate is immaterial."

3.8. The Committee pointed out that so long as the strength of the end product was only M.250 any change in the mix of the R.C.C. should not have given rise to the question of increase in rates. To this, the Chairman, Railway Board replied: "In fact, they should not have specified the mix at all. They should not have specified the mix at 1:2:4 or at 1:1½:3. The correct thing would have been merely to specify the strength and say that you design the mix according to the reinforcement available and the size of the section. This was the correct thing to say."

3.9. He added: "In this design, things varied so much that even with 1:2:4, they got very high concentration of steel in certain places, in certain numbers and so on. That, unfortunately was the mistake on their part. This was a mistake in having specified the mix and the controlled concrete design strength."

3.10. The Committee asked whether in terms of the conditions of agreement, the contractor could not be asked to do the work with the revised ratio of mix at the agreed rates. In this connection the Chairman, Railway Board stated: "The contractor has carried out work at some *ad hoc* rate. It was open to him to have said 'I am completing the work; I am sorry. You can decide whatever you like'."

3.11. Subsequently in a note furnished at the instance of the Committee, the Railway Board have stated: "Clause 39 of the General Conditions of the Contract 1956 of the Central Railway applicable to this contract stipulates the procedure for fixation of rate for non-schedule items of work. M. 250 strength concrete
653 L.S.—5.

with 1:2:4 mix was found impossible to be achieved in heavily reinforced beam sections during the course of execution. Accordingly, 1:1½:3 mix concrete for beams, which was not included in the schedule to the agreement had to be resorted to and non-schedule rate was accordingly worked out in terms of the above clause."

3.12. The Committee were given to understand that R.C.C. work in 1:1½:3 mix was started by the contractor in May, 1966 but the new rate was sanctioned in 1969. Asked whether the market rate adopted for computation of new rate related to 1966 or 1969, the Railway Board stated: "It is correct that RCC work in 1:1½:3 mix in beams was started in May, 1966. The non-schedule rate finalised in March, 1969 corresponds to the market rate prevailing in 1968.

3.13. As to the reasons why the market rates of 1966 were taken into consideration in arriving at the new rate, the Chairman, Railway Board stated: "The thing is that the rates were again settled. How do we ascertain the market rates of an earlier year? When we indicate the market rates, these are the prevailing rates, i.e., the prevailing competitive market rates."

3.14. In reply to a question the witness stated: "The period of 1968 was the mean period, when it was decided and the prevailing market rates were obtained by quotation."

3.15. He further added: "To be exact, on the materials like ballast and the sand and the scantlings and so on, they were based on the quotations that were received in March, 1967. It was only the labour rate that was taken as for 1968."

3.16. The Committee find that the special specifications attached to the agreement for the construction of a multistoreyed building at Secunderabad for the Headquarters Offices of South Central Railway provided inter alia that all concrete used in R.C.C. Work should conform to the requirements of strength prescribed for M 250 concrete in Indian Standards Specifications. Further if the concrete did not come up to the requirement of prescribed strength, the remedial measures as prescribed by the engineer were to be adopted by the contractor at his own cost. In spite of this specific stipulation regarding use of concrete the R.C.C. mix of 1:2:4 was prescribed for certain items of work. During the course of work, this R.C.C. mix of 1:2:4 for beam was changed to 1:1½:3, as the former mix was not giving satisfactory result. This change in mix involved change in the rate for R.C.C. work in beams as the new mix i.e.

1:1½:3 had not been given in the schedule of rates applicable to this case. This is rather strange. The new rate fixed as a non-scheduled item was much higher than the rate originally fixed for 1:2:4 mix and involved extra payment of Rs. 3.10 lakhs to the contractor. The Chairman Railway Board admitted during evidence that the specification of BCC mix of 1:2:4 and its subsequent alteration to 1:1½:3 was a mistake for which the Committee require responsibility should be fixed, for appropriate action including penal recovery under intimation to them.

3.17. It is further seen with great distress that while the BCC work in 1:1½:3 mix was started by the contractor in May, 1966, the new non-scheduled rate for this work was finalised in March, 1969 and it corresponded to the market rate prevailing in 1968 which gave additional benefit to the contractor at Railway's expense. The Committee fail to understand the legality of the fixation of a rate in 1969 on the basis of the prices prevailing in 1968 for a work started in 1966. This question should therefore, be examined in consultation with the Ministry of Law so that the Railways are not unnecessarily required to incur extra expenditure and to also ascertain whether there has been malpractice in this case.

**Western Railway—Extra expenditure on earthwork—Kota
Alania Doubling**

Audit Paragraph.

3.18. In connection with the doubling of track between Kota and Alania (20.6 kms.) sanctioned in April, 1969, the Railway Administration invited tenders for earthwork in banks, cuttings in main lines, yards, level crossings, approach roads, platforms etc., from Kms. 909.50 to 918.20 on 10th June, 1969, returnable on 30th August, 1969 and accepted the lowest tender valued at Rs. 9.79 lakhs (excluding one item for which the rate quoted was 96 per cent above the Schedule of Rates) on 20th November, 1969. The contract agreement was executed on 19th January, 1970.

3.19. Even before this tender was finalised, the Railway Board issued a general directive on 9th September, 1969, that while designing bridges in connection with doubling schemes, all efforts should be made to provide adequate free board under the new bridges irrespective of whether adequate free board was available or not under the existing bridges and further reiterated on 4th November, 1969 that the Railways were to provide best technical solutions on their own. This directive entailed reassessment of the quantum of earthwork covered by the above tender

but the Railway Administration did not modify or provide for such variations, which awarding the work on 20th November, 1969 on the basis of tenders already invited and opened on 30th August, 1969.

3.20. The change in the alignment in the section to provide for adequate free board was finalised in August, 1970 after detailed field investigation and it was then known that an additional quantity of 80,000 cu.m. of earth-work with contractor's own earth would be required. On 6th March, 1971, a supplementary work order requiring the contractor to execute the additional quantity of earthwork at the original accepted rate was presented for the signature of the contractor; but he expressed his inability to execute the work and demanded higher rates. The Railway Administration thereafter negotiated with the contractor and finally executed a supplementary work order with the contractor in May, 1971 for the additional quantity of earthwork at the rate of Rs. 10.50 per cu.m., as against the original rate of Rs. 5.47 per cu.m., resulting in an extra expenditure of Rs. 4 lakhs.

3.21. In the same project, similar tenders for earthwork in the section from Kms. 897.60 to 909.50 had been originally opened on 30th August, 1969, but were rejected and fresh open tenders, returnable on 15th December, 1969 were invited on 17th November, 1969. The lowest tender valued at Rs. 11.18 lakhs was accepted on 20th February, 1970 and the contract agreement was executed on 14th April, 1970. In this case also, no increases were provided for changes in quantities of earthwork necessary for adequate free board under new bridges, though the tenders had been opened on 15th December, 1969 i.e., three months after the issued of the directive by the Railway Board. After subsequent determination in August, 1970 of the additional quantum of earthwork as 14,630 cu.m. the contractor protested on 25th August, 1971, against the enhancement and requested for an upward revision of the rate. Negotiations were conducted with him and a higher rate of Rs. 10.50 per cu.m. as against the original rate of Rs. 5.99 per cu.m. was accepted by the Administration on 23rd October, 1971. This resulted in an extra expenditure of Rs. 0.65 lakhs.

3.22. In both the cases the contract agreements stipulated that the quantities shown in the schedules of quantities were tentative and the Railway reserved the right to increase or decrease the quantities to complete the work and the contractors would be bound to carry out the work as per rates quoted by them. Besides, the General Conditions of Contract also provided for making any alterations in the design, character, position, site, quantities, ~~direction~~ or in the method of execution of works. Railway Board's own clarification issued on 6th May, 1963, in consultation with the Ministry of

Law, envisaged that such variations between 15 per cent and 25 per cent depending on the nature of the particular category of work, would not be unreasonable. If the additional quantities of earthwork had been got executed at the original rates upto the permissible limit of 25 per cent, the extra expenditure could have been reduced by Rs. 2.46 lakhs.

[Paragraph 26 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).]

3.23. The Audit paragraph states that the Railway Board issued a general directive on 9th September, 1969 that while designing bridges in connection with doubling schemes, all efforts should be made to provide adequate free board under the new bridges irrespective of whether free board was available or not under the existing bridges and further reiterated on 4th November, 1969 that the Railways were to provide best technical solutions on their own. In the two cases referred to in the Audit paragraph the tenders for works were finalised and contract agreements were executed much after the issue of above directive by the Railway Board. The Committee desired to know whether it was not possible to cancel these tenders and invite fresh tenders for the revised works after finalising the necessary details regarding provision of free board under the new bridges. The Chairman, Railway Board stated in evidence: "Cancellation of the tender would have first of all involved delay in the execution of the rest of the work that was not affected. Secondly, the general experience is that when you call for tenders later, the prices go up. It was thought better to stick on to the tender leaving out that portion of the work where realignment was to be provided. Before the question came up of these sections they had completed 73 per cent of the work at that contract rate. The portion left over was 12 per cent in one case and 27 per cent in another case.

3.24. When this question came up, the process of fixing the tender had already been gone through. It was found that the number of places where this had to be changed was not widespread, but confined to certain areas."

3.25. In reply to a question whether fresh tenders were not invited only because it was anticipated that cost might have gone up, the witness stated: "Certainly that was the reason. Wherever there was no change, the contractor was able to go ahead with the work."

3.26. The Committee pointed out that as the provision of adequate free board under the bridges to be constructed would have

changed the quantities of earth-work, the Railway Administration ought to have modified the quantities or provided for variations in the relevant contract agreements. In this connection, the Chairman, Railway Board stated: "It would have been risky on our part to have done it on guess work in the sense that the surveys had not been completed for the free board. Supposing the survey was done and it was less by 25 per cent, the contractor would claim that we should give him 25 per cent and he would go to the arbitration. I am only trying to recapitulate the circumstances which must have exercised the minds of the people who decided this. We do not want to provide a chance for arbitration for the contractor. Had we got fresh tenders excluding these portions, the general experience is that the prices would have gone up."

3.27. In a written note on the subject, the Railway Board have explained: "It was not possible to alter the quantities at that stage as the magnitude of the variation in quantities was not known. The contract provides for reasonable variation in quantities. Para 42 of the General Conditions of Contract which governs these variations is reproduced below:

Power of modifications to contract.

42. (1) The Engineer on behalf of the Railway shall be entitled by order in writing to enlarge or extend, diminish or reduce the works or make any alterations in their design, character, position, site, quantities, dimensions, or in the method of their execution or in the combination and use of materials for the execution thereof and to order any additional works to be done or any works not to be done and, save as provided in sub-clause (2) of this clause, the contractor will not be entitled to any compensation for any reductions but will be paid only for the actual amount of work done and for approved materials furnished against a specific order.

Valuation of variations.

- (2) The enlargements, extensions, diminutions, reductions, alterations or additions referred to in sub-clause (1) of this clause shall in no degree affect the validity of the contract but shall be performed by the contractor as provided therein and the subject to the same conditions.

stipulations and obligations, as if they had been originally and expressly included and provided for in the specifications and drawings and the amounts to be paid thereof shall be calculated in accordance with the accepted schedule of rates and for extra items of works at the rates determined under clause 39 of these conditions; provided that if the nature of amount of any variation relative to the nature of amount of the whole of the works or to any part thereof shall be such that in the opinion of the Engineer the rate for any item in the accepted schedule of rates is by reason of such variation rendered unreasonable or inapplicable, the Engineer shall fix such other rate as in the circumstances he shall consider reasonable and proper.

It will be noted that the contractor is obliged to carry out work for the increased quantities only if they do not result in rendering the rate unreasonable or inapplicable. In the present case the increase in quantities was 47 per cent in one contract and 55 per cent in the other. The lead and lift involved in the earthwork had changed and the contractor had to pay a higher price for earth which he had to excavate and lead from a long distance. It was, therefore, obligatory in terms of the conditions of the contract to fix a fresh rate for the increased quantities.

3.28. The Committee desired to know whether the Railway Board had considered at any stage the need for specifying in the contracts the percentages up to which quantities can be varied and accepted rates would prevail. The Railway Board in a note stated: "Clause No. 42 of the General Conditions of Contract deals with variations in quantities. However, this does not specify any percentage or limit upto which variations can be effected at the executed rates of the agreement. Administrative instructions as per letter No. 63|W2|CT|14 dated 6.5.63 have been issued to the Railways indicating the reasonable extent of variations. The possibility of fixing up a uniform limit of percentage variations at the executed rates of the agreement was considered by the Board but it was found that due to the varying nature and type of works executed it was not possible to fix any specific percentage of permissible variations. Specific limits of variation in quantities may however be stipulated in individual contracts by the Railway and in fact some of the Railways are doing so."

3.29. The Committee enquired why in view of the specific provision for variations in quantities of work in the General Conditions of Contracts, did not the Western Railway prevail upon the contractor to do the additional earthwork at least to the extent of 25 per cent. In a note, the Railway Board have stated: "The nature of work had changed and the variation in quantities was abnormal and in terms of the conditions of contract, the contractors were entitled to have a fresh rate. However, the Western Railway did make an effort to persuade the contractors to carry out the increased quantities at the contract rates. Supplementary work orders were prepared and given to the contractors for their acceptance. They refused to sign them and one of them threatened to go to the court of law to seek remedy. Since the Railways were not entitled according to the Conditions of Contract to get the work executed from the contractors for the additional quantities at the original rates, the matter could not be pursued further."

3.30. In regard to fixation of rates for additional work or substitute work a representative of the CPWD informed the Committee during evidence: "We have a provision for deriving rates for additional work or substitute work and these rates are fixed in accordance with the clauses specified therein. The first alternative for working out the rate is to derive the rate from the rates already existing in the agreement. If this is not possible, then we refer to the schedule of rates and over that scheduled rate a certain percentage of enhancement as per the accepted contract is charged."

3.31. In reply to a question the witness clarified: "Three or four alternatives are specified in the agreement and they have to be operated in the order of the stipulation. We have got all the items in the schedule of rates and whichever is applicable is operated."

3.32. As to the provision in the agreements about the extent of deviations from the specified limits, the witness stated: "The deviation limit which we specify is dependent on the nature of the work to be executed and that is left to the discretion of the authority who gives technical sanction for particular contract. He has, at that stage, to specify what the deviation limit applicable to the contract would be."

3.33. The Committee were informed by Audit that the "General Rules and Directions for the Guidance of Contractors" in Central Public Works Department provide for a specific mention of the percentage of deviation upto which the rates quoted in the tender would prevail and beyond which the rates would have to be deter-

mined and that the Railway Board was advised in February 1972 to re-examine the relevant provisions of the General Conditions of Contract in the light of the position in the C.P.W.D.

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

3.35. The paragraph also highlights a drawback in the general conditions of contracts on Railways in that the percentage or limit upto which variations in quantity can be effected at the rates quoted in the tender are not clearly spelt out in the agreements unlike in the Central Works Department. The Committee were informed by Audit that this lacuna was brought to the notice of the Railway Board in February 1972, but no decision has been taken thereon. This calls for an explanation. The Committee desire that responsibility should be fixed under advice to them. The Committee further desire that the Railway Board should speedily examine the position and issue instructions to the Zonal Railways. Further, the practice followed by the C.P.W.D. in regard to settling rates

for additional work should also be studied for adoption with advantage by the Railways.

South Central Railway—Extra payment to a firm under 'Wage Escalator' clause of a contract

Audit Paragraph

3.36. A contract valued at Rs. 420.86 lakhs for fabrication, supply and erection of steel girders for the rail-cum-road bridge across river Godavari at Rajahmundry was awarded to a firm in December, 1967 and an agreement executed on 30th March, 1971. The contract provided that on the basis of approved drawings, the contractor should by himself assess and procure all raw steel (high tensile and mild steel), matching steel, rivets and other steel materials required for the work and ensure delivery of fabricated steel work on a joint monthly average rate of not less than 1,000 tonnes in order to complete all work under the contract by the end of March, 1971. The actual date of commencement of fabrication and the period of fabrication and erection, though principally governed by the availability of steel, depended upon the finalisation and handing over of design drawings and complete technical data by the Railway, approval of the shop working drawings submitted by the firm and receipt of sufficient quantities of matching steel and other materials to cover at least two months' production to permit uninterrupted fabrication and placement of wagons or movement thereof by the Railway. If the completion time was exceeded due to delays being caused by any of these factors or under 'Force Majeure' clause of the agreement, the firm was to be allowed extension of time without levy of liquidated damages. The rates of items involving fabrication steel work and bearings were also subject to a wage escalator clause provided for in the contract agreement. The contract also provided that advance payments shall be made to the extent of 90 per cent for raw steel, rivets, billets, nuts and washers, upto a limit of 40 per cent of the value of the contract.

3.37. The work commenced by the contractor in April, 1969. The firm had procured 14,400 tonnes of raw steel by the middle of October, 1969 out of the total quantity of 16,525 tonnes involved in the work for which advance payment to the extent of Rs. 146 lakhs had also been made by the Railway. Except for slight delays which arose in the initial stages and were sorted out promptly, the progress of fabrication and despatch of the steel work was not affected by delays in finalisation and approval of drawings; there was no appreciable delay in the inspection of fabricated steel so

as to affect the progress of work; and no difficulty was expressed by the firm in regard to the availability of wagons. However, the firm could not maintain the schedule of delivery of fabricated steel in accordance with the agreement and 8,500 tonnes due for supply by the middle of December, 1969 was supplied by the end of August, 1970.

