

FIFTIETH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1986-87)

(EIGHTH LOK SABHA)

COMPLETE LOSS OF GOLD ARTICLES

MINISTRY OF TRANSPORT
DEPARTMENT OF RAILWAYS
(RAILWAY BOARD)



Presented in Lok Sabha on
Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

June, 1986/Jyaistha 1908 (S. 1986)

Price, Rs. 1.95

CORRIGENDA TO 50TH REPORT OF PUBLIC
ACCOUNTS COMMITTEE (EIGHTH LOK SABHA)

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| 35 | 47 | 13 | fund | funds has |
| 35 | 47 | 18 | change | charge. |

CONTENTS

| | PAGE |
|--|-------|
| COMPOSITION OF THE COMMITTEE | (iii) |
| INTRODUCTION | (v) |
| REPORT | 1 |
| APPENDIX—Statement of Observations/Recommendations ... | 29 |

PART II*

Minutes of the Sittings of Public Accounts Committee (1985-86) held on 18-9-1985 (AN) and 19-9-1985 (FN & AN) and Sitting of the Public Accounts Committee (1986-87) held on 28-5-1986 (FN).

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

PUBLIC ACCOUNTS COMMITTEE
(1986-87)

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1. Shri N.N. Mehra—*Joint Secretary*
2. Shri K.H. Chhaya—*Chief Financial Committee Officer*
3. Shri Krishanpal Singh—*Senior Financial Committee Officer*

INTRODUCTION

1. the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this 50th Report of the Committee on Sub-para 1.12 (e) of Para 1 of the Advance Report of the Comptroller and Auditor General of India for the year 1982-83, Union Government (Railways) regarding 'Complete loss of gold articles'.

2. The Advance Report of the Comptroller and Auditor General of India for the year 1982-83, Union Government (Railways) was laid on the Table of the House on 24 February, 1984.

3. In this Report, the Committee have dealt with a case of loss of a parcel containing 8 kgs. (Gross) of gold bars valued at Rs. 14.08 lakhs from the custody of Railways. The parcel was booked by State Bank of India, Bombay, Ex-Bombay V.T. to Agra on 23.3.1983. The parcel was not insured by State Bank of India with the Railways. However, it was covered by an omnibus insurance policy issued by United India Insurance Company at the request of Hutti Gold Mines Ltd. on whose behalf S. B. I. undertook dispatch of gold. Under section 77 (b) (1) of the Indian Railways Act, the Railways are not liable to pay the compensation claim for the loss of excepted articles like gold, silver etc. unless the consignor chooses to pay the percentage charges on the value of the consignment. As the insurance charges on the value of the consignment were not paid by State Bank of India, the Railways took protection under the said Section 77 (b) (1) while rejecting the claim for Rs. 14.08 lakhs preferred by State Bank of India towards the loss of gold parcel. Hutti Gold Mines Ltd. lodged a claim for Rs. 14.08 lakhs with the United India Insurance Company and the latter settled the claim in full.

4. While agreeing that the Railways are on strong ground in rejecting any claim for the loss of gold, the Committee have observed that they should surely have been gravely concerned that a theft of this kind and magnitude of valuable goods entrusted to them, had taken place. As a public organisation they have a responsibility as is clear from the fact that they had delayed the dispatch of the gold until they had an escort available. Equally deplorable is the apathy shown by the State Bank of India in discharging their agency function merely because the gold had been insured by the Hutti Gold Mines and the Insurer had paid the claim. Their excuse is that as the Hutti Mines had taken out a policy they were absolved. The

Committee have opined that this is not the right attitude for a bank to adopt.