3.38. The Railway Administration admitted claims, under the wagon escalator clause, aggregating Rs. 21 lakhs to end of August, 1970 on account of increases in wage structure given effect to from 1st January, 1968, 1st July, 1969, 1st December, 1969, 1st January, 1970, 1st March, 1970, 1st April, 1970 and 1st June, 1970, for 3,713 tonnes of fabricated steel despatched upto August 1970. This included an amount of Rs. 7.06 lakhs paid as wage escalation for 8,500 tonnes due for supply by the middle of December, 1969 on account of increase in the pay structures effective thereafter i.e., from 1st December, 1969, 1st January, 1970, 1st March, 1970, 1st April, 1970 1st June, 1970.

3.39. Since in terms of the Agreement the contractor shall be solely responsible for procurement of steel material and he was on his own to take all action needed to ensure expeditious procurement of matching steel, this payment of Rs. 7.06 lakhs, on account of wage escalation arising due to factors subsequent to scheduled dates of delivery represents an extra-contractual payment.

3.40. The Railway Administration stated (December, 1972), that there was a set back in performance till June, 1970 due to delay in the receipt of raw steel and matching steel for two months' production; and that they were received in June, 1970 from which month only the fabrication is reckoned to have commenced. It may be pointed out that the Railway Administration themselves informed the firm in October, 1969 about the extremely unsatisfactory progress in fabrication, even though about 14,500 tonnes of raw steel had been procured by it as against 16,525 tonnes of steel required for the work.

[Paragraph 27 of the Report of the Comptroller and Auditor General of India for the year 1971-72 Union Government (Railways)].

3.41. The Committee enquired how could the delay in procurement of raw materials be a valid reason for allowing wage escalation after the due date of delivery, as the contractor himself was solely responsible for procurement of all steel in terms of the agreement. The Chairman, Railway Board stated during evidence: "He takes the responsibility, but there is a clause in the contract that fabrication schedule shall become valid only from the time that he has got full matching steel for the fourth span. This matching steel did not finally arrive for the fourth span till June, 1970."

3.42. Asked whether the difficulty in getting the matching steel was not envisaged at the time of agreement, the witness stated: "It is still very difficult to say that. After all, the matching steel was not available or it took a long time to gear it up. Suppose a particular section of angle, say 150 x 150 x 16 is required, the steel producers try to maximise their production and that is their aim. So, it depends on the kind of mix of products orders that they get. Suppose the requirement or total demand in respect of this particular angle iron of 150 x 150 x 16 size is less than the minimum rollable quantity, they will not take up its manufacture, until they have built enough orders of that item. These orders are all built up not only from this particular contract but so many other demands coming from different people. They bulk the demand and once they get a rollable quantity, they put the rolls, because it means changing of the rolls every time for every section otherwise."

3.43. In reply to a question the witness added: "The schedule of fabrication was based on the date on which they got the matching steel for the fourth span, because the assumption there is that, and very mandatorily, that it is only when they get the last bit of matching steel that they get assured of the full supply requirements of that steel for that section."

3.44. The Committee asked why such a clause which had the effect of rendering other clauses inoperative was allowed to be incorporated in the agreement. To this the Chairman, Railway Board replied: "After all, every body knows that the steel position is not at all easy. It is not one of those things which you can just buy off the shelf. If that were so, the efficiency of production and everything else would go up in a totally different way. It is also not open to us to import and say that if a particular section is not available we may just import it. The point is that the steel mills have their programmes of production; they may produce it for us today or six months later or a year and a half later, depending upon the build up of their stocks, the demands from various quarters and so on. We know that we have the same problem of supply of steel in wagon-building and in other industries. Naturally, any fabricator, even if he is fabricating in his workshop, will introduce a safeguard of this kind. Otherwise, the contract would be nonsense."

3.45. Giving reasons why the contractor could not be held responsible for not adhering to the time schedule, the Railway Board have in a note stated: "Clause 3 of the Special Conditions of Contract in which it is laid down that the contractor is solely responsible for the procurement of steel is to be read in conjunction with

clauses 28 and 30 in which the schedule for the fabrication and sup-
up of the girders is linked with the supply of steel and approval of
drawings. Raw steel required for the fabrication of girders is not
freely available in the market and supplies are made according to
the rolling programme to be determined by the Steel Controller.
The contractors could not therefore be held wholly responsible for
observing the time schedule even when raw steel was not made
available to them in time. The Law Officer and the Legal Adviser
of the Railway have confirmed after considering all the conditions
of contract that the wage escalation is payable to the contractor
during the extended period of contract."

3.46. According to the Audit paragraph, the contractor com-
menced the work in April, 1969. However, according to the Rail-
way Administration fabrication is reckoned to have commenced only
in June, 1970 when the matching steel for two month's production,
as stipulated in the contract, was received. In a note on the sub-
ject, the Railway Board have stated: "While it is true that the
contractor started actual fabrication with the materials available
with him in April 1969, he was not contractually bound to do so.
According to clause 28.3(c) of the Conditions of Contract, the con-
tractor was required to commence fabrication as soon as sufficient
quantities of matching steel and other materials in span sets to cover
at least two months' production received. This matching material
for 2 spans was received only in June 1970 and the contractor was,
therefore, not obliged in terms of the agreement to start the work
earlier. As a result of early start of fabrication work, the Railway
saved the amount which would have been paid to the contractor by
way of wage escalation for the tonnage fabricated by him before
June, 1970."

3.47. The Committee were also informed by Audit that in wagon
contracts extensions are granted subject to a proviso that not with-
standing any stipulation in the contract for increase on account
of material and wages escalation or any other ground, no such in-
crease which takes place after the original date of delivery in wages
and materials prices shall be admissible on such of the wagons as
are delivered after the said date. Also while actually admitting esca-
lation claims, only increases upto the original date of delivery are
generally accepted. Asked why such a provision was not made in
the orders granting extension of time in this case, the Railway
Board have, in a note, stated: "There is no specific proviso in the
contract for wagon supply relating to disallowing wages and mate-
rials escalation taking place after the original date of delivery. The
contract only stipulates that the contractor is solely responsible for
procurement of raw materials including steel. In the present case,

however, the time schedule was governed by clause 28 of the contract and since the contractor was not responsible for delay in fabrication and was following the schedule as stipulated in the contract, he was entitled to get the benefit of wage escalation."

3.48. A contract for fabrication, supply and erection of steel girders for the rail-cum-road bridge across river Godavari at Rajahmundry was awarded to a firm in December, 1967 and an agreement executed only on 30th March, 1971, after 3 years. Under clause 3 of the Special Conditions of the agreement the contractor was solely responsible for procurement of steel and was himself to take all action needed to ensure expeditious procurement of matching steel. The work was commenced in April, 1969, 2 years prior to the signing of the agreement. As per the schedule of delivery of fabricated steel in accordance with the agreement, the contractor was to supply by the middle of December, 1969, 8390 tonnes of fabricated steel which were supplied only by the end of August, 1970. Claims amounting to Rs. 7.06 lakhs as wage escalation subsequent to the period of delivery were, however, paid by the Railway. This payment was sought to be justified before the Committee as arising out of another clause in the contract which provided that the "fabrication schedule shall become valid only from the time when the contractor got full matching steel." Surprisingly even though the contractor had procured 14,500 tonnes of raw steel by the middle of October, 1969 out of a total quantity of 16,525 tonnes required for the work, the fabrication is reckoned to have commenced only in June, 1970 when the contractor obtained all the matching steel. This provision virtually nullified clause 3 of the contract and rendered the stipulated period of completion of work unenforceable. Such a serious flaw in the agreement could be exploited by unscrupulous contractors to the detriment of the interest of Government. The Committee would, therefore, like a thorough investigation to be made with a view to ascertaining how and when such a clause was inserted in the agreement which was executed long after the commencement of the work. The action taken as a result of the investigation against the officials found at fault may be reported to the Committee.

3.49. Suitable instructions should also be issued to obviate recurrence of such mistakes in future. The Committee would also like to know whether legal opinion was obtained before entering into such a contract.

The Committee find it difficult to understand how agreements are executed long after the commencement of the work, which appears to be common on Railways. It is this kind of practices that lead to malpractices. It is therefore desirable that the Railways should shun such practices.

CHAPTER IV

EXPENDITURE ON STAFF

North Eastern, Northeast Frontier and Western Railways—Avoidable expenditure due to non-compliance with the provisions of the Industrial Disputes Act, 1947

Audit Paragraph

4.1. According to the provisions of the Industrial Disputes Act, 1947, no workman employed in an industry, being in continuous service for not less than one year, should be retrenched until (a) he has been given one month's notice in writing indicating the reasons for retrenchment and the period of notice has expired, or he has been paid in lieu of such notice wages for the period of the notice; and (b) he has been paid, at the time of retrenchment, compensation as prescribed in the Act.

4.2. The North Eastern, Northeast Frontier and Western Railway Administrations had to incur avoidable expenditure of Rs. 4.82 lakhs due to non-compliance with these provisions of the Act, as indicated below, while terminating the services of some of their workmen.

North Eastern Railway

4.3. The services of 13 Mechanical Signal Maintainers who had been in continuous employment of about 6 to 7 years were terminated with effect from 15th August, 1966 and 15th February, 1967 due to reduction in the volume of work. Notices of termination served on them did not contain the reasons for retrenchment nor was any retrenchment compensation paid to them. The retrenched staff filed writ petitions; special appeals in the Lucknow Bench of Allahabad High Court. The High Court, in their judgements of 14th January, 1970 and 14th April, 1970, held the retrenchment of 9 Mechanical Signal Maintainers as invalid due to non-compliance with the provisions of the Industrial Disputes Act, 1947. The Railway Administration had, therefore, to pay a sum of Rs. 92 thousand as arrears of pay and allowances and retrenchment compensation to these employees, in satisfaction of the Court judgment.

4.4. The Railway Administration stated (October, 1972) that the fact regarding applicability of the Industrial Disputes Act to Railway staff became known to them only after the Court deliver its

judgement on 14th January, 1970. It is, however, pointed out that a new sub-para to Rule 149 of the Indian Railway Establishment Code, introduced on 6th August, 1962, enjoined that if the Railway servant or Apprentice was one to whom the provisions of the Act applied, he should be entitled to notice or wage in lieu thereof in accordance with the provisions of the Act. The Railway Administration could have examined the applicability of the Act to these staff and followed the correct procedure for retrenchment.

Northeast Frontier Railway

4.5. On completion of the construction work at New Jalpaiguri, the casual labour staff posted there, who had been in continuous service for more than one year and had by then acquired the status of temporary railway servants in accordance with the extant rules, were retrenched in January-February, 1968. Of the temporary staff so retrenched, 73 filed writ petitions in the High Court at Patna on the grounds that the Administration in retrenching them, had not complied with the provisions of Industrial Disputes Act, 1947; had not paid compensation as per rules; and had not observed the principle of 'last in first go'. The High Court, in its judgement of May, 1969, declared the orders of retrenchment as illegal and invalid and ordered that the petitioners should be reinstated in service and should be paid the arrears of their wages and other allowances. The retrenched labourers were therefore, reinstated and retrenched properly with effect from 26th August, 1969, entailing avoidable payment of Rs. 2.22 lakhs towards wages for the intervening period.

4.6. The Railway Board stated (December, 1971) that the recruitment of casual labour was made by the Permanent Way Inspectors and the decision to discharge them at the time of completion of the work was taken by the Assistant or District Officers who were not fully conversant with the intricacies of Labour Legislation and they did not have the benefit of advice of any Personnel officer conversant with Labour Legislation. It may be pointed out that the Railway Board had issued comprehensive instructions in December, 1969, clarifying various points connected with the retrenchment benefits to casual labour on Railways under the provisions of the Industrial Disputes Act, 1947.

Western Railway

4.7. The services of 51 employees, to whom the provisions of the Industrial Disputes Act, 1947 were applicable had been terminated on different dates between August, 1965 and April, 1968 due to reduction in the construction activities. Some of them were

subsequently reabsorbed with a gap in service. The payment of retrenchment compensation to these employees could not, however, be arranged by the Railway Administration before the expiry of the second working day from the date on which the employment was terminated. The Assistant Labour Commissioner, to whom the matter was represented by some of the workmen, directed the Railway Administration to treat their services as continuous and make payment of wages for the period of break in service. The Ministry of Law, who were consulted, also advised that since the retrenchment would be illegal and invalid, the workers would be entitled to be treated as in service and their wages had to be paid. A sum of Rs. 1.68 lakhs representing pay and allowances for the intervening period upto to the date of payment of compensation or reabsorption was accordingly paid to the retrenched employees. There are still some more cases which are being examined by the Railway Administration to see if they also attract the relevant provisions of the Industrial Disputes Act, 1947.

4.8. The Railway Administration stated (October, 1972) that the period for completion of works varied from a few months to years. This coupled with the scattered nature of the work over the Railway and deployment of staff in varying strength by moving them from one work to another, depending on the need, virtually made it impossible to resort to termination of services of workmen, not required at one place, by following the Statutory provisions.

[Paragraph 36 of the Report of the Comptroller and Auditor General of India, for the year 1971-72—Union Government (Railways)].

4.9. It is seen that a new sub-para to Rule 149 of the Indian Railway Establishment Code Vol. I introduced on 6th August, 1962, enjoined that if the Railway servant or Apprentice was one to whom the provisions of the Industrial Disputes Act, 1947 applied, he should be entitled to notice or wage in lieu thereof in accordance with the provisions of the Act. The Committee enquired whether in view of this Rule the North Eastern Railway Administration obtained legal advice or sought clarification from the Railway Board about the applicability of the Industrial Disputes Act to the Mechanical Signal Maintainers. In a note, the Railway Board have stated: "It would appear that due to a misapprehension of the legal position, the Railway Administration did not take any initiative in re-examining the matter in consultation with the Law Officer."

4.10. Asked why could not the Railway Board issue clear instructions about the applicability of the Industrial Disputes Act to Railway servants, the Railway Board stated "As regards the question of

issue of clear instructions it is stated that sub-para 6 of Rule 149 of Indian Railway Establishment Code Vol. I provides as under:

"Notwithstanding anything contained in clauses (1), (2) and (4) of this rule, if the Railway servant or apprentice is one to whom the provisions of the Industrial Disputes Act, 1947 applies, he shall be entitled to notice or wage in lieu thereof in accordance with the provisions of that Act".

Whether the provisions of the Industrial Disputes Act are applicable to a particular category of Railway servant has to be considered in accordance with the provisions of the Act itself. The I.D. Act is applicable to all workmen. Under Section 2(s) of the Act 'Workman' has been defined as under:

'Workman' means any person (including an apprentice) employed in any industry to do any skilled or unskilled manual, supervisory, technical or clerical work for hire or reward whether the terms of employment be expressed or implied, and for the purposes of any proceeding under this Act in relation to an industrial dispute, includes any such person who has been dismissed, discharged or retrenched in connection with or as a consequence of, that dispute, or whose dismissal, discharge or retrenchment has led to that dispute, but does not include any such person—

- (i) who is subject to the Army Act, 1950, or the Air Force Act, 1950, or the Navy (Discipline) Act, 1934; or
- (ii) who is employed in the police service or as an officer or other employee of a person; or
- (iii) who is employed mainly in a managerial or administrative capacity; or
- (iv) who, being employed in a supervisory capacity draws wages exceeding five hundred rupees per mensem or exercise, either by the nature of the duties attached to the office or by reason of the powers vested in him functions mainly of a managerial nature'.

As no railway raised any doubt about the scope of the interpretation of the rule, no further instructions were issued."

4.11. The Committee asked what were the difficulties of the various Railway Administrations in following the statutory provisions of the Industrial Disputes Act and what steps had been taken to resolve such difficulties. In a note, the Railway Board have explained:

(i) North Eastern Railway.

As already explained, due to misapprehension of the legal position the N.E. Railway did not take any initiative in re-examining the matter in consultation with their Law Officer.

(ii) Northeast Frontier Railway.

Although the Railway Administration paid the retrenchment compensation to the casual labour, this payment was offered after the retrenchment was effected instead of making payment at the time of retrenchment as provided for in the Act.

(iii) Western Railway.

Due to shortage of staff and the necessity to set up new offices to deal with the work-charged establishment in the Construction Department there was some difficulty in following the statutory provisions strictly. This was the position prior to 1968. There is, however, no difficulty in following the statutory provisions now.

Following the reports of cases of non-compliance of the provisions of Industrial Disputes Act in respect of casual labour and work-charged establishment of the three railways, the Railway Board have issued detailed instructions to all the Railways in January, 1972 and March, 1973 respectively."

4.12. The Audit paragraph states that besides the 56 employees whose services were terminated by the Western Railway, some more cases were being examined by the Railway Administration to see if they also attract the relevant provisions of the Industrial Disputes Act, 1947. In a note on the subject, the Railway Board have intimated: "The Western Railway Administration reviewed 49 cases other than those of 56 employees retrenched upto April, 1968. The position in regard to these cases along with financial implication is given below:

Position	No. of cases	Financial implication
1. Finalised	20	Rs. 87,200/-
2. Outstanding	(i) 17	Rs. 1,05,000/-
	(ii) 12	The amount could not be worked out in the absence of declarations from the concerned employees regarding details of service rendered by them outside the railways which have been called for from the staff but are still awaited."

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

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

CHAPTER V
LOSS OF CASH

**Chittaranjan Locomotive Works and South Eastern Railway Loss
of cash**

Audit Paragraph

(1) *Chittaranjan Locomotive Works*

5.1. On 7th January, 1971 at about 11.30 A.M., the sub-cashier of Chittaranjan Locomotive Works, presented two cheques, drawn by Chittaranjan Locomotive Works, for a total sum of Rs. 18,51,900.45 and 7 cheques for a total sum of Rs. 38,804.97, drawn by Chittaranjan Locomotive Works Co-operative Credit Society Ltd., at the State Bank of India, Chittaranjan, for enchashment. The sub-cashier also carried with him remittance vouchers for a sum of Rs. 2,145.02 for deposit in the accounts of Chittaranjan Locomotive Works and for Rs. 2,241.14 for deposit in the account of Chittaranjan Locomotive Works Co-operative Credit Society Ltd. The cheques were passed by the Bank at about 12.40 hrs. At about the same hour, the payment cashier of the Bank collected the token from the Sub-cashier of the Chittaranjan Locomotive Works. After the required cash was brought to the payment counter from the strong room, the sub-cashier of the Chittaranjan Locomotive Works, who was inside the Cash Department enclosure with his boxes, was asked to count the cash and take delivery. Accordingly, the Sub-Cashier of the Chittaranjan Locomotive Works, packed Rs. 13,04,000 in one box, Rs. 3,60,000 in the second box and locked them as and when the boxing was over. When he had placed Rs. 2,07,000 in the third box and was in the process of counting the balance money, five or six youngmen suddenly appeared in the Bank armed with rifles and revolvers and exploded 10/12 bombs inside the Bank and Cash Department enclosure, causing severe injuries to a Railway Police guard. They removed all the loaded cash boxes of the Railways and decamped with the money.

5.2. When the State Bank of India, Chittaranjan Locomotive Works, was requested to make available further cash, they informed that the Bank was prepared to give further cash on presentation of a fresh cheque. To facilitate disbursement of wages to the workmen on 8th January, 1971, the Chittaranjan Locomotive Works Administration had to present a fresh cheque for Rs. 18,85,000.

5.3. The question whether the loss involved in the dacoity would be that of Chittaranjan Locomotive Works Administration or the State Bank of India has not yet (December, 1972) been settled. The Ministry of Railways in consultation with the Ministry of Law advised (July, 1972) the General Manager, Chittaranjan Locomotive Works to discuss the matter personally with the Managing Director, State Bank of India, Bombay, so that the question of settling the dispute by negotiation or arbitration could be considered.

(ii) South Eastern Railway

5.4. On 10th November, 1971 between 00.40 and 00.50 hours, when a cashier of South Eastern Railway was travelling by passenger train between Pundag and Kotshila stations of Adra Division with cash in his cash box for payment of regular salary bills, five unknown miscreants attached him and decamped with a sum of Rs. 2,92,850.72. They also took away two rifles and 40 rounds of ammunition from the Railway Protection Force Rakshaks escorting the cashier. The cashier, arrested by the police, was released on bail under the orders of the Court dated 1st March, 1972. The case is still under investigation by the Police.

[Paragraph 39 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

5.5. During evidence the Committee enquired about the present position of settlement of the liability for the loss between the CLW and the State Bank of India. In this connection the Financial Commissioner for Railways stated: "We tried at various levels. First, we tried to discuss with the State Bank of India who said that they cannot even entertain any discussion and they said that it was a legal matter and so, if we desired, we could go to the court of law. We then issued a legal notice through our solicitor to which the State Bank's solicitors replied denying and disowning any liability. Then we took up the matter with the Reserve Bank of India who also said that this was a matter between the Bank and its clients and they could not interfere. Then I took up the matter with the Secretary, Department of Banking. He also said that he could not interfere.

Now, we have got a legal advice. In fact we got it from the late Shri Subimal Roy, learned Counsel of Calcutta who, afterwards, became a judge of the Supreme Court. He gave the opinion that we have got a strong case and that we could fight it out. The matter is now before the Government at highest level. We have got time till 6-1-1974 to file a suit. Personally I feel that it would be useless for the two Government institutions to go on fighting in the courts. There were instructions from Government that whenever two public

sector corporations failed to come to an agreement, they should not fight in the court. Rather they should try to use the good offices of the Ministry of Law. In fact, the Ministry of Law has also refused to arbitrate in this case because they have not been approached by the State Bank. We obtained legal opinion from our Legal Adviser in the Ministry of Law who felt that we would have to file a suit. He felt that we had got a very strong case. I think that filing a suit and connected legal proceedings would cost Rs. 30,000 to 40,000. A decision at the highest level will be taken before we pursue this matter."

5.6. Asked whether the Railway Board had written to State Bank to find out if they had got an insurance cover against the thefts etc., the witness replied: "We have reported to the highest authorities... we wrote to them asking for a discussion also. We sent a lawyer's notice... The State Bank has refused to discuss any aspect of this case. They say that they will talk only through their solicitors... They took the attitude that it was a matter of legal dispute and they declined all liability."

5.7. The following extracts from the reply sent by the Secretary, Banking Department to the Financial Commissioner for Railways who had suggested arbitration in the case, are pertinent:

"I find that even before your letter was received the matter had already been raised by the Railway Board and considered in this Department. In so far as the loss of Rs. 18.52 lakhs from the premises of the Chittaranjan Locomotive Branch of the State Bank of India is concerned, the State Bank of India has reported that the entire amount had been paid by it and the same was in the possession of the CLW cashier when the loss occurred and, as such, there can be no question of the bank being liable for the loss. I also learn that the legal position of this has already been fully explained in detail by the State Bank of India to the CLW in the exchange of solicitor's communication. In both these cases you will appreciate the question being one of facts, there is little or no scope for arbitration.

We have also examined these cases in the light of an O.M. circulated by the Cabinet Secretariat on 25th August 1970, embodying the decisions taken by the Committee of Secretaries, at its meeting held on 27-7-1970. As you are well aware, the relationship between a banker and his customer is regulated by statutes and, as such any dispute arising out of a transaction between a banker and his customer is to be decided in accordance with the provisions of the

relevant statute and not through arbitration. *Vide* para 2 (ii) of the O.M. of 25-8-70 of the Cabinet Secretariat, the cases under discussion come under the category exempted from arbitration."

5.8. Subsequently in a note furnished at the instance of the Committee, the Railway Board have stated:

"Efforts to settle the dispute amicably through negotiations with the State Bank of India did not frctify. The Reserve Bank of India regretted its inability to intervene. Secretary, Ministry of Finance (Department of Banking) also advised that there was no scope for arbitration as the dispute is between a bank and its clients. It has accordingly been decided that C.L.W. Administration should file a suit against the State Bank of India for recovery of this amount. Further action in the matter is being taken by C.L.W. Administration."

5.9. Giving details of the security arrangements made by the Railways in regard to transportation of cash etc., the Financial Commissioner for Railways informed the Committee during evidence: "So far as the transport of cash is concerned, along with the cashier there is an escort of S.I. with a number of armed constables depending on the size of the amount. In the Chittaranjan Locomotive Works we have tightened up the security arrangements further. The whole township was covered with barbed wires, trenches and walls and nobody could make a quick get away. When anything happens the gates of the perimeter fence could be closed. Previously, there were no such foolproof arrangements. Anybody could escape through the rugged countryside. So far as C.L.W. is concerned, they have issued instructions for having adequate guards whenever large amounts are to be transported. Another thing is this. We have asked them to review their security arrangements so as to ensure adequate protection. We have tried to persuade the nationalised banks to open offices in the railway station itself so that we can transfer our cash to the Banks as far as possible. We have now got about 128 stations which are now transferring the cash to banks immediately instead of sending the same physically through cash boxes. We want to expand this process. We have been having discussions with the Reserve Bank and other nationalised banks and we want them to open branch offices in all the important stations in India. They are now considering opening of their offices in 76 stations. Our idea is that once the banks are opened, we can also accept cheques from our customers so that the handling of large amounts of each should be minimised to a great extent. All these matters are being considered."

5.10. The witness added: "We had also thought of staggering the distribution of the salaries shop by shop—first day in one section and so on. But the unions were not prepared to accept it. They wanted the distribution of all salaries at the same time. We are trying to persuade more and more of the staff and officers to accept their payment by cheques. We are encouraging that. We will extend the acceptance of payment by cheques further."

5.11. Asked whether steps had been taken to take out insurance policies against thefts and dacoities, the witness stated: "We have also looked into this. I have also discussed with the Chairman of the General Insurance Corporation. The whole purpose and basic principle of insurance is to spread the risks as widely as possible. In the railways the risks are already widespread through the length and breadth of the country. Going in for insurance in such a case will only mean that the Railway will have to pay extra amount to the General Insurance Corporation to cover their own overheads and staff. In fact the Chairman of the General Insurance Corporation agreed with me that in the case of railways, the risk is already so well distributed that there is no need for going in for insurance outside. We will have to pay the Corporation premia which will not only cover the losses on account of theft etc., but will also cover all their overheads and staff costs and yield a profit. We found in the Eastern and South-eastern Railways that the annual premium for the cash handled would be of the order of Rs. 7.2 lakhs. If all the railways are put together, the total premium will amount to some 36 lakhs or so. In the last seven years or so, we have lost about Rs. 40 lakhs. If we had to pay premiums of Rs 35 lakhs every year, we would have paid premia of over Rs. 2.5 crores. This is six times the actual loss suffered by the Railways."

5.12. In a written note, the Railway Board have intimated: "Two insurance policies were taken in 1969 to cover the risk of 'Cash' in transit' and 'cash-in-safe' for C.L.W. Cash Office located in a private building at Calcutta. The same are still in operation. This apart, the possibility of securing combined insurance cover for cash in transit of the railways in the eastern region i.e., Eastern, S.E., N.E. and N.F. Railways through a single policy was taken up for examination in 1969. The remarks received from these railways have generally indicated that the amount of premium payable for such insurance would be far in excess of the expected savings. So far as cash in the Cash Offices located in Railway premises is concerned, sufficient security arrangements exist; adequate security arrangements are also in force to guard the cash in the custody of railway cashiers during transit."

5.13. In regard to the other case referred to in the Audit Paragraph regarding loss of cash on South Eastern Railway, the Railway Board have intimated that the police investigation has been completed and their final report was awaited.

5.14. Asked about the measures proposed to be taken to minimise losses of this kind, the Railway Board have in a note stated:

"Adequate security arrangements always exist to guard against thefts and robberies. However, inspite of best efforts, it may not always be possible to avert armed dacoities totally. Among the measures taken for minimising the losses of this nature are:—

- (i) Steps to reduce handling of cash to the extent possible such as, extension of the arrangements for payment of staff salaries through cheques, utilisation of station earnings for the purpose of staff payments remittance of daily earnings directly from stations to the banks instead of routing through various stages for collection, shroffing etc.;
- (ii) Avoidance of night travelling of cashiers with cash to the extent feasible;
- (iii) Checking of compartments reserved for cashiers and cash guards by the ticket checking staff in order to see whether there is any outsider travelling in the reserved compartment; and
- (iv) Instructions to the effect that Armed Wing supervisory staff should check the cash guards while they are on payment to tours in order to see that they are alert and are discharging their duties properly."

5.15. The Committee are distressed to learn that even after the lapse of about 3 years it has not been possible for the Chittaranjan Locomotive Works Administration and the State Bank of India to reach a settlement in regard to the liability for the loss of cash of over Rs. 18 lakhs arising of the armed dacoity in the premises of the State Bank of India, Chittaranjan. The Committee were informed that the Railway Administration tried to negotiate with the State Bank of India but their efforts did not fructify. The Reserve Bank of India also refused to intervene and the Ministry of Finance when approached by the Railway Board for arbitration

in the matter advised the latter that there was no scope for arbitration as the dispute was between a bank and its client. As at present the C L W Administration have been advised by the Railway Board to file a suit against the State Bank of India. The Committee regret to say that the authorities in State Bank of India, Reserve Bank of India and Ministry of Finance took too technical a view of the matter without making any serious efforts for resolving the dispute amicably. As a result not only the dispute has not yet been settled but the Railway Administration have also been forced to go in for litigation. The Committee have also a feeling that in this process the State Bank might have forfeited their right to recover the loss from the insurers as presumably all the cash transactions of the Bank are insured. The Committee desire that the whole matter should be reviewed at a high level and the result intimated to them within three months.

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

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

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

CHAPTER VI PURCHASE OF COAL

Supply of inferior quality of coal to the Railways

Audit Paragraph:

6.1. In paragraph 41 of the Audit Report, Railways, 1964, a mention was made that the Railways had been complaining in some cases that the coal actually received from collieries contained about 15 per cent to 70 per cent of slack and dust and about 5 per cent shale; in spite of the setting up of a Railway Inspection Organisation in the coal fields since 1961 under the Chief Mining Adviser to the Railway Board, and the stipulation in the contracts that only steamcoal with no shales and with slack and dust not exceeding 8 per cent would be acceptable. The Ministry of Railways (Railway Board) informed the Public Accounts Committee in November, 1965 that steps had been taken by the Chief Mining Adviser (Railway Board) to tighten up inspection in the collieries loading coal below specification and it was anticipated that within next few months the posts of Senior Technical subordinates in the Inspection Organisation would be suitably manned.

6.2. Complaints about the supply of inferior grades of coal containing shale, slack and dust beyond the permissible limits, however, continued to be made by the Railways... In some cases slack and dust were reported to be as high as 75 per cent to 100 per cent and shales between 40 per cent to 45 per cent of the total contents of wagons tested by the consignee Railway. Joint Inspections conducted by the representatives of the Railway Inspection Organisation and the consignee Railways indicated that complaints were genuine to the extent mentioned below:—

	1968-69	1969-70	1970-71
(a) No. of wagons jointly inspected on complaints of the Loco sheds	678	548	419
(b) No. of wagons contents of which were found below specification	157	168	218
(c) Percentage of (b) to (a)	23	30	50

6.3. Results of sample grade tests conducted by the Zonal Railways (which normally cover 2 per cent of the coal wagons received) are indicated in Appendix II. The estimated loss due to supply

of coal below specification in wagons tested by Railways (excepting Western Railway) during the years 1969-70, 1970-71 and 1971-72 worked out to Rs. 20.57 lakhs.

6.4. Although there had been progressive rise in the supply of inferior quality of coal to the Railways, neither the percentage prescribed for visual inspection of the coal wagons nor of the samples to be drawn from the wagons by the staff of the Railway Inspection Organisation was increased. Even the posts sanctioned for the organisation were not filled up (November, 1972) as indicated below:—

	Sanctioned strength	Actual strength
Chief Inspecting Officer	1	Vacant
Senior Inspecting Officers	4	4
Junior Inspecting Officers	10	6
Zonal Inspectors	6	4
Sampling Supervisors	92	32
Loading Supervisors	100	59
Sampling Khalasis	184	36

6.5. The Ministry of Railways (Railway Board) stated (November, 1972) that during the years 1971 and 1972 the complaints of inferior quality of coal markedly increased due to low and order situation particularly in Bengal-Bihar area; that during the period from 1968 to 1971, penalties aggregating Rs. 9.56 lakhs were imposed on the basis of visual inspection by the Inspection Organisation and Rs. 3.72 lakhs based on grade check by drawing samples. It may, however, be mentioned that only 63 to 68 per cent of the coal wagons loaded during the period were covered by the visual inspection. As regards grade check, the samples drawn had not been upto the prescribed limit of 16 per cent as it is stated that the Central Fuel Research Institute had agreed to analyse only 250 samples per month free of cost.

[Paragraph 49 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

6.6 Explaining the procedure for inspection of coal followed by the Railways, a representative of the Railway Board stated during evidence: "We took over coal inspection in 1962. We inspect coal at the loading point at the collieries. Our stipulation is that 50 per cent of the wagons every month at each colliery will be inspected visually by our inspection staff. For 15 days in a month our Inspector goes to carry out a visual inspection of the coal as loaded in the

wagons and if he finds that the contents of slack is high, he has to penalise or reject.

We are supposed to take 5 per cent samples of the coal and send the same to Dhanbad Coal Institute for proper analysis to check the moisture and ash content. Here again if it is found that the sample is inferior to what it is supposed to be then we levy penalty on the colliery.

At the receiving end i.e. at the Loco Shed we have no arrangement with the colliery. We are planning to have it with the coal mines having been nationalised.

What are the Railways required to do—when the consumer receives the coal, he is required to inspect 2 per cent of the wagons and report. The purpose of this inspection report is that if the quality is below standard then either we delete that colliery from our list of suppliers or we reduce the offtake from the colliery. We do not penalise in terms of money. No fines are imposed since the colliery representative is not here. About 2 per cent wagons inspected means wagons selected at random.

There was a stage when the coal mines owners were keen to supply coal to Railways because we were very big consumers. If we deleted a colliery it was a heavy punishment for the colliery or if the offtake was reduced, that also served as deterrent punishment. The situation has now changed because the coal mines belong to Government. The other factor is that there is such a shortage of coal that we cannot pick and choose now. We have to pick whatever is available. Even yesterday we have cancelled passenger trains in the North Eastern Railway because of shortage of coal and on many Railways my coal stock is for 15 days whereas I should have 10 days stock at my sheds to be sure that the passenger trains run every day.

Talking of the latest position, the point is that we have been carrying out inspection at the pit heads to the extent of 63 to 68 per cent against a target of 50 per cent. Those are our figures and we have been penalising on an increasing scale. The position became bad during 1971-72. The quality of coal offered by these collieries deteriorated. I will give you the figures of four years only. Reduction in payments which were ordered as a result of visual inspection in 1968-69 was Rs. 2,06,000; 1969-70 Rs. 2,97,000, 1970-71 Rs. 4,73,000, because the quality of coal went down we rejected it. In 1971-72 it was Rs. 6,65,000. That is on visual inspection.