5. The net result, according to the Committee, is the mysterious disappearance of the gold parcel defying not only detection but also even an intelligent guess as to who could have committed this theft. Between the two agencies viz., S. B. I. and Railways and their servants and agents on whom the blame must rest has not been solved by the investigation undertaken. The Railway Departmental enquiry as well as investigations undertaken by State CID have failed to file charge sheet against any person in this case. The reason being that no tangible evidence has come out against any person that would reasonably establish a charge of theft or misappropriation. This has added a new dimension to mysterious disappearance of gold parcel. The Committee have observed that it indicates utter weakness, inefficiency and inability of the investigating agency to detect a crime of this magnitude which has occurred on our public carrier system. The Committee are astonished at the utter lack of concern, urgency or anxiety on the part of the State Bank of India officials, the Railway officials and the Investigating officials to mutually cooperate and retrieve their prestige by tracing the missing gold or catching the culprit. The naked fact is that gold worth Rs. 14 lakh is lost, unsung and unwept.

6. The Public Accounts Committee (1985-86) examined this paragraph at their sittings held on 18 and 19 September, 1985. The Public Accounts Committee (1986-87) considered and finalised this Report at their sitting held on 28 May, 1986. The Minutes of the sitting form part II* of the Report.

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

8. The Committee would like to express their thanks to the officers of the Ministry of Transport (Department of Railways) and the Ministry of Economic Affairs (Banking Division) for the cooperation extended by them in giving information to the Committee.

*Not printed (one cyclostyled copy laid on the Table of the House and 5 copies placed in Parliament Library).

(vii)

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

NEW DELHI;

20 June, 1986

30 Jyaishta, 1908 (S)

E. AYYAPU REDDY,

Chairman,

Public Accounts Committee.

REPORT

COMPLETE LOSS OF GOLD ARTICLES

Audit Paragraph :

1. A case of loss of gold parcel due to theft while under custody of Guard in parcel van of Mail train on 26th April, 1983 occurred on Central Railway. The consignor, State Bank of India, had declared the net weight of gold as 5 kg. and its value as Rs. 14.8 lakhs but had not insured the parcel. Though adequate notice was given by them about the intended booking, the Commercial and Security Departments failed to make arrangement to escort the parcel van as required under the rules.

2. The settlement of the claim of State Bank of India and fixation of responsibility and other remedial action to avoid recurrence of such thefts in train were still under investigation by the Railway Administration.

Sub-para 1.12 (e) of paragraph 1 of the Advance Report of C & AG of India for the year 1982-83, Union Government (Railways)

3. Explaining the background regarding the transport of gold from Bombay to Agra, the State Bank of India have stated in a note as under :

“The State Bank of India acts as Agents for its clients M/s. Hutti Gold Mines Ltd. (HGML). Under the arrangement, the Bank receives gold at Bombay from Bombay Mint, undertakes despatch of gold from Bombay to various Centres specified by them, including the sale of gold to Industrial user. The Hutti Gold Mines Limited pay us appropriate service charges in addition to meeting all our out of pocket expenses. The agreement with HGML specifies the responsibilities of the bank, namely as under :

1. (i) To receive gold from Government of India Mint at Bombay and to arrange for their despatch to different centres determined by them.
- (ii) To take all reasonable precautions for safety of the gold while in the Bank's custody.

(iii) To sell gold on behalf of the Company at different centres on receipt of cash and against permits issued by the Gold Board to the Industrial users.

(iv) To receive sale proceeds from different centres and arrange for their credit to the Company's account with State Bank of Hyderabad, Raichur.

II. The responsibility of the Bank for safe custody of the gold, which the Bank holds as an agent of HGML, ceases once the parcel is handed over to the carriers/railways for despatch. Thereafter, it is the responsibility of the Carriers/Railways to ensure safe delivery of the consignment at the receiving end. The Bank makes adequate arrangements to take delivery of the consignment at the receiving end.

III. The gold is insured from the crushing and grinding plant at Hutti Mines to various selling centres of the Bank till it is delivered to the purchaser, under an omnibus insurance policy issued by United India Insurance Company at the request of HGML. Since this policy provides cover against all transit risks, HGML do not want to take a further insurance with the Railways for gold sent through them."

4. The Committee desired to know as to how gold is transported from Hutti Gold Mines Ltd. to Bombay. On reply, the Department of Banking have stated in a note as under :

"As per the arrangements gold produced by Hutti Gold Mines Limited, is required to be refined to a minimum fineness of 990 and cut into pieces of standard weights of 10, 50, 100, 200, 500 and 1000 grams. Since the Company do not have facility to do this, work is entrusted by them to Government of India Mint at Bombay. Bank is not involved in this process.