On testing the samples at Dhanbad the penalties which we levied in 1968-69 were Rs. 23,000; they went up to Rs. 98,000 in 1969-70;

Rs. 1,02,000 in 1970-71; Rs. 1,04,000 in 1971-72. Therefore, the inspection at the pit head where loadings were there, penalties have been raised because the quality of coal that we have been getting was not as satisfactory as it used to be. So far as the receiving end is concerned, we have deleted every year a number of collieries and I will give you the figures also.

1969-70 we reduced off-take from 11 to 2 collieries

1969-70 we reduced off-take from 11 to 2 collieries

1970-71 we reduced off-take from 16 and deleted 10 collieries

1971-72 we reduced off-take from 22 collieries and deleted 3 collieries.

We did not levy any penalty as fine on these collieries.

The system of inspection that we have is fairly satisfactory. The only thing is that we have not been able to carry the test in full. We have laid down on our own that 5 per cent of the wagons samples should be taken for a full test. We have not been able to do it because when the Dhanbad Institute was set up we had made arrangement that they will test 250 samples per month for us. They said for all times we shall do 250 samples free for you. But that makes only 1.8 or 1.9 per cent. To go to 5 per cent we have to take 900 samples per month. We should have done that earlier. But the problem was that the Dhanbad Institute wanted a long term arrangement. They wanted 10 years programme from us, before they could expand infrastructure. The other choice for us what that we set up our own refineries. We have been debating that point for some time, but we find that the offtake is going to be reduced for the Railways in the years to come and there will be no point in our setting up that. That lacunae was there and will also be eliminated in the near future. The main problem that the railways have been facing is about the quality. What we want is selected A and selected B; we have been receiving less and less as compared to our requirements. We have been receiving in Grade I and Grade II. To that extent, we have suffered, but we have not paid more than what we get."

6.7. The Committee were informed that the Railways were annually using about 14 million tonnes of coal. Its total cost including sales tax comes to about Rs. 60 crores. As at present only 2 per cent of the coal was subjected to sample grade test by the Zonal Railways. The Committee asked whether, in view of the fact that only through grade test the correct quality of coal could be determined, the percentage of samples to be drawn for grade check should not be increased. In a note on the subject the Railway Board have

stated: "It is true that when the source of supply cannot be identified, the correct quality of coal can be determined only by grade test. Results of percentage tests can be adjusted on a statistical basis by sample analysis methodology. It is thus not necessary or desirable to have hundred percent check. At best such tests should be at a scale which can be handled effectively and the infra-structure required should not become massive.

Under the extant Mining regulations, coal cannot be raised from a mine without the prior sanction of the Government. The Coal Board, a statutory body, determines the quality of coal as mined from the working section of each seam and allots the appropriate grade for the coal extracted from such seam. So long as the supplies come from the seams thus graded (which can be verified from underground inspection) and it is ensured that pickable shale bands are eliminated before loading, the supplies normally conform to the grade allotted to the seam by the Coal Board. Thus, the first step in ensuring supply of correct grade of coal (i.e. quality) is to see that coal supplied to Railways is from the appropriate graded section of the seam and to ensure that pickable shale bands are eliminated. Besides drawing samples for grade check, the Railway Inspection Organisation is also concentrating on the above aspect to ensure supply of proper quality of coal.

However, action has already been initiated to procure mobile trucks equipped with mechanical sampling apparatus for drawing more samples. Arrangements are in hand with the Central Fuel Research Institute for analysing an increased number of samples in addition to the 250 samples per month which the Institute is already effecting for the Railways at present."

6.8. In reply to another question as to why the visual inspection did not cover the entire coal loading for the Railways, the Railway Board have stated:—

"The Railway Inspection Organisation had been set up to undertake percentage checks at loading points of collieries and visual inspection was to cover only 50 per cent of the supplies. About 65 per cent of the supplies are now covered by visual inspection.

Proposals are under consideration to further strengthen the inspection at collieries. The Department of Mines is also considering to set up a technical service Unit for quality control in the nationalised coal mines."

6.9. The Committee desired to know the position in regard to supply of quality coal to Railways after nationalisation of collieries. In a note, the Railway Board have stated.

There has been a marked deterioration in the quality of coal supplied to the Railways after nationalisation as will be seen from the comparative position indicated in the Appendix III. During the seven month period, February to August, 1973, after nationalisation, the percentage of wagons found with inferior coal on visual inspection was 5.7 as against only .5 per cent for the corresponding period in 1972 before nationalisation or there was 128 per cent increase in inferior supplies. The sampling results indicate that the percentage of below grade supplies had gone up to 6.9 after nationalisation (for the period February to March, 1973) as compared to 26.4 per cent for the corresponding period in 1972 before nationalisation.

Proposals are under consideration for strengthening the inspection at collieries by stepping up the annual inspection from the present level of about . . . Action has already been initiated to increase a number of samples for grade checks with the help of mobile trucks equipped with mechanical apparatus and getting the same analysed by the Central Fuel Research Institute in addition to the 250 samples per month already being handled at present. The Department of Mines are also considering to set up a technical service unit to control the quality of coal supplied by the nationalised mines."

6.10. The Committee are disappointed to learn that the Railways who are annually using about 14 million tonnes of coal worth about Rs. 60 crores do not have a satisfactory inspection machinery to ensure that they get the quality of coal for which they pay. Under the existing coal inspection procedure the staff of the Railway Inspecting Organisation makes a visual inspection of 50 to 65 per cent of the total coal wagons loaded at the collieries to ensure that the percentage of shale, slack and dust is upto the acceptable limit. Although sample from 5 per cent of the loaded wagons are required to be tested at Dhanbad Coal Institute for proper analysis to check the moisture and ash content, only 1.8 per cent is tested because of the limited arrangement made by the Railways with the Institute. At the receiving end the consignee Railways are required to inspect a meagre 2 per cent of the wagons and report about the quality of coal. That the existing machinery of coal inspection has proved totally ineffective the nature and quantum of inspection are such that the ~~arrangement~~ is nothing but an eyewash will be amply borne out by the following:

6.11. In 1968-69, out of the total number of wagons jointly inspected by the Railway Inspection Organisation and the consignee Railways following complaints of the loco sheds, the contents of

as high as 23 per cent of the wagons were found to be below specification. This percentage rose upto 30 per cent in 1969-70 and still further upto 50 per cent in 1970-71. Moreover, the results of sample grade tests conducted by the Zonal Railways revealed that during 1971-72 the percentage of wagons found sub-grade was as high as 100 per cent on Eastern and Northeast Frontier Railways. On other Railways the percentages of wagons found sub-grade ranged between 31.5 on Southern Railway to 64.39 on Western Railway. Similarly the percentage of coal wagons containing shale, slack and dust beyond the permissible limits was as high as 100 per cent on Central, Northern and North-east Frontier Railways.

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

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

6.14. The problem of supply of inferior grades of coal to Railways engaged the attention of the Committee earlier also. They were then (November, 1965) assured that steps had been taken to tighten

up inspection and that the Inspection Organisation would be suitably manned. However, it is regrettable that the inspection continues to be absolutely inadequate and inefficient as the supply of inferior grades of coal has increased from year to year. Further, even the posts sanctioned for the Inspection Organisation were not filled up.

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

CHAPTER VII

OTHER TOPICS

Outstanding dues against Non-Government Railways

Audit Paragraph.

7.1. The rules provide for monthly allocation of traffic receipts among various Railways and consequent adjustment as early as possible of through traffic transactions between creditor and debtor Railways. In addition to net debits or credits arising out of such traffic transactions, the Non-Government Railways are billed for shares of maintenance charges of stations, joint transshipment etc., by the appropriate Government Railways and these Non-Government Railways are expected to settle these monthly transactions with least possible delay.

7.2. A review of these transactions with the six Non-Government Railways showed that the total outstandings on this account, as on 31st March, 1972 stood at Rs. 49.99 lakhs of which Rs. 11.52 lakhs related to periods over three years and Rs. 33.46 lakhs were for periods over one year and upto three years.

7.3. Of these six Railways, three have since closed down, viz., Shahdara-Saharanpur Light Railway, with effect from 1st September 1970 and Howrah-Amta and Howrah-Sheakhia Light Railways with effect from 1st January, 1971. The total dues against these Railways as on 31st March, 1972 worked out to Rs. 37.51 lakhs of which Rs. 2.37 lakhs pertained to periods over three years and Rs. 30.67 lakhs were for periods over one year and upto three years. An official liquidator has been appointed in respect of Shahdara-Saharanpur Light Railway only the Indian Government Railways have filed their claims with him.

7.4. The outstandings against the other three Non-Government Railways which are still running, namely, Arrah-Sasaram Light Railway, Futwah Islampur Light Railway and Dehri-Rohtas Light Railway are assessed at Rs. 12.48 lakhs, of which Rs. 9.15 lakhs (inclusive of a loan of Rs. 9 lakhs) pertained to periods over three years and Rs. 2.80 lakhs were for periods over one year and upto three years.

7.5. The firm which owned the three Railways that were closed down stated that they had been running at a loss and had no

liquid resources to pay the dues of Indian Government Railways and that they could not preferentially pay the dues only to the Indian Government Railways, as they had other creditors also to whom payment was due from them.

7.6. Railwaywise and periodwise details of the outstandings are given in Appendix IV.

[Paragraph 13 of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways)]

7.7. The Committee desired to know the procedure followed for the settlement of monthly transactions with the non-Government Railways. In a note, the Railway Board have intimated:

"The Division Sheets relating to each individual month are required to be exchanged between the Government Railways and the non-Government Railways and a monthly Account Current showing the balance of through traffic according to the Division sheets/List of Invoices, parcels, Abstracts etc. is required to be submitted at the earliest possible date by each creditor Railway to each debtor Railway who is required to pay the dues in cash."

7.8. The Committee enquired whether the Railway Board took any action against the Light Railways referred to in the Audit Paragraph to prevent further accumulation of outstandings. In a note, the Railway Board have stated: "The action taken from time to time to arrest accumulation of outstandings against the Light Railways has been as under:-

- (i) Board considered the suggestion for making prepayment of freight compulsory in respect of traffic booked to stations on the Light Railways. The legal opinion was not in favour of this course of action as this could be construed as undue discrimination under Section 28 of the Indian Railways Act. Another step examined was to withdraw the facility of permitting through traffic between the Indian Government Railways and the non-Government Railways. This also could not be done as sub-section (3) of Section 27 of the Indian Railways Act 1890 provides for offering of facilities for through traffic by Railway Administration forming a continuous line. This provision was considered to be of a mandatory nature and it was thus not open to the Railway Board to discontinue through-booking of goods traffic to destinations served by the Light Railways.

- (ii) The management of the Shahdara Saharanpur Light Railways decided to close down the working of that Railway from 1.9.1970 for which purpose the company had issued a notice dated 15.7.1970. Instructions were issued by the Board on 25.8.70 and 29.8.70 asking the Railway Administration to stop payment of all dues and prefer claims against that Railway by 31.8.1970.
- (iii) At the instance of the Board, a meeting was held by the General Manager, Eastern Railway Calcutta with the General Manager, and the Chief Accounts Officer of the Martin Light Railways on 18-11-70. The General Manager, Martin Light Railways advised that the Light Railways would go into liquidation and as such, even if they, had funds at their disposal, they, could not preferentially pay the dues only to the Indian Government Railways since they have other creditors also to whom payments are due. An assurance was, however, given that the Martin Light Railways organisation will make every effort to clear the Indian Government Railways' due in instalments, as and when possible, when the assets of the Light Railways were sold.
- (iv) Instructions were issued *vide* Board's letter No. TCI/1259, /69 SSL dated 20-5-71 that no payments whatsoever should be made to the Martin Light Railways, which were still functioning such as Futwah-Islampur and Arrah-Sasaram Light Railways towards their share of freight and other charges. The idea behind withholding these payments was, that such amounts have to be adjusted finally taking into account the overall dues from all the Martin Light Railways.
- (v) Further meetings were held between the General Manager, Eastern Railway, Calcutta and the General Manager, Martin Light Railways on 17.11.1971 and 8.3.1973. The Martin Railways have made the following *adhoc* payment towards Indian Railways' dues as a whole as on 30.9.1972.

	Rs.
March 1973	5,000
April 1973	25,000
May 1973	10,000
TOTAL	40,000

7.9. A statement (Appendix V) furnished by the Railway Board gives the figures relating to net earnings, operating ratio and percentage of net earning to capital of Light Railways for the years 1966-67 to 1971-72. It is seen therefrom that except the Dehri-Rohtas Light Railway, the percentage of net earnings to capital on all the other 5 Railways has been continuously going down from 1966-67 onwards-7. As a result of the losses three of these Railways have closed down operation. The Committee enquired whether the Ministry of Railways were not aware of the financial position of these light Railways and that three of them were likely to be closed down. The Railway Board have in a note stated: "The Financial position as indicated in the Audited Balance Sheets of the Co. was known to the Ministry of Railways. Regarding the likely closure of three of the Railways, the S.S. Light Railway Co. had issued the notice of closure on 15-7-70 and the other two Companies viz. Howrah Amta and Howrah-Sheakhala Light Railway Cos. had issued notices of closure on 25-11-70;"

7.10. Asked about the steps taken by the Railway Board to recover the dues from the three Light Railways before they closed down, the Railway Board have stated:

"Light Railways have been operating for decades and the dues of the Government Railways used to be paid normally in accordance with the Indian Railway Conference Association rules, part II. The Light Railways are parties to the Indian Railway Conference Association and the I.R.C.A. Rules regarding apportionment and adjustment of earnings in respect of through-traffic have been followed by them all along. With the deterioration in their financial position, the apportioned earnings started falling into arrear, in payment of the apportioned earnings of the Indian Government Railways and inspite of the contacts at the highest level that the Government Railways had with the Management of the Light Railways, the arrears have mounted. The suggestion for making prepayment of freight Compulsory in respect of traffic booked to stations on the Light Railways was examined in great detail. The legal opinion was not in favour of the same, as it would be constructed as undue discrimination under Section 28 of the Indian Railway Act. Another step examined was to withdraw the facility of permitting through traffic between the Indian Government Railways and the Non-Government Railways This also could not be withdrawn as sub-Section (3) of Section 27 of the Indian Railways Act 1890 provides for offering facilities for through traffic by Railway Administration forming a continuous line. This provision was also considered to be of a mandatory nature and it was thus not open to the Railway Board to discontinue through booking of goods traffic of destinations served by the light Railways"

7.11. The Committee enquired about the present position of liquidation proceedings in respect of Shadara-Saharanpur Light Railway which owed a sum of Rs. 27.72 lakhs to the Indian Government Railways. In a note, the Railway Board have stated: "Shahdara-Saharanpur Light Railway Co. had been closed down w.e.f. 1-9-70 and had gone into voluntary liquidation on 10-12-70. The Eastern Railway was nominated to co-ordinate with the other Railways in the matter of putting up the claims before the liquidators. The question of payment of Government Railways' dues depends on the claims being verified and admitted by liquidators. For the realisation of dues preferred by the Indian Railways, the Eastern Railway has been regularly pursuing the matter with the liquidators since May, 72."

7.12. In another note, the Railway Board have stated: "Under an order passed by the High Court at Calcutta, the Howrah-Amta Light Railway Co. has been put into liquidation. Regarding Howrah-Sheakhala Light Railway Co., final orders of the Court are awaited."

7.13. Asked whether any formal agreements had been executed with these Light Railways in term of section 50(d) of Indian Railways, the Railway Board have stated: "No formal agreements exist between the company managed railways and the central Government under Section 50(d) of the Indian Railways Act. However, as these light Railways are party to the Indian Railway Conference Association, the Conference Rules pertaining to inter-change of traffic and apportionment of earnings are equally binding on them. In any case, even if a separate agreement had been executed, it would not have necessarily improved matters, because the only remedy for the Government Railways to ensure realisation of their dues, as might have fallen into arrears, would be to have re-course to a court of law."

7.14. In regard to prospects for the realisation of the Railways' dues from the Light Railways, the Railway Board have intimated: "The realisation of Railway dues depend upon the results of liquidation i.e. the value of assets of the liquidated Cos. *vis-a-vis* the claims put forward by various creditors. Final position in this respect is not yet known. The Martin Railways, however, have made the following *ad-hoc* payments towards Indian Railways' dues as a whole:

	Rs.
March 1973	5,000
April 1973	25,000
May 1973	10,000
TOTAL	40,000

7.15. The Committee enquired whether there was any proposal to reopen the 3 Light Railways which had been closed. In this connection, the Railway Board have stated:

“Shahdara-Saharanpur Light Railway

Shahdara-Saharanpur Light Railway was a narrow gauge (2'-6") line, about 149 kms. in length, running from Shahdara (Delhi) to Saharanpur. The operation of this Railway was stopped by the owners from 1-9-70. The assets of the Light Railway were found to be in a completely worn out and dilapidated condition and had little residual lives left. Besides, the party who had purchased the assets of the Company had removed considerable portion of the track. In view of this position and the future increasing needs of traffic, it has been decided to construct a broad gauge line in the area. For this purpose, a Corporation jointly financed by the Ministry of Railways and the Govt. of U.P. is proposed to be set up. The cost of constructing and running the broad gauge line is proposed to be shared equally by the Central Govt. The thinking at present is that the joint Corporation would also be responsible for running the road services on the route.

The Engineering-cum-Traffic Survey carried out a few years back for a broad gauge line in the area has since been updated. Approval of the Parliament for the construction of this line, estimated to cost Rs. 17.42 crores, has also been obtained through the Supplementary Demands presented in the Monsoon Session. Further, regular meetings are being held with the representatives of the Govt. of U.P. agreed to send to the Ministry of Railways a formal administrative order confirming in principle that the Govt. of U.P. would share the cost with the Ministry of Railways on a 50:50 basis. It is understood that the matter is under active consideration of the Govt. of U.P.

As the Joint Corporation would also be responsible for running the road services, Motor Vehicles Act, 1939, has to be amended. Necessary action in this regard is being taken by the Legal Adviser of the Govt. of U.P., in consultation with the Ministry of Shipping and Transport and the Ministry of Law.

Howrah-Amta and Howrah-Shekhala Light Railways

Howrah-Amta and Howrah-Sheakhala Light Railways were narrow gauge (2 ft) lines about 70 kms. and 27 kms. respectively in length. These Railways have been lying closed since were also in a completely worn-out and dilapidated condition and had outlived their usefulness. Bearing in mind the condition of the assets and the future needs of traffic, it is proposed to construct broad gauge lines in the area.

The survey work for these broad gauge lines has since been completed and the survey report of Howrah-Sheakhala line has been received in the Railway Board. The Howrah-Sheakhala line is estimated to cost about 3.5 crores for steam traction. Regarding Howrah-Amta line, the preliminary survey reports are expected to be received shortly. Meanwhile, a preliminary appreciation report has been received from the Railway and the cost of the line has been estimated at Rs. 9.98 crores. Approval of the Parliament to the construction of both these lines, which are anticipated to be highly unremunerative, has been obtained through the Supplementary Demands presented in the Monsoon Session on the basis of 50 per cent participation of the State Govt.

The Ministry of Railways has agreed to an equal partnership with the State Govt. in the Joint Corporation to be set up for revival of the Railways. The formal acceptance of the State Govt. West Bengal has not been received yet. On the otherhand, Chief Minister West Bengal, desired that the Railways should assume the entire responsibility for the construction and operation of the broad gauge lines. The State Govt. has again been addressed on 30-9-73, urging confirmation that the Govt. of West Bengal would bear 50 per cent of the cost of constructing and running the B. G. lines. Thereafter, the matter was also discussed by the Chief Minister, West Bengal, with the Railway Board officials, on 12-11-73 in which it was explained that the approval of the Parliament to the construction of these B.G. lines had been obtained on the basis that 50 per cent of the cost of restoration and the recurring operating losses will be borne by the State Govt. The Chief Minister agreed to reconsider. Further communication from the Govt. of West Bengal is awaited.

On receipt of confirmation from the Govt. of West Bengal that they would share 50 per cent of the cost, construction work on the lines can be processed further."

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

Further, action for recovery of outstanding from the other three railways should also be expedited. The progress may be intimated to the Committee.

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

Eastern Railway-Loss due to heavy leakage of Gear Case Oil from Electric Locomotives

Audit Paragraph

7.18. Forty-five W.A.G. 2 electric locomotives imported from Japan were commissioned in the years 1964, 1965 and 1966. For the purpose of maintenance, these locomotives were based at Asansol Loco Shed till January, 1970 when they were transferred to Mughalsarai Loco Shed. The monthly consumption of gear case oil varied from 4585 litres to 13818 litres during the period from June, 1968 to December, 1969 and the average consumption worked out to 186 litres per loco per month. During the period from January, 1970 to September, 1971, the monthly consumption varied 9816 litres to 27740 litres giving an average of 455 litres per loco per month. The average monthly consumption of gear case oil per loco shed neither been specified by the manufacturers nor had been fixed by the Railway Administration; but as compared to the consumption during the period from June, 1968 to December, 1969 there an excess consumption of 4649 litres per loco during the period from January, 1970 to September, 1971 (i.e. 269 litres per month) entailing extra expenditure of Rs. 4.91 lakhs.

7.19. The excess consumption of gear case oil was attributed to several factors and/or combination of factors such as the topping up of gear cases at slightly higher level to prevent failure of the main cog-wheel bearings, leakage of oil from the gear cases owing to deterioration of oil seals, gaskets and other sealing joints progressive increase in the period of running after intermediate overhaul of locomotives during 1968 and 1969 and the non-availability of crane facility for lifting the locos for attending to leakages promptly.

7.20. The Railway Administration stated (October, 1972) that the oil seals were under indigenous development since October, 1970 to save foreign exchange and that the interim requirements of oil seals would be met by import. The Ministry of Railways (Railway Board) further stated (November, 1972) that the figures of oil consumption

for the period from January, 1972 to September, 1972 showed a downward trend as seals and gaskets were being renewed on programmed basis and that the excess consumption was compensated by indirect saving by way of reduction of bearing failures and by not withdrawing locos from traffic for oil seal changing.

[Paragraph 45 of the Report of the Comptroller and Auditor General of India for the year 1971-72 Union Government Railways]

7.21. Giving the reasons for abnormal increase in the consumption of Gear Case Oil during the period from January, 1970 to September, 1971, the Railway Board have in a note stated: "The reasons for abnormal increase in the consumption of Gear Case Oil from January, 1970 to September, 1971 were mainly:

- (i) deterioration of oil seals in service which were renewed during the last overhaul during 1968-69. These should have been normally renewed after 2½ to 3 years but they deteriorated much faster .
- (ii) Basically defective design of oil seal has been experienced on the WAG-2 locomotives almost from the dates they were put into service. The consumption increases with the deterioration of sea.
- (iii) Topping up of gear case oil to a higher level so as to avoid damage to the ears and bearings on account of lack of oil."

The Committee were informed that the average consumption of oil per loco per month during the year 1969 to 1973 was as under:

Year	Litres/loco/month
1969	165
1970	396
1971	522
1972	425
1973	511 (January to September only)

7.22. The Committee enquired whether the Railway Administration had at any stage considered the desirability of fixing the rate of monthly consumption of gear case oil in respect of WAG-2 electric locos. In a note, the Railway Board have stated: "The monthly rate of consumption of gear case oil has been under continuous review by RDSO, Railway Board and the Eastern Railway almost from the time of commissioning of these locomotives in service. The matter had also been taken up with the manufacturers of these locomotives

and due to actual consumption level being much higher than the figure indicated by the manufacturers originally and the consumption being varied widely, monthly consumption rate has been determined by the Railway on the basis of the actual performance. The present rate is 511 litres per month per locomotive. This is based on the consumption from January to June, 1973."

7.23. The Railway Board have stated that the problem of heavy leakage of gear case oil was confined to only WAG 2 electric locos. The main reason for abnormal increase in the consumption of gear case oil is the deterioration of oil seals which were stated to be of basically defective design. The Committee desired to know whether efforts had been made to develop capacity for indigenous manufacture of oil seals as a reliable and durable substitute for the imported ones. In this connection the Railway Board have stated: "The oil seals indigenously manufactured are being used. However, with the unsatisfactory experience in the year 1970-71 and due to increased leakage of oil, requirements of oil seals are being met by imports as the cost of seal per loco set is insignificantly lower than the saving that these seals can provide in reducing oil consumption. Now action has been taken to use good quality imported seals and their impact is likely to be felt in the subsequent years."

7.24. It is indeed surprising that even though the question regarding monthly rate of consumption of gear case oil on WAG-2 electric locomotives is stated to have been under continuous review almost from the time of commissioning of these locomotives in 1961-66, no satisfactory solution seems to have been worked out till date. If the average consumption of 165 litres of oil per loco per month in the year 1969 could be considered as optimum level, the present rate of about 511 litres per month per locomotive should cause serious concern. It should be noted that as compared to the consumption during the period from June, 1968 to December, 1969 there was an excess consumption of 5,649 litres per loco during the period from January, 1974 to September, 1971 which entailed an extra expenditure of Rs. 4.91 lakhs. The Railway Board's argument that the excess consumption was compensated by indirect saving by way of reduction of bearing failures and by non-withdrawal of locos from traffic for oil seal changing does not at all appeal to Committee. The Committee desire that the question of bringing down the consumption of oil should be expeditiously examined so as to take necessary steps. The Railway Board should keep a careful watch in this regard.

Arbitration awards

Audit Paragraph

7.25. In paragraph 30 of their Thirty Second Report (Third Lok Sabha) the Public Accounts Committee had advised the Ministry of Railways (Railway Board) to examine the reasons for a large number of cases having being decided against the Railways and to consider the feasibility of improving the procedure of reference of cases to arbitration. Again, in paragraph 3.39 of their Fifty Third Report (Third Lok Sabha), the Committee desired the Railway Board to undertake a proper examination of the reasons why a majority of cases referred to arbitration went against the Railways and to take suitable remedial measures.

7.26. The Ministry of Railways (Railway Board) informed the Committee in November, 1965 that suitable instructions had been issued to the Railways to evolve a procedure to ensure that cases were not taken to courts or to arbitration without the desirability of such a course having been accepted by an Administrative grade officer and also to plug procedural loopholes, of which advantage was likely to be taken by unscrupulous contractors. They further stated in January, 1967, that detailed study of the problem had been entrusted to the Efficiency Bureau of the Railway Board.

7.27. The Efficiency Bureau submitted its Report to the Railway Board in May, 1967. In pursuance of the recommendations of the Efficiency Bureau, the Railway Board amended certain clauses of the General Conditions of Contract relating to Works, in order to minimise the cases leading to disputes between the parties to the contract.

7.28. A review of arbitration cases, revealed that out of 583 cases involving total claims of contractors amounting to Rs. 802.10 lakhs, referred to arbitration during the period from 1968-69 to 1970-71, the Railway Administrations had admitted the claims to the extent of only Rs. 8.20 lakhs; but they had ultimately to pay a total sum of Rs. 201.54 lakhs in satisfaction of the awards given by the Arbitrators. The amounts paid by the South Eastern, Western, Central and South Central Railways were Rs. 72.93 lakhs, Rs. 47.73 lakhs, Rs. 25.87 lakhs, and Rs. 22.50 lakhs, respectively. The details showing number of cases referred to arbitration, amounts claimed by the contractors amounts admitted by the Railways and amounts awarded by Arbitrators and paid by the Railways are mentioned in Appendix VI.

7.29. A test check of certain cases referred to arbitration by the Central and Northern Railways at the instance of the contractors and

decided against these railways indicated that some of the items of disputes related to "Excepted Matters" which should have been finally decided upon by the respective Railway Administrations and hence not subjected to arbitration under clause 664 of General Conditions of Contract for Works.

7.30. Under the Indian Arbitration Act (No. X of 1941) it is not obligatory for an Arbitrator to give reasons or break-up of the amount awarded against various claims heard by him and, therefore, it is not possible to ascertain the reasons or the extent to which the defence of the Railway Administrations has not been accepted by the Arbitrators.

[Paragraph 48 of the Report of the Comptroller and Auditor General of India for the year 1971-72 Union Government of India (Railways)]

7.31. It is seen from the Audit paragraph that out of 583 cases referred to arbitration by the contractors during 1968-69 to 1970-71 as many as 159 cases related to Western Railway. Similarly on the South Eastern, Northern, Central, North Eastern and Eastern Railways 151, 77, 53, 49 and 45 cases respectively were referred to arbitration. The Committee enquired whether the reasons for such a large number of cases having been referred to arbitration by the contractors had been examined. In a note the Railway Board have stated: "The Ministry of Railways have examined the reasons for the cases having been referred to arbitration by the contractors. These generally are:—

- (i) Levying penalty/liquidated damages on the contractor.
- (ii) Termination of the contract and imposition of penal clauses.
- (iii) Undue claims of contractors.
- (iv) Disputes in regard to excepted matters.
- (v) Execution of certain items of works, for which rates were not originally provided and which could not be mutually settled.
- (vi) Variation in quantities of items of works.
- (vii) Recovery of the value of stores/consumed in excess not returned."

Clause 63 of the General Conditions of Contract relating to works, as it stood prior to April, 1970, read as under:

"All disputes or differences of any kind whatever arising out of or in connection with the contract, whether during the progress of the works or after their completion and whether before or after the determination of the contract

shall be referred by the contractor to the Railway and the Railway shall within a reasonable time after their presentation make and notify decisions thereon in writing. The decisions, directions, classification and measurements, drawings and certificates with respect to any matters decision of which is specially provided by these conditions, given and made by the Railway, or by the Engineer on behalf of the Railway, are matters which are referred to hereinafter as 'Excepted Matters' shall be final and binding upon the contractor and shall not be set aside or be attempted to be set aside on account of any informality, omission, delay or error in proceeding in or about the same or any other ground or for any other reason and shall be without appeal."

7.32. The above clause stipulated that decisions on all disputes etc. referred by the contractors to the Railway Administration shall be notified by the concerned Administration within a reasonable time and that the decision given by the Administration on 'Expected matters' shall be final and binding on the contractor and shall be without appeal. The Audit paragraph brings out that a test check of certain cases referred to arbitration by the Central and Northern Railways at the instance of the contractors and decided against the Railways indicated that in some cases some of the items of dispute related to 'Excepted matters'. The Committee desired to know why such cases were referred to arbitration when such claims could be decided by the Railway Administration themselves. The Railway Board have in a note explained: "Clause 63 of General Conditions of Contract deals with 'Excepted matters'. The decisions, directions, classifications, measurements, drawings and certificates with respect to any matters, the decisions of which is specially provided for by these or other special conditions given and made by the Railway or by the Engineer on behalf of the Railway and matters which are referred to hereinafter as 'Excepted matters' and shall be final and binding upon the contractor and shall not be set aside on account of any informality, omission, delay or error in proceeding in or about the same or any other ground or for any other reason and shall be without appeal.

These matters were referred to arbitration as the legal opinions obtained by the Railway administrations have leaned towards the view that where the Railway considers that a particular dispute relates to the 'Excepted matter' but the same is not acceptable to the contractor, there is no other alternative but to refer the dispute to arbitrator to decide. In such cases Railways' main defence before

the arbitrator is that the issue is not arbitrable being one of 'excepted matter'."

7.33. The Committee enquired as to how many cases out of the 583 cases referred to arbitration during the 3 years ending 1970-71 related to contracts executed after 1968-69 and 1969-70. In this connection the Railway Board have stated: "As lot of data is required to be collected by Railway from their Divisions, it will require some more time to reply to this point."

7.34. In other note, the Railway Board have intimated: "The total No. of cases (Railway-wise) referred to arbitration during 1971-72 and No. of contracts awarded after April, 1970 are detailed below:

Railway	No. of cases referred to Arbitration during 1971-72	Out of the cases shown in col. (2) how many relate to contracts awarded After April 1970
Central	8	Nil
Eastern	8	Nil
Northern	50	Nil
North Eastern	3	Nil
Northeast Frontier	2	Nil
Southern	1	Nil
South Central	3	Nil
South Eastern	38	6
Western	21	Nil"

7.35. The Committee understand from Aud't that in the Central Public Works Department, the competent authority, while appointing an arbitrator, makes a request to the arbitrator to indicate the award against each item of dispute and the clause of the conditions of contract dealing with arbitration specially provides that in all cases where the amount of claim in dispute is Rs. 50,000 and above, the arbitrator shall give reasons for the ward. This was brought to the notice of the Ministry of Railways in July, 1970 suggesting examination of the question of providing a similar clause in the General Conditions of Contract of the Railways.

7.36. Asked about the action taken on the above suggestion made by Audit in July 1970, the Railway Board have stated: "This is under active consideration of the Ministry of Railways."

7.37. Following the recommendations made by the Committee time to time the Railway Board had in 1967 asked its Efficiency Bureau to make a detailed study in regard to the reference of a very large number of cases to arbitration by the contractors on Railways and also to examine the reasons why a majority of cases referred to arbitration went against the Railways. In pursuance of the recommendations of the Efficiency Bureau certain clauses of the General Conditions of contract relating to works were amended to minimise the cases leading to disputes between the parties to the contract. That these measures did not have the desired effect is clearly borne out by the fact that the number of cases referred to arbitration has gone up from year to year. Therefore, it could be taken that job was not done properly. In 1968-69, the total number of cases referred to arbitration was 150, while in 1969-70 this figure went up to 221. Again in 1970-71 as many as 212 cases were referred to arbitration. It is further seen that out of 583 cases involving total claims of contractors amounting to Rs. 802.10 lakhs referred to arbitration during the period from 1968-69 to 1970-71, the Railway Administration had admitted the claims to the extent of only Rs. 8.20 lakhs but they had ultimately to pay a total sum of Rs. 201.54 lakhs in satisfaction of the awards given by the arbitrators. This system is disastrous. This leads to the conclusion that the procedures followed on the Railways in regard to settlement of claims of contractors are not at all satisfactory and there is, therefore, a noticeable predilection on the part of contractors to resort to arbitration for the realisation of their dues. The Committee feel that the whole matter requires a competent reappraisal. They accordingly suggest that a review committee of not more than 3 persons—one practising lawyer; one practising auditor and an experienced retired railway officer—may be constituted forthwith, which should examine the matter in all its aspects and devise a form of contract that would reduce the disputes to the minimum.

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

Eastern Railway—Dues outstanding against a firm*Audit Paragraph*

7.39. Running contracts for fabrication and supply of 1700 sets of B. G. steel crossing sleepers, weighing 12,127.50 tonnes were placed by Director General, Supplies & Disposals on a firm between 1960 and 1963. According to the conditions of the contract, steel sleeper bars were to be supplied by Eastern Railway free of cost to the firm after it had furnished indemnity bonds to the Director General, Supplies & Disposals with an all risk insurance cover for 100 sets. The sleeper bars were to be procured by Eastern Railway from indigenous sources and paid for by the Railway but despatched to the fabricating firm direct, after obtaining intimation from the Director General, Supplies & Disposals that the firm had furnished indemnity bonds. The payment to the fabricating firm was to be made to the extent of 90 per cent of the contracted rate on the proof of despatch and the balance after acceptance of the processed sleeper sets by the consignee Railways.