The Bombay Office of the State Bank of India receives its gold only from Government of India Mint, Bombay. On receipt of intimation from Government of India Mint that the consignment is ready for delivery, and on receipt of instructions from HGML, two responsible officials of the Bank who are entrusted with the Joint custody of the gold while in the Bank's custody, along with one hamal and one clerk, take an appropriate authority

letter and visit the Government of India Mint, have the contents checked in regard to the number of bars, weights etc. and bring them to the Bank duly accompanied by armed guards”.

5. When asked about the system of transferring gold from one station to another, the Department of Economic Affairs (Banking Division) have stated in a note :

“The gold parcel is taken to the station by authorised official under armed escort and handed over to the Railways against receipt. The relative Railway receipt is sent by the Bombay Main Branch of the Bank to the concerned receiving office by registered A.D. post, together with an advice, in duplicate, indicating the gold despatched, the gross weight of the parcel number of bank's seals etc. On receipt of the parcel at the receiving station, delivery is taken by officials authorised for the purpose, in the presence of armed guards after verifying the gross weight, number of seals etc. The parcel is then brought to the Bank's premises by authorised officials under armed protection and opened in their presence. When the gold is verified according to the number and weight in bulk, the duplicate copy of the advice received from Bombay Office is then returned immediately duly signed by the two officials at the receiving office acknowledging the receipt of the consignment.”

6. The Committee desired to know the arrangements which are made for guarding, escorting, transporting and monitoring the receipt of cash, gold etc. at the station to which it is despatched. In a note furnished in this regard, the Department of Economic Affairs (Banking Division) have explained the position as under :

“The Bank's Offices hold cash as agents of the Reserve Bank of India and arrangements for their transport from one Currency chest to another Currency Chest are governed by the Treasury Rules. The Cashier and the armed escort accompanies the remittances between one office to another office of the Bank and the Reserve Bank of India or vice versa, right from the start to the time these are handed over to the Joint Custodians of cash at the receiving office. At the outset the Authorised responsible employee takes delivery of the sealed boxes containing cash and checks these with the number of boxes, weight etc., mentioned in the

invoices signed by the Remitting Office. Thereafter the armed escorts are relieved. Detailed checking of the cash is done inside the Bank premises subsequently in the presence of the accompany-Cashier. In so far as gold is concerned this is held by the Bank under special arrangements with M/s HGML and arrangements are made in terms of the agreement with them. At the receiving station the authorised responsible employee visits the station and personally takes delivery of the parcel from the Railways after verifying the gross weight, number of seals etc. Thereafter they take the parcel to the Branch duly accompanied by armed escorts. The contents of the parcel are verified in regard to the number of bars and weight in bulk inside the receiving branch premises, duplicate copy of the advices received from Bombay Main Branch duly signed by the authorised officials is sent back to Bombay Main Branch as an acknowledgement for proper receipt of the consignment."

7. At the instance of the Committee the Ministry of Transport, Department of Railways (Railway Board) have furnished the following note explaining inter-alia, the procedure followed by them in regard to transport of cash, silver and gold by rail.

"Cash, silver and gold are 'excepted articles, 'mentioned in the' second schedule of the Indian Railways Act, and are covered by Section 77B of the Indian Railways Act, An extract of Section 77B is reproduced below :

77B. (1) Notwithstanding anything contained in the provisions of this Chapter, when any article, mentioned in the Second Schedule are contained in any parcel or package delivered to a Railway administration to be carried by Railway and the value of such articles in the parcel or package exceeds five hundred rupees. the Railway Administration shall not be responsible for the loss, destruction, damage or deterioration of the parcel or package unless the person sending for delivering the parcel or package to the administration caused its value and contents to be declared in writing or declared them in writing at the time of delivery of the parcel or package for carriage by Railway, and if so required by the administration, paid or engaged to pay in writing a percentage on the value so declared by way of compensation for the increased risk.