7.40. The contract for fabrication did not provide for any obligation on the firm to furnish an account of the finished products to the Eastern Railway Administration against sleeper bars issued by them. Even a copy of the contract was not endorsed to the Eastern Railway.

7.41. The Railway Administration commenced issue of sleeper bars to the firm on the authority of advices obtained from Director General, Supplies & Disposals about quantities to be issued and by August, 1966 completed the supply of entire quantity without ascertaining the actual supplies of finished products to the consignee Railways. The consignee Railways were also advising only the Director General, Supplies & Disposals about the receipts of finished products and not the Eastern Railway. The Eastern Railway in whose books the debits for the amounts initially paid to the suppliers of sleeper bars had been lying, transferred them to the consignee Railways in accordance with Railway Board's instructions issued in February, 1964. Thus the Eastern Railway had no machinery to centrally watch the supply of fabricated steel crossing sleepers against the bars issued by them.

7.42. In July, 1967, the firm intimated that it was closing down its factory due to financial stringency. Thereupon, in September, 1967 the Eastern Railway Administration made enquiries from Director General, Supplies & Disposals whether the firm had completed their contracts and called for details of outstanding supplies to be made by the firm for which raw materials had already been

supplied. There was also a report in October, 1967 that the firm had closed their factory and had been removing the raw materials including the sleeper bars lying with them on Railway account. The matter was reported to the police by Director General, Supplies & Disposals on 20th November, 1967 for investigation.

7.43. In February, 1969 the Director General, Supplies & Disposals made an assessment of the sleeper bars issued by the Eastern Railway against which the firm had not supplied finished sets of crossing sleepers and found (in March, 1969) that for 39 sets, the firm had drawn 307 tonnes of steel bars valued at Rs. 2.59 lakhs but failed to deliver the finished products. In addition, there was an excess supply of 14.04 tonnes valued at Rs. 11,858, since the indigenous sources were not in a position to supply bars in specific lengths required for the manufacture of crossing sleeper sets by the firm. In February, 1971 the Eastern Railway Administration submitted a claim for Rs. 2.86 lakhs to the Director General, Supplies & Disposals towards the cost of sleeper bars and other liabilities of the firm due to the Railways.

7.44. In the meantime, in April, 1970, the Director General, Supplies & Disposals decided to refer the Railways' claim to arbitrators and informed Eastern Railway in August, 1971 the acceptance of an amount of Rs. 2.75 lakhs for inclusion in the claims preferred against the firm. It is not known whether any Arbitrator has been appointed by the Director General, Supplies & Disposals (April, 1972).

7.45. The Railway Administration stated (September, 1972) that they had only the full account of raw materials despatched to the firm for fabrication in accordance with the instructions of Railway Board Director General, Supplies & Disposals that the firm had submitted indemnity bonds to the Director General, Supplies & Disposals with an all risk insurance cover before receipt of materials according to the contract conditions and it was the responsibility of the Director General, Supplies & Disposals to ensure that the firm fulfilled the contractual liability by supplying the finished products within the scheduled time. They further stated that in terms of Railway Board's instructions of February, 1964, costs of steel crossing sleeper bars were adjusted against the beneficiary Railways immediately upon incurrence of the charges without waiting for actual supply of sleepers to them and that the Eastern Railway was not meant to watch the utilisation of raw materials by the firm.

[Paragraph 51 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

7.46. The Committee desired to know what procedure had been laid down by DGS&D to watch and control the issues of raw materials (i.e. sleeper bars) made by the Eastern Railway. In this connection, the Department of Supply have intimated: "After conclusion of the contract assessment of the requirement of sleeper bars was made and the Railway Board made budgetary provisions for the procurement of basic raw material viz. sleeper bars on behalf of the indenting Railways. The Controller of Stores Eastern Railways had been nominated to procure and account for these sleeper bars on behalf of the Railway Board. The sleeper bars were released by the Controller of Stores, Eastern Railway to the contract holding firm on the basis of release instructions issued by DGS&D after the firm had executed proper Indemnity Bond and forfeiture clause. Actual accounts in respect of budgetary allocations and raising of necessary debits against consuming Railways were however kept formally by F.A. & C.A.O. Eastern Railway. To enable the F.A. & C.A.O. to maintain proper accountal, the fabricator was required to send every month an accountal statement which *inter-alia* showed the receipt of payments and consumption thereof. In addition, one consolidated letter in respect of all the bills submitted during the preceding month was required to be sent to F.A. & C.A.O. containing details of supply orders, consignees, head of accounts, inspection notes, R/R Nos. etc. to enable the F.A. & C.A.O. to raise the necessary debits on different consuming Railways. As per practice, one of the functions of the Deputy Director (Steel), Calcutta was to maintain close liaison with Eastern Railway and FA&CAO with a view to ensure proper check and control. This would be borne out by the fact that out of release of 12127.5 M/T, the firm consumed the raw material to the extent of 11820.24 M/T and before granting extension at each stage the performance of the firm in the previous quarter had been verified. Even though the firm applied for extension on 5-1-67, this could not be agreed to as during the next few months report of labour trouble etc. and non-accountability of raw material had been received from various sources such as Eastern Railway, Deputy Directors (Progress) and worker's union of the firm."

7.47. The Railway Board have, in a note on the subject, stated: "The Board issued instructions in 1964 *vide* their letter No. 61/749/2/Track Pt.B, dated 27-2-1964 that the adjustment of the cost of steel crossing sleeper bars with the beneficiary Railways concerned should be carried out by operating the head 'Transfer Railways' immediately upon incidence of the charges and that the adjustment of the cost of crossing sleeper bars need not be deferred till actual supply of sleeper bars to ultimate consignee Railways. These instructions were issued with the limited purpose of avoiding double

budgeting against 'Misc. Advance Capital' both by Eastern Railway and the beneficiary Railway.

The responsibility of Eastern Railway was limited to the extent that they were to supply sleeper crossing bars to the DGS&D fabricators on receipt of release orders from DGS&D. The full responsibility for ensuring that the firms supplied the crossing sleeper sets against raw materials supplied to them rested with the DGS&D. The instructions issued by the Board in 1964 did not alter this position and the responsibility of ensuring the finished products were supplied against raw materials issued continued to rest with the DGS&D."

7.48. The Committee enquired whether the Railway Board had ensured that the Railways which received the debits from the Eastern Railway kept a watch on the supply of steel crossing sleepers in time. To this the Railway Board have replied: "The full responsibility for watching the supply of crossing sleeper sets corresponding to the supply of raw materials rested with the DGS&D who had obtained the indemnity bonds from the fabricators. The inspection was also carried out by them. The normal procedure for watching such supplies was followed in this case also by the Railways. Debits were allowed to be raised by the Eastern Railway on the beneficiary railway with a limited purpose to avoid double budgetting. These debits had nothing to do with the performance of the contract and the timely and correct receipt of supplies which were watched by the DGS&D who had obtained indemnity bonds from the fabricators for supply of raw materials. The supply of raw materials i.e., crossing sleeper bars, was controlled by the DGS&D through issue of release orders against indemnity bonds furnished by the fabricators. As copies of release orders were not sent to beneficiary Railways they were not in a position to watch the liquidation of this suspense."

7.49. It is seen that even though action was started in July 1967 to find out the dues from the firm, it was only in February 1969 that this could be finally determined. Asked whether this delay was due to non-maintenance of proper records by DGS&D, the Department of Supply have in a note stated: "It was a legal requirement to serve a notice upon the firm for the return of sleeper bars unaccounted and also for the outstanding dues against them. For this requirement of lodging a claim on the contractor, full facts about non-accountability and actual release made by Eastern Railway were necessary. In fact, the fabricators were to submit the details of accountability to FA&CAO. The DGS&D had been receiving only statements in prescribed forms 18 'A' and 18 'B' regarding supplies of finished stores and receipt of only such raw material such as flats etc. other than sleeper bars. It had taken quite some time for the Eastern Railway and FA&CAO to intimate the correct position of

the actual release of sleeper bars and the receipts in terms of supplies made. In fact, the DGS&D had to take help of Joint Director Vigilance, Railway Board to obtain such information from the Railways concerned before the actual dues could be arrived at. On receipt of the intimation about the financial difficulties and closing down of their factory in the middle of September, 1967 from the Controller of Stores, Eastern Railway, immediate actions were taken to ascertain the liability of the firm in respect of this and other contracts held by them. Even though the firm had requested earlier for extension of Delivery period and placement of further quantities against the Running Contract on the face of the closure of their factory, it was decided in consultation with Law Ministry to drop the question of further allocation on the firm as well as the extension of the Delivery period. In October 1967, it was decided to make a reference to Deputy Director (Steel) to look into the question of utilisation of raw material supplied by Eastern Railway in consultation with them. It was also decided to make a reference to the Eastern Railway to give details of free supply of sleeper bars contract-wise and approach the respective consignees to intimate the receipt of finished stores. In the meantime, it was considered necessary to consult the Ministry of Law for the course of action in the interest of the Government and in terms of the contract. On 6-11-67, the Worker's Unions of the firm also made certain allegations about the management of the company. At the same time a report was received through Eastern Railway concerning one Shri S. P. Dey, who had reported the matter to Kalyani Police Station requesting to stop the removal of BG Sleeper Bars from the premises of the firm. It was a detailed report about what had transpired between Shri Dey and the authorities in Kalyani Police Station during the course of the discussions over telephone etc. Immediately on 15-11-67, the DGS&D informed the Deputy Director (Steel) about the details furnished by Worker's Union with a copy to Pay & Accounts Officer with a request to intimate the outstanding dues of the firm. In the meantime, Eastern Railway also addressed a letter to the Kalyani Police Station to ascertain the facts. The Progress Wing of the DGS&D at Calcutta on the other hand took up the matter confidentially with D.I.G. Police about the serious complaints of Shri Dey. Copies of all the complaints were forwarded to him on 20-11-67. The firm was also asked simultaneously to intimate direct to FA&CAO and Eastern Railway the accountability of Sleeper Bars for which they were responsible, under advice to DGS&D. It was advised by Law Ministry on 30-11-67 that it would not be correct to rely on third party reports (or even departmental reports) and deny the firm further orders, if they are entitled to it. It was considered necessary to ask the firm whether they are in a position

to execute the orders before declining to place further orders. The Pay & Accounts Officer was requested in December '67 to freeze all pending payments to the firm. In the meantime, the case was also referred to SPE. DGS&D decided to write to Deputy Director (Progress) to visit the firms premises to make immediate on the spot enquiry. He was asked to ascertain the Nos. of Sleeper Bars released to the firm, the total number supplied in the form of finished goods and the total Nos. in stock and he was required to clarify the discrepancies, if any. He was to report specifically whether there was any *prima-facie* evidence for the disposals of the bars otherwise than as provided in contract. In December, 1967, this was reported to Registration Branch for taking punitive action against the firm. Another reference was made to the Ministry of Law on 13-12-67. The Ministry of Law desired certain clarifications which were furnished to them on 26-12-67. Further references were made to the consignee for receipt of stores in good condition and certain replies were received towards the end of December, 1967. At the same time Eastern Railway started preparation of the drawals for BG Bars in consultation with Progress Wing at Calcutta. On 1-1-68, the detailed report of Deputy Director (Progress) Calcutta, was received. It was reported that he was still in touch with Eastern Railway to furnish him the details of actual sleeper bars released and for the accountal position. Managing Director of the firm Shri Dutt was called for discussion. Shri Dutt explained that the complaint was false since whatever raw-material was received had been fabricated and supplied. In view of the labour situation, they were advised by the local Police to shift the lighter materials inside the godowns and they were thus shifted, which appears to have been complained against. He was asked to produce the accounts and records and also arrange inspection of their factory. The firm was visited by the Officers of DGS&D, Calcutta alongwith Director of Inspection and Shri Dutt, Managing Director of the firm. It was found that there was no stock of Sleeper Bars in their factory which was explained by Shri Dutt stating that their own jigs and tools etc. were shifted under the advice of Police and had been placed in the State Bank's godown and as such he could not show the godown for their inspection. The condition of the factory was also examined. After thorough study of the details furnished by the firm, supply position was indicated. It was, however, a *prima-facie* assessment only and was subject to verification with the Railway records and documents of the firm particularly with regard to: Supply of Sleepers and short receipt etc. He reported that exact position would be intimated after verification from Railway records. In the meantime, reminders were issued to all concerned from time to time. The Ministry entrusted to the firm and not accounted for by them had to be

ascertained definitely before any drastic action was taken. It was also brought out by Law Ministry to the notice of the Administrative Ministry that under certain conditions the purchaser gets the right to get back the material given to the firm for fabrication. The purchaser can enter upon the site and works and expel the contractor therefrom according to the terms of forfeiture clause after giving a notice for 7 days. It was for the Administrative Ministry to consider all aspects of the case before deciding such action as a stage may come, when we will have to entrust the premises back to the contractor. At that stage, the possibility of an inflated claim for damages by the contractor with or without foundation cannot all together be ruled out. In that case, we will be constrained to defend such claim, however, false it may be. Reference was made to the Inspector as advised by Ministry of Law in January, 1968. It was stated by Director of Inspection in February, 1968 that how it could be proved that the firm had abandoned the contract to meet the legal requirement to enter the premises, as observed by Law Ministry. In March, 1968, the DGS&D received a report dated 23-2-68 from D.I.G. C.B.I. for necessary action. It was suggested by D.I.G. that the premises of the firm might be got inspected by one of the local officers of DGS&D and if the firm was unable to account for BG Sleeper Bars, they might be penalised according to their contract conditions. Certain verifications made by him had also been intimated. In the meantime, in March 1968, itself, notice was received from Barrister at Law in pursuant to an order of High Court of Calcutta that he had been appointed receiver in a suit between M/s. Nav Bharat Trading Corporation vs. M/s. EEC and in terms of settlement arrived at between the parties, he had been directed to ascertain the amount lying with the Government to the credit of the defendant and to realise the same. It transpired that recovery of Rs. 25,700/- was outstanding from M/s. EEC towards M/s. Nav Bharat Trading Corporation. Correspondence continued between Eastern Railway, Pay & Accounts Officer and Deputy Director (Steel) during the period March 1968 and November 1968 and with reference to the notice received, another legal opinion was sought. In February, 1969, it was decided to make a reference to Joint Director Railway Board to request Eastern Railway and FA & CAO for a reply on the correct details of raw materials. From the foregoing details, it would be amply clear that the delay in finding out the dues against the firm was not due to non-maintenance of proper records by the DGS&D but because such details had to be collected from Eastern Railway and F.A. & C.A.O."

7.50. The Committee desired to know whether the indemnity bond was kept current to cover the period of contract and its exten-

sion from time to time and if so why could not the all risk cover be used to recover the value of utilised raw materials lying with the firm. In a note the Department of Supply have stated: "The Indemnity Bond was enforceable during the period of the contract and it's extension from time to time was not necessary. Under clause 4 of the Indemnity Bond, the following stipulation had been made:

"This Bond shall remain valid and binding till such time as aforesaid contract has been fully and finally executed and carried out and the contractor has rendered on account of the bars received and utilised by it and stores manufactured have been delivered and all the surplus sleeper bars left over after execution of the contract are returned and or accounted for by the contractor".

As far 'why could not the all risk cover the used to recover the value of unutilised raw-materials with the firm', it is presumed that the documents such as Indemnity Bond and forfeiture clause as had been obtained from the firm in the contract in question were considered to be sufficient in terms and instructions then prevailing."

7.51. The Committee were informed that the present position before the Arbitrator was that the case had been adjourned *sine die* as the letters addressed to the firm are being returned un-delivered with the remarks on the envelope 'left'.

7.52. The Committee asked what steps were proposed to be taken to ensure prompt availability of information about dues outstanding against such firms and their recovery from insurance cover indemnity bonds etc. in time. The Department of Supply informed the Committee that the matter was being examined in detail.

7.53. As regards the remedial steps proposed by the Railway Board to avoid recurrence of such cases, it has been stated by the Railway Board that: "At present Railways are supplying imported M.S. billets to DGS&D fabricators for track fittings against Bank Guarantee. For this purpose a detailed procedure has been drawn up indicated the functions and responsibilities of all the agencies involved. It is proposed to issue similar instructions whenever raw materials are to be issued to DGS&D fabricators against bank guarantee or indemnity bonds."

7.54. This is a case of failure both on the part of DGS&D and the Eastern Railway to keep a watch on the utilisation of raw mate-

rial by a fabricating firm which had running contracts with the DGS&D for supply of finished crossing sleeper sets to various Railways between 1969 and 1963. Under the contract the Eastern Railway was to issue free of cost the raw material to the firm on the basis of the release instructions issued by DGS&D after the firm had executed proper indemnity Bond. The finished products were to be despatched by the firm to different consignee Railways who were required to make payment to the fabricating firm to the extent of 90 per cent of the contracted rate on proof of despatch and the balance after acceptance of the processed sleeper sets. The consignee Railways were only required to send an advice to the DGS&D about the receipt of finished products. No proper procedure for correlating the issue of raw materials with the receipt of finished products was however laid down leaving enough scope for malpractices with the result that in July, 1967 when the firm themselves advised that they were closing down their factory neither the DGS&D nor the Eastern Railway were in a position readily to find out whether the entire supply of raw material had been properly accounted for by the firm. In fact it took the DGS&D more than a year and a half to find out that the firm had drawn about 321.04 tonnes of steel bars valued at Rs. 2.7 lakhs in excess. The explanations given by the DGS&D and the Eastern Railway are no more than an attempt to disclaim responsibility and put the blame on each other for the serious lapse. Government should, therefore, consider seriously all the factors that led to this situation for taking appropriate action as also to prevent its recurrence. Action taken in this behalf against the responsible officials of DGS&D and Railways both may be intimated to the Committee within three months.