(2) When any parcel or package of which the value has been declared under sub-section (i) has been lost, destroyed, or damaged or has deteriorated, the compensation recoverable in respect of such loss, destruction, damage or deterioration shall not exceed the value so declared.

(3) A Railway Administration may make it a condition of carrying a parcel or package declared to contain any article mentioned in the Second Schedule that a Railway servant authorised in this behalf has been satisfied by examination or otherwise that the parcel or package actually contains the articles declared to be therein.

(4) The Central Government may, by notification in the official Gazette direct that any article mentioned in the second schedule may, without being contained in any parcel or package, be delivered to a Railway administration to be carried by Railways and upon the issue of such notification, the provision of this section shall apply in relation to such article as they apply in relation to any article mentioned in the Second Schedule and contained in any Parcel or Package."

2. It will thus be noted that the consignor has an option to pay percentage charge on declared value of goods, and if he does not, the Railway Administration is not liable for the loss and damage in transit.
3. The Second Schedule as well as the above mentioned legal provisions have been given in Chapter-VIII of the Coaching Tariff for information of Railway users.
4. For gold and silver, percentage charge on value is 13 paise per hundred rupees per 160 kms., subject to a maximum of one per cent of the value. (Rule 1303 of Coaching Tariff No. 23).
5. To provide this facility of electing the option of payment of percentage charge with clear understanding of its consequence the Railway Administration has prescribed a special Forwarding Note for the benefit of the customers in which they have to categorically record their options so that it is reflected in the Railway receipt.

6. Special instructions for booking, carriage and delivery of excepted articles on which percentage charge has been paid are contained in Chapter XI of Indian Railways Commercial Manual. It will be noted that when percentage charge is paid, elaborate and stringent precautions are required to be taken for booking, loading, safe custody and carriage of such goods. When percentage charge is not paid, special precaution has been prescribed only in respect of gold and silver, coins, notes, precious stones and jewellery valued at Rs. 20,000/- or more by way of sending a special escort guard in charge of such consignments, as perusal of Para 1119 (b) will indicate."

7A The procedure regarding examination of packages containing excepted articles after their booking has been given in Para 1108 of Indian Railway Commercial Manual, Volume-I which is reproduced below :

"(a) All packages containing excepted articles, on which the consignor has undertaken to pay the percentage charge on value, should be examined personally by the Station Master, or in the case of a specially authorised branch booking office or out-agency, by the Booking Clerk Incharge. He must see that the declaration agrees with the contents of the packages, and that the packages are so packed and secured as to allow of their being handled without any risk of breakage or pilferage as laid down in para 1106. A copy of the inventory of contents of packages should be signed by the sender and filed with the forwarding note.

(b) If the consignor or his agent on being called upon to open his packages for examination declines to do so, the percentage charge on value should be accepted on the distinct understanding that the railway administration will be responsible only for the safe delivery of the packages in good outward condition at destination and not for the contents and their condition at the time of delivery. A remark to this effect should be recorded on the railway receipt issued, and the consignor's signature to a similar remark should be taken on the forwarding note.

All appliances for opening and repacking must be provided by the sender or consignee who will be responsible to see that the cases are properly opened and repacked."

8. Audit have pointed out that though adequate notice was given by the State Bank of India about the intended booking, the Commercial and Security Departments failed to make arrangement to escort the parcel van as required under the rules. The Committee desired to know why the Commercial and Security Departments of the Railways failed to make adequate security arrangements in this regard. The Department of Railways (Railway Board) have explained the position in a note as under :

“The said gold consignment was booked on 22.3.83 on ‘said to contain’ R.R. at Parcel Office, Bombay V.T. for Agra. Since the consignment in question was excepted article and its value exceeded Rs. 500/-, the party (State Bank of India, Bombay) was required to pay percentage charges on the declared value of the contents of the parcel by way of compensation for the increased risk as per section 77B of Indian Railway Act, 1890. When the party was asked to pay percentage charges on the declared value of this consignment towards its insurance, they elected not to pay these charges and endorsement to the effect viz, “Not Insured with Railways” was made by the party on the “Forwarding Note” at the time of its booking.