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

Catering on Railways

7.56. The Committee enquired how the rate of commission payable to vendors was fixed; whether rates of commission on different items and on different railways varied and if so what were the reasons for such variations. In a note, the Railway Board have stated:

"The commission is paid to vendors as a percentage of the sales effected by them. The powers to fix rates of commission to vendors and bearers have been delegated to the Zonal Railways. This has been done as commission has to be fixed taking into account all the local conditions,

“ which may vary from station to station to and from commodity to commodity.

Generally speaking, the rates of commission are fixed taking into consideration the following factors:

- (i) Quantum of sale of different items at stations.
- (ii) Pattern of train services.
- (iii) Number of platforms.
- (iv) Duration of halts.
- (v) Number of vendors/bearers required to cater adequately to the needs of passengers.

Since these factors vary from Railway to Railway and from one place to another on the same Railway, it is not possible to lay down either a uniform procedure or to fix a uniform rate of commission. The Railway have to see that the rates of commission are fixed and adjusted among the various items in such a way that the overall emoluments earned by a vendor/bearer, who puts in an adequate effort, normally amounts to a reasonable wage in the area in which the vendor/bearer works, provided he is regular in attending to his work. The rates of commission for the articles, therefore, vary from Railway to Railway.

7.57. Referring to the varying rates of commissions payable to vendors/bearers on different Railways and stations, the Chairman Railway Board stated during evidence. “We are going into this question. The main point is what is the minimum that a man must earn. The difference can still remain, as long as there is disparity in sales.”

7.58. As regards periodical review of the rates of commission paid to vendors, the Railway Board have in a note stated:

“Instructions were issued to the Zonal Railways in January, 1970 that the rates of commission paid to the vendors should be reviewed once after every three years.

Apart from the review of commission rates once in every three years, the tariff for vending items is revised by individual Railways from time to time depending upon the increase in prices of raw materials, staff costs, etc. The tariff for tea/coffee and meals has also been revised by the Railway Board on an all-India basis with effect from 1st

December, 1973. The quantum of commission earned by vendors, therefore, automatically increases when there is enhancement of the tariff in view of the fact that the commission is correlated to sales.

The year in which the commission rates were last reviewed on each Railway is indicated below:

Central Railway	1971	Further review is due in December this year.
Southern Railway	1971	Further review is due in August this year.
South Central Railway	1972	
Northern Railway	1973	
Northeast Frontier Railway	1973	
Western Railway	1973	
South Eastern Railway	1973	
Eastern Railway		Last review was made in 1970. Next review is on hand and expected to be completed shortly.
North Eastern Railway		Considering that the upward revision of tariff, from time to time had resulted in increased commission payable to vendors, no increase in the rates of commission as such was made. A review is now in hand.

7.59. The Committee note that the commission paid to vendors/bearers on Railways is fixed as a percentage of the sales effected by them. The powers to fix rates of commission are delegated to the Zonal railways and as the various factors having a bearing on the commission earned by vendors/bearers vary from Railway to Railway and from station to station on the same Railway, no uniform procedure has been laid down which shows maladministration and mismanagement. However, while fixing the rates the Zonal Railways are supposed to ensure that the rates of commission are fixed and adjusted among the various items in such a way that the overall emoluments earned by a vendor/bearer who puts in an adequate and strenuous efforts, normally amounts to a reasonable wage in the area in which the vendor/bearer works. The Committee were also informed that the question of ensuring a minimum commission to these vendors/bearers was being gone into. The Committee desire that while reviewing the rates the Railway Board may find out whether the Zonal Railways have actually taken care to ensure that the commission paid to a vendor/bearer amounts to a reasonable wage. The Committee would further like to suggest that while fixing the rates of commission, besides, making provision for a minimum amount payable on all Railways, the rates may be fixed in a graded manner

relateable to quantum of sales. This will not only ensure a fair commission for the vendors/bearers but will also act as an incentive for them.

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

7.61. In the vast Railway Organisation the catering vendors and a section of the catering bearers are the only set of people who, although they are doing a very essential and indispensable job for the passengers have not been absorbed in the Railway. It is, therefore, necessary for good of all concerned that the service mentioned above should be fully taken over and run departmentally on a permanent footing by paid employees only. There should be no scope for any private trader or contractor in this sphere. The Committee desire that Railway Board should keep a careful watch to see that the Zonal Railways carry out the reviews after fixed intervals.

General

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

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

NEW DELHI

April 19, 1974.

Chaitra 29, 1896(s)

APPENDIX I

(See para 1.57)

Statistics relating to engine failures on North Eastern Railway

Year	Total Engines on line	No. of overaged Engines out of col. 2	Engine failures			Percentage of col. 4 to col. 6	Percentage of failures due to bad workman- ship in shops and sheds and mis- management by crews	Engine Ks— per engine failure (Figures in thousands)
			Passenger	Goods	Total			
1	2	3	4	5	6	7	8	9
1966-67	843	105	84	36	120	70.0	73.3	236
1967-68	873	101	81	93	174	46.5	93.1	159
1968-69	870	85	114	68	182	62.6	87.4	15
1969-70	856	74	94	62	156	60.2	88.5	191
1970-71	828	50	105	59	164	64.0	90.3	183

APPENDIX II

(See para 6.3)

Statement showing results of grade tests conducted by the Zonal Railways

Railway	No. of wagons (Samples) analysed			Percentage of samples conforming to specified grade and above			Percentage of wagons found sub-grade			Estimated loss (in lakhs of Rs.)	Percentage of shale slack and dust
	69-70	70-71	71-72	69-70	70-71	71-72	69-70	70-71	71-72	69-70 70-71 71-72	
1	2	3	4	5	6	7	8	9	10	11	12
Central	2117	2253	2247	58.7	62.7	59.2	41.3	37.3	40.8	3.48	100% of the wagons received contained more than 10% slack and dust. 27% to 73% had more than 10% of shale.
Eastern	455	556	615	Nil	Nil	Nil	100	100	100	4.21	Not available.
Northern	1338	1506	1974	60.2	50	43.3	39.8	50	56.7	5.11	100% of the wagons received contained more than 15% of slack and dust. 5.9% to 12.2% contained shale and stone also.
North Eastern	516	541	359	53.7	56.2	51.2	46.3	43.8	48.8	1.69	48.9% to 76% of the wagons contained more than 15% of slack and dust. 6.6% to 14.5% had more than 5% of shale.

	1	2	3	4	5	6	7	8	9	10	11	12
Northeast Frontier		50	46	33	Nil	Nil	Nil	100	100	100	0.14	100% of wagons contained slack and dust in the range of 10% to over 50% and shale exceeding 2%.
Southern		1087	1422	1420	69	67.2	68.5	31	32.8	31.5	1.35	The screening tests revealed that 13.3% to 38.6% of wagons had more than 15% of slack and dust. 5.8% to 9.9% of the wagons subjected to hand picking had more than 2% of shale.
South Central		1387	1736	1857	73.2	78.7	64.2	26.8	21.3	35.8	0.65*	6% to 18% of wagons had more than 15% of slack and dust and 7.7% to 10.7% of wagons had more than 5% of shale. 16.4% to 22.2% of wagons had more than 15% of slack and dust 23% to 27% of wagons had more than 2% of shale.
South Eastern		1495	1418	1657	66.15	69.68	64.63	33.85	30.32	35.37	3.94	Most of the wagons contained more than 15% of shale slack and dust.
Western		346	434	702	56.65	47.24	35.61	43.35	52.76	64.39	not yet assessed by Administration	
											TOTAL	20.57

*Excludes the loss in respect of grade II and ungraded coal found inferior in quality.

APPENDIX III

(See para 6.9)

Comparative position of quality of coal supplies to the Railways before and after nationalisation

(a) *Results of visual inspection*

Month	1972		1973	
	(Before nationalisation)		(After nationalisation)	
	No. of wgn. loaded	No. of wgn. found with inferior coal	No. of wgn. loaded	No. of wgn. found with inferior coal
February	52,713	850	50,256	3,052
March	58,626	1,338	47,459	3,374
April	51,487	1,273	57,695	2,490
May	56,528	1,245	52,794	3,209
June	54,495	1,522	47,453	2,590
July	55,000	1,664	52,378	3,005
August	53,692	1,712	46,242	2,377
TOTAL	3,82,541	9,604 2.5%	3,54,277	20,096 5.7%

(b) *Results of sampling checks*

Month	1972			1973		
	(Before nationalisation)			(After nationalisation)		
	Percentage of samples			Percentage of samples		
	Above grade	Within grade	Below grade	Above grade	Within grade	Below grade
February	29.0	44.7	26.3	4.1	49.6	46.2
March	17.9	46.1	36.0	1.3	50.2	48.5
April	17.2	64.9	17.9	9.5	45.4	45.1
May	20.8	54.5	24.7	1.5	34.5	64.0
Average for the four months	20.8	52.8	26.4	4.4	46.7	48.9

APPENDIX IV

(See para 7.6)

Statement of Outstandings as on 31st March, 1972 in respect of Railways which have closed down (I)

Name of Railway	Upto one year old	Over one year and upto three years old	Over three years old	Total
	Rs.	Rs.	Rs.	Rs.
Shahjahanpur-Saharanpur Light Railway	3,05,233	24,13,367	53,344	27,71,944
Howrah-Amra Light Railway	1,30,005	5,96,502	1,84,074	9,10,581
Howrah-Sheekhala Light Railway.	11,872	56,716	—437	68,151
TOTAL :	4,47,110	30,66,585	2,36,981	37,50,676

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Statement of Outstandings as on 31st March, 1972 in respect of Railways which are still working (II)

Arrah-Sasaram Light Railway	83,037	1,12,343	37,360	2,32,740
Futwah-Islampur Light Railway	79,482	1,67,141	8,86,517	11,33,140
Dehri-Rohatas Light Railway	—1,09,265	27	—8,719	—1,17,657
TOTAL :	53,254	2,79,511	9,15,158	12,47,923
STATEMENT-I	4,47,110	30,66,585	2,36,981	37,50,976
STATEMENT-II	53,254	2,79,511	9,15,158	12,47,923
TOTAL :	5,00,364 OR 5.01 lakhs	33,46,096 OR 33.46 lakhs	11,52,139 OR 11.52 lakhs	49,98,599 OR 49.99 lakh

APPENDIX VI

(See para 7.29)

Statement giving details of the cases referred to arbitration between 1968-69 and 1970-71

(Amounts in lakhs of Rupees)

Railway	No. of cases referred to arbitration				Amounts claimed by the contractors in respect of cases mentioned in col. 2				Amounts admitted by the Railway Administration				Amounts awarded by the Arbitrators and paid by the Railway Administration			
	1968-69	1969-70	1970-71	Total	1968-69	1969-70	1970-71	Total	1968-69	1969-70	1970-71	Total	1968-69	1969-70	1970-71	Total
1	2(a)	2(b)	2(c)	2	3(a)	3(b)	3(c)	3	4(a)	4(b)	4(c)	4	5(a)	5(b)	5(c)	5
Central	15	17	21	53	17.70	12.77	36.92	67.39	—	0.05	0.14	0.19	6.61	4.93	14.33	25.87 [@]
Eastern	11	13	21	45	9.55	13.35	18.14	41.02	0.65	0.22	0.02	0.89	3.65	1.70	2.57	7.92
Northern	22	30	25	77	14.81	25.19	40.41	80.41	0.29	0.98	0.06	1.33	1.53	5.75	6.04	13.32
North Eastern	15	10	24	49	6.10	2.77	4.03	12.90	—	—	—	—	1.29	1.45	0.98	3.72 ^{**}
Northeast																
Frontier	—	1	2	3	—	47.69	2.36	50.05	—	—	0.70	0.70	—	—	1.29 [*]	1.29 [*]
Southern	4	2	3	9	5.80	1.22	9.63	16.65	—	—	—	—	1.49	0.59	3.24	5.32
South Central	11	10	9	30	42.64	48.08	35.31	126.03	1.05	0.21	—	1.26	5.46	13.20	3.84	22.50
South Eastern	34	61	56	151	54.61	71.54	76.31	202.46	0.89	1.57	1.37	3.83	24.50	20.76	27.66	72.92 [†]
Western	36	73	50	159 [@]	33.26	99.77	68.59	201.62 [@]	—	—	—	—	11.24	22.37	14.12	47.73
Railway																
Production Units	2	4	1	7	0.95	2.22	0.40	3.57	—	—	—	—	0.24	0.59	0.12	0.95
TOTAL:	150	221	212	583 [@]	185.42	324.58	292.10	802.10 [@]	2.88	3.03	2.29	8.20	56.01	71.34	74.19	201.54 ^{***}

[@] Out of this the award of an amount of Rs. 0.975 (lakhs) has not been paid and is being contested.

^{*} Out of this the award of an amount of Rs. 1.07 (lakhs) has not been paid and has been challenged by the Railway Administration in Court, before whom the case is pending.

[†] Rs. 72.92 (lakhs) is the amount awarded in 149 cases out of 151. In the remaining 2 cases arbitration is in progress. An amount of Rs. 12.92 (lakhs) out of the amount awarded has not yet been paid as either the awards are under scrutiny or the amounts are awaiting payment.

[@] Out of these, in respect of 25 claims totaling Rs. 37.71 (lakhs), the awards have not been yet declared.

^{**} Out of this an amount of Rs. 0.24 (lakhs) has not yet been paid.

APPENDIX VII
SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No.	Ministry/Deptt. Concerned	Recommendation
1	2	3	4
1	1.24	Railways	<p>The Committee are concerned to note that the index of wagon turnround for all railways shows gradual deterioration during the last 7 years in spite of all the fanfare. The wagon turnround is defined as the time interval which elapses between two successive utilisations (Loadings) of a wagon. The turnround of 11.8 days in 1965-66 deteriorated to 13.5 days in 1971-72 on broad gauge while the turnround of 8.41 days obtained in 1965-66 on metre gauge worsened to 10.6 days in 1971-72. The performance of certain railways such as Eastern and Northeast Frontier on broad gauge and Northern and North Eastern on metre gauge has been particularly bad during this period.</p>
2	1.25	-do-	<p>The other important indices of wagon utilisation are: (i) wagon kilometres per wagon day, (ii) Net tonne kilometres per wagon day, (iii) Average wagon loading during the run and (iv) percentage of loaded to total wagon kilometres. According to Railways Board's</p>

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own assessment while the different indices of wagon utilisation have generally shown an improvement over the years, in some cases the position today is only what it was in 1965-66 or even slightly worse. In this connection it is worth noting that the index of net tonne kms. per wagon day on B.G. was 998 in 1960-61, 889 in 1967-68, 908 in 1970-71 and 935 in 1971-72. The index of average wagon load during the run was 18.5 in 1960-61, 18.6 in 1965-66, 17.9 in 1970-71 and 18.00 in 1971-72. Thus the position is actually worse than what it was over a decade ago.

3

I.26

Railways

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

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I.27

Rlys./Deptt. of Steel

The Committee are distressed to learn that of late the number of wagons held up inside steel plants has considerably increase in spite of comparatively reduced traffic. The average number of

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

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

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

- (i) Shortage of capacity in the major sick lines for ordinary repairs.
- (ii) Faulty repair techniques followed in the workshops.
- (iii) Lack of modern workshop facilities; and
- (iv) Under-utilisation of available workshop capacity for periodical overhaul of wagons due to various reasons such as shortage of power, shortage and irregular supply of industrial gases, heavy work load on the body repairs of four wheeler stock due to heavy corrosion etc.

The Committee were given to understand that as far back as 1958 the Ministry of Railways had secured the services of an expert Mr. Michal Dehm, Director of Productivity, German Federal Railways for examining the working of repair workshops of the railways. The Report given by this expert contained several valuable suggestions for effecting substantial economies and increased productivity in railway workshops. The Committee are very unhappy to know that although certain facilities for the implementation of these recommendations were offered, the follow-up action on these recommendations has not yet been completed nor the assistance offered

was availed of. The Study Team of the Administrative Reforms Commission in their report of November, 1968 on Railway *inter alia* observed: "It is unfortunate that the follow-up action on the recommendations has been delayed so long and that the assistance offered was not availed of. We recommend that this report should be quickly re-examined and implemented to the extent found possible." During evidence before the Committee it was stated that the main recommendation made by the expert relating to reorganisation of workshops on a central basis for central control was under the active consideration of the Railway Board. That the recommendations made by an expert specially engaged for the job in 1958 should remain to be considered after the lapse of 15 years is indeed a very sad reflection on the working of Railway Board as a whole. The Committee consider this as most unfortunate. They feel that after completion of several Five Year Plans involving massive investments in Railways the arguments that there is shortage of capacity in major sick lines and there is lack of modern workshop facilities sound absolutely ludicrous. The Committee are quite clear in their mind that most of the deficiencies now being noticed by the Railway Administration in the functioning of their workshops could have been well remedied if timely action had been initiated and insist that responsibility be fixed under advice to them.

8 1.55

Railway

They recommend that the question of reorganisation of workshop facilities on Railways may be re-examined at the highest level within a target date with a view to formulate a time bound programme for bringing in the necessary improvements keeping in view particularly the Fifth Plan requirements of wagons. Measures should also be taken to improve the productivity of the workshops.

9 1.75

-do-

Engine failures which reflect the degree of efficiency of maintenance of the steam locomotives involving standards of maintenance in sheds, workmanship in shops and operation by crews had shown a deteriorating trend on the North Eastern Railway since 1966-67. An engine is considered to have failed when it is unable to work its booked train from start to destination or causes a delay of one hour or more through some defects. Such failures on the N.E. Railway were 120 in 1966-67, 182 in 1968-69 and 164 in 1970-71. According to the Railway Administration the main causes leading to engine failures were stated to be bad workmanship and mismanagement by crews. The percentage of failures attributable to this cause was as high as 90.3 during 1970-71 as against 73.3 for the year 1966-67. Further the performance index of Kms per engine failure also deteriorated from 2,36,000 Kms. in 1966-67 to 1,83,000 in 1970-71. The performance of the North-East Frontier Railway was the worst in as much as the index was 97,000 Kms. in 1968-69 and 96,000 Kms. in 1970-71. It was explained during evidence that the "incidence of engine failure is a thing which we have had all along. The only thing is that it has increased during certain periods on different railways." The Committee regret to find a somewhat com-

placent attitude in the Railways towards this failure. They desire that Railway Board should go carefully into the matter and take suitable remedial measures to bring about necessary improvement. It should be particularly ensured that the production of engines by the Railways is satisfactory in terms of quality.

10 1.76

Railways

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

11 2.28

Rlys./DGS&D

The Committee note that three orders were placed in December, 1970 and February, 1971 for supply of 3.25 lakhs of steel keys (Small track fittings) by South Central Railway Administration at the rate of Rs. 1.25 per key on a firm which had failed to make supplies against a running contract with DGS&D for supply of 14.44 lakh keys to the same Railway at the rate of Rs. 0.57 per key. The failure of the firm to supply against the running contract was attributed to non-receipt of supplies of billets at prices fixed by Joint Plan Committee and the additional payment of Rs. 0.68 per key was justi-

fied on the ground that the firm would have to procure the billets from open market. Whatever be the compelling reasons which might have prompted the Railway Administration to go in for direct procurement of keys, the Committee find no justification whatsoever for not having prior consultation with the DGS&D who had running contracts with the same firm. The Committee are convinced that proper coordination with the DGS&D would have enabled the Railway Administration to tide over the temporary difficulties faced by them for want of keys and extra expenditure could have been avoided. They therefore desire that responsibility should be fixed for the lapse.

12 2.29 -do-

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

13 2.30 Rlys.

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

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14 2.42

Railways
D. G. S. & D.

The Committee are distressed to learn that even though the use of non-metric units was declared illegal with effect from 1-12-1967 by a gazette notification issued under the Weights and Measures Act, 1956, contracts entered into by DGS&D after this date stipulated supplies conforming to drawings in the non-metric units. This has had the effect of rendering the contracts void in law which could not be enforced against the defaulting parties. As a result additional expenditure to the tune of several lakhs had had to be incurred by the DGS&D in procuring bearing plates for the Central Railway. In the case under reference the Central Railway Administration while placing an indent on DGS&D on 23rd December, 1967 for procurement of 1,95,000 numbers of bearing plates failed to give the specifications and drawings in metric units. This is admittedly a serious lapse for which the responsibility should be fixed for appropriate punishment under advice to the Committee.

15 2.43

D. G. S. & D.

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

16 2.44 -do-

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

17 2.61 Railways
DGS&D

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

18 2.62 -do-

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

- (i) The firm in question is stated to have been registered with the Government, both with the Railways and the DGS&D,



since 1942. The relevant orders were placed on the firm about two decades later. The Committee are, therefore, unable to agree that there was no necessity of ascertain the capacity of the firm to manufacture the equipment at the time of placing the orders. According to them it is not correct to assume that a verification of the capacity of the firm once done will hold good for all times. A system of periodical verification, say once in five years, appears called for in view of the unpleasant experience in this case.

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

19 2.63

Railways

 DGS&D

is necessary because the possibility of the firm tendering for inspection the same quantity again and again cannot be ruled out.

The Committee find that needless solicitude was shown to this firm by the DGS&D. For example, the Pay & Accounts Officer, who was advised by the South Eastern Railway Administration to withhold payment to this firm in September, 1963, was asked by the DGS&D not to withhold payment. The DGS&D instead granted extension of time to the firm to make good the shortages. Ultimately, however, neither the shortages were made good by the firm nor could the full recovery be made from the firm. The DGS&D's conduct appears difficult to understand. On the basis of the evidence tendered before them the Committee cannot but condemn his action. The Committee would, therefore, like Government to investigate whether there was any *mala fide* intention.

20 3.16

-do-

The Committee find that the special specifications attached to the agreement for the construction of a multistoreyed building at Secunderabad for the Head quarters Offices of South Central Railway provided *inter alia* that all concrete used in R.C.C. Work should conform to the requirements of strength prescribed for M 250 concrete in Indian Standards Specifications. Further if the concrete did not come up to the requirement of prescribed strength, the remedial measures as prescribed by the engineer were to be adopted by the contractor at his own cost. In spite of this specific stipulation regarding use of concrete, the R.C.C. mix of 1:2:4 was prescribed for certain items of work. During the course of work, this

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R.C.C. mix of 1:2:4 for beam was changed to 1:1½:3, as the former mix was not giving satisfactory result. This change in mix involved change in the rate for R.C.C. work in beams as the new mix i.e. 1:1½:3 had not been given in the schedule of rates applicable to this case. This is rather strange. The new rate fixed as a non-scheduled item was much higher than the rate originally fixed for 1:2:4 mix and involved extra payment of Rs. 3.10 lakhs to the contractor. The Chairman, Railway Board admitted during evidence that the specification of R.C.C. mix of 1:2:4 and its subsequent alteration to 1:1½:3 was a mistake for which the Committee require responsibility should be fixed, for appropriate action including penal recovery under intimation to them.

142

21 3.17

Railways

It is further seen with great distress that while the R.C.C. work in 1:1½:3 mix was started by the contractor in May, 1966, the new non-scheduled rate for this work was finalised in March, 1969 and it corresponded to the market rate prevailing in 1968 which gave additional benefit to the contractor at Railway's expense. The Committee fail to understand the legality of the fixation of a rate in 1969 on the basis of the prices prevailing in 1968 for a work started in 1966. This question should, therefore, be examined in consultation with the Ministry of Law so that the Railways are not unnecessarily required to incur extra expenditure and to also ascertain whether there has been malpractice in this case.

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

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2.35

1 railways

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

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3.48

do-

A contract for fabrication, supply and erection of steel girders for the rail-cum-road bridge across river Godavari at Rajahmundry was awarded to a firm in December, 1967 and an agreement executed only on 30th March, 1971, after 3 years. Under clause 3 of the Special Conditions of the agreement the contractor was solely responsible for procurement of steel and was himself to take all action needed to ensure expeditious procurement of matching steel. The work was commenced in April 1969 2 years prior to the signing of the agreement. As per the schedule of delivery of fabricated steel

in accordance with the agreement, the contractor was to supply by the middle of December, 1969, 8500 tonnes of fabricated steel which were supplied only by the end of August, 1970. Claims amounting to Rs. 7.06 lakhs as wage escalation subsequent to the period of delivery were, however, paid by the Railway. This payment was sought to be justified before the Committee as arising out of another clause in the contract which provided that the "fabrication schedule shall become valid only from the time when the contractor got full matching steel." Surprisingly even though the contractor had procured 14,500 tonnes of raw steel by the middle of October, 1969 out of a total quantity of 16,525 tonnes required for the work, the fabrication is reckoned to have commenced only in June, 1970 when the contractor obtained all the matching steel. This provision virtually nullified clause 3 of the contract and rendered the stipulated period of completion of work unenforceable. Such a serious flaw in the agreement could be exploited by unscrupulous contractors to the detriment of the interest of Government. The Committee would, therefore, like a thorough investigation to be made with a view to ascertaining how and when such a clause was inserted in the agreement which was executed long after the commencement of the work. The action taken as a result of the investigation against the officials found at fault may be reported to the Committee.

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25 3.49

-do-

Suitable instructions should also be issued to obviate recurrence of such mistakes in future. The Committee would also like to know whether legal opinion was obtained before entering into such a contract.

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4.13

Railways

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

27 4.14

-do-

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

28 5.15

Railways
Finance

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

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Bank might have forfeited their right to recover the loss from the insurers as presumably all the cash transactions of the Bank are insured. The Committee desire that the whole matter should be reviewed at a high level and the result intimated to them within three months.

29 5.16 Railways/
Finance

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

30 5.17 Railways

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

- 31 5.18 -do- The Committee would like to be appraised of the final outcome of the police investigation of the case regarding loss of cash of Rs. 2.93 lakhs on South Eastern Railway referred to in the Audit paragraph.
- 32 6.10 -do- The Committee are disappointed to learn that the Railways who are annually using about 14 million tonnes of coal worth about Rs. 660 crores do not have a satisfactory inspection machinery to ensure that they get the quality of coal for which they pay. Under the existing coal inspection procedure the staff of the Railway Inspection Organisation makes a visual inspection of 50 to 65 per cent of the total coal wagons loaded at the collieries to ensure that the percentage of shale, slack and dust is upto the acceptable limit. Although samples from 5 per cent of the loded wagons are required to be tested at Dhanbal Coal Institute for proper analysis to check the moisture and ash content, only 1.8 per cent is tested because of the limited arrangement made by the Railways with the Institute. At the receiving end the consignee Railways are required to inspect a meagre 2 per cent of the wagons and report about the quality of coal. That the existing machinery of coal inspection has proved totally ineffective—the nature and quantum of inspection are such that the inspection is nothing but an eyewash—will be amply borne out by the following:
- 33 6.11 -do- In 1968-69, out of the total number of wagons jointly inspected by the Railway Inspection Organisation and the consignee Railways following complaints of the loco sheds, the contents of as high as

23 per cent of the wagons were found to be below specification. This percentage rose upto 30 per cent in 1969-70 and still further upto 50 per cent in 1970-71. Moreover, the results of sample grade tests conducted by the Zonal Railways revealed that during 1971-72 the percentage of wagons found sub-grade was as high as 100 per cent on Eastern and Northeast Frontier Railways. On other Railways the percentages of wagons found sub-grade ranged between 31.5 on Southern Railway to 64.39 on Western Railway. Similarly the percentage of coal wagons containing shale, slack and dust beyond the permissible limits was as high as 100 percent on Central, Northern and Northeast Frontier Railways.

34 6.12

Railways

The estimated loss due to supply of coal below specification in wagons tested by the Railways (except Western Railway) during the years 1969-70 to 1971-72 worked out to Rs. 20.57 lakhs. This does not presumably include damages done to the boilers. It should be noted that the tests conducted by the Railways cover only a meagre 2 per cent of the coal wagons received. Therefore, the total loss would have been approximately of the order of Rs. 3.43 crores annually besides increase in cost of operation, the benefit of which went to private colliery owners. As against this staggering figure, the reduction in payment ordered as a result of visual inspections and penalties imposed on testing of samples aggregated only Rs. 3.95 lakhs in 1969-70, Rs. 5.75 lakhs in 1970-71 and Rs. 7.69 lakhs

in 1971-72. The Committee were informed that no recovery could be made of the loss actually sustained by the Railways as the representatives of the collieries were not associated with the inspection of 2 per cent of wagons on receipt. The authorities concerned have thus clearly failed to safeguard the interests of the Railways year after year.

35 6.13

Railways
Deptt. of Mines

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

36 6.14

-do-

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

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37	6.15	Railways Deptt. of Mines	<p>The above paragraphs reveal an astonishing state of affairs. It is difficult to believe that the Railway Board could have been so unmindful of its duties as to allow supplies of coal to a number of railways continuing for years to be subgrade or to contain shale, slack and dust beyond permissible limits. Quite obviously total quantum of loss suffered by the railways must be very serious. The loss apart from the straight monetary loss arising from the payment of full value of coal which was of inferior quality there must have been loss suffered due to inefficient functioning of engines. It is evident that inspection machinery has functioned extremely incompetently. The Committee desire that the entire question should be carefully studied by the Railway Board with a view to taking such steps as would ensure the elimination of losses to Railways from inefficiency and carelessness and possibly also of corrupt practices. In this connection the Committee would suggest that the entire inspection machinery should be revamped and that fresh procedure devised which would ensure that coal of right quality is accepted.</p>
38	7.16	Railways	<p>The Committee cannot but express their unhappiness on the Government Railways' failure to take timely action for the settlement of their accounts with six non-Government Railways. The total outstanding dues against the non-Government Railways are to the extent of Rs. 49.99 lakhs as at the end of 31st March, 1972. Out of this, Rs. 11.52 lakhs related to periods over three years and Rs.</p>

33.46 lakhs were for periods over one year and upto three years. In spite of the fact that the poor financial position of these railways was well-known to the Ministry of Railways the arrears were allowed to accumulate and in the meantime three light railways had been closed down. The Committee urge that all necessary steps should be taken to realise the dues in regard to these light Railways. Further, action for recovery of outstanding dues from the other three railways should also be expedited. The progress may be intimated to the Committee.

39 7.17 -do-

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

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40 7.24 -do-

It is indeed surprising that even though the question regarding monthly rate of consumption of gear case oil on WAG-2 electric locomotives is stated to have been under continuous review almost from the time of commissioning of these locomotives in 1964—66, no satisfactory solution seems to have been worked out till date. If the average consumption of 165 litres of oil per loco per month in the year 1969 could be considered as optimum level, the present rate of about 511 litres per month per locomotive should cause serious concern. It should be noted that as compared to the consumption

during the period from June 1968 to December 1969 there was an excess consumption of 5,649 litres per loco during the period from January 1970 to September 1971 which entailed an extra expenditure of Rs. 4.91 lakhs. The Railway Board's argument that the excess consumption was compensated by indirect saving by way of reduction of bearing failures and by non-withdrawal of locos from traffic for oil seal changing does not at all appeal to the Committee. The Committee desire that the question of bringing down the consumption of oil should be expeditiously examined so as to take necessary steps. The Railway Board should keep a careful watch in this regard.

41 7-37

Railways

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

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

155

42 7.38

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The Committee also seriously deprecate the unduly long time taken by the Railway Board in taking a decision on a reference made by Audit in July, 1970 commending the practice followed in the CPWD in regard to incorporation of a clause in the conditions of contract which would make it obligatory on the part of the arbitrator to record his reasons for the award. This calls for an expla-

nation and fixation of responsibility under advice to the Committee. The final decision taken in this behalf may be intimated to the Committee within three months.

43 7'54

Railways

This is a case of failure both on the part of DGS&D and the Eastern Railway to keep a watch on the utilisation of raw material by a fabricating firm which had running contracts with the DGS&D for supply of finished crossing sleeper sets to various Railways between 1960 and 1963. Under the contract the Eastern Railway was to issue free of cost the raw material to the firm on the basis of the release instructions issued by DGS&D after the firm had executed proper indemnity Bond. The finished products were to be despatched by the firm to different consignee Railways who were required to make payment to the fabricating firm to the extent of 90 per cent of the contracted rate on proof of despatch and the balance after acceptance of the processed sleeper sets. The consignee Railways were only required to send an advice to the DGS&D about the receipt of finished products. No proper procedure for correlating the issue of raw materials with the receipt of finished products was however laid down leaving enough scope for malpractices with the result that in July, 1967 when the firm themselves advised that they were closing down their factory neither the DGS&D nor the Eastern Railway were in a position readily to find out whether the entire supply of raw material had been properly accounted for by the firm. In fact it took

the DGS&D more than a year and a half to find out that the firm had drawn about 321.04 tonnes of steel bars valued at Rs. 2.78 lakhs in excess. The explanations given by the DGS&D and the Eastern Railway are no more than an attempt to disclaim responsibility and put the blame on each other for the serious lapse. Government should, therefore, consider seriously all the factors that led to this situation for taking appropriate action as also to prevent its recurrence. Action taken in this behalf against the responsible officials of DGS&D and Railways both may be intimated to the Committee within three months.

44 7.55

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

157

45 7.59

-do-

The Committee note that the commission paid to vendors|bearers on Railways is fixed as a percentage of the sales effected by them. The powers to fix rates of commission are delegated to the Zonal railways and as the various factors having a bearing on the commission earned by vendors|bearers vary from Railway to Railway and from station to station on the same Railway, no uniform procedure has been laid down which shows maladministration and mismanagement. However, while fixing the rates Zonal Railways are supposed to ensure that the rates of commission are fixed and adjusted among the various items of such a way that the overall emoluments earned by a vendor/bearer who puts in a adequate and

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

158

46 7.60

Railways

The Committee further note that instructions were issued to the Zonal Railways in January 1970 that the rates of commission paid to the vendors should be reviewed once after every three years. It is however seen that the last review carried out on Eastern Railway was in 1970 and till 1973 no further review has been carried out. Further no such review seems to have ever been carried out on the North-Eastern Railway. A review is stated to be now in hand. The Committee would like an explanation as to why the review on Eastern Railway was not carried out at all in 3 years. In regard to North Eastern Railway the Committee wish to know how the rates of commission were initially fixed since no review seems to have

been carried out. This shows the whole affairs is being mismanaged and no care has been taken to ensure that Railway's share of profit is kept to declared minimum and that the vendors without whose services the passengers, especially the weaker section, will be put to great inconvenience, are given a need based earning and a human living.

47 7.61 -do-

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

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

GENERAL

48 7.62 -do-

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