As per extant rules, an Escort Guard has to be provided for the safety of such consignments containing Gold, Silver, Jewellery, Precious Stones, Bank Notes, etc., if their value is Rs. 20,000/- or more whether they are insured or not i.e., whether percentage charges on its declared value have been paid or not. The said consignment could not be despatched on the day of booking for want of special Escort Guard. The Escort Guard for this consignment could only be arranged after a month on 26-4-83. Accordingly, the consignment was loaded on 26-4-83 in charge of ‘Special Guard’ in the locker of the second compartment in the rear SLR of 5 Dn. Punjab Mail in the presence of RPF and GRP staff as well as parcel staff of Bombay V.T. The locker was locked and both sides of the door of the 2nd compartment of the SLR, in question were also locked. The loading station issued a telegraphic advice to Station Master, RPF & GRP of destination station and all Guard changing and other major stations en-route for ensuring safe transit of this consignment and for providing relief Guards to the Escort Guard travelling from Bombay. After departure of the said train from Bombay V.T. the 2nd Compartment of the SLR in which the consignment in question was kept

was handled for loading/unloading only at Devlali and Bhusaval in the presence of the Escort Guard accompanying this consignment.

When a relief could not be provided to the Escort Guard at Igatpuri and Bhusaval, it was decided to discontinue his journey at Bhusaval. At Bhusaval he opened the locker containing the subject consignment, in the presence of Parcel Staff, A.S.M. and RPF staff of Bhusaval station to remove this consignment to the strong room of the Station Master, Bhusaval. But here the consignment was found missing.

The case is being investigated by CID (Crime) Nasik, Government of Maharashtra and their report is awaited."

9. To an enquiry of the Committee from the Department of Banking as to why the State Bank of India did not issue the gold parcel by payment of extra charges to the Railways, the Department of Economic Affairs (Banking Division) have stated in a note as follows :

"As part of the arrangement, Hutti Gold Mines Ltd. have taken out an Insurance Policy issued by United India Insurance Company covering the stocks of gold from the crushing and grinding plants at Hutti Gold Mines to various centres of the Bank, till its delivery to the purchasers. Since this policy provides cover against all transit risks including when in Railways custody, Hutti Gold Mines Ltd. did not want the Bank to take any further insurance with the Railways for gold consignment sent through them. Moreover, although the fact that the parcel contained gold was made known to the Railways in respect of each and every parcel booked through them, since the very beginning of the arrangement in the year 1963, at no stage did the Railways demand from the Bank extra charges to cover insurance of the parcel. The Bank paid whatever charges were demanded by the Railways."

10. The Committee desired to know the level at which the decision was taken to book the gold by rail from Bombay to Agra. The Department of Economic Affairs (Banking Division) have stated in a note as under :

"The decision to despatch gold from Bombay to various stations by Railways is being taken by Bombay Main Branch of the State

Bank of India ever since 1963. In terms of the approved arrangement with Hutti Gold Mines Ltd., the Bank was given a discretion to choose the best means of transport. Further, according to the system in vogue in the Bank, the consignment was to be sent by Railways. However, when two centres were directly connected by air, the parcel could be sent by air, in practice, in almost all cases the parcels used to be sent by Railways only. The consignment in transit has always remained covered under the insurance taken by HGML.

11. The Department of Economic Affairs (Banking Division) have furnished the following note indicating in chronological order the sequence of events that took place right from the decision to book the gold parcel through the Railways upto the stage when the compensation claim was lodged by the State Bank of India with the Railways :

- “1. The parcel containing 8 kgs. of gold bars (including weight of packages) approximately valued at Rs. 14,08,000/- was taken to the V.T. Railway Station, Bombay on the afternoon of 22-3-83 by the Joint Custodians of gold, accompanied by Police Escort.
2. The parcel was handed over to the Booking Clerk at the V.T. Railway Station the same day and he handed over to the Bank Officer the parcel Way Bill.
3. Telegraphic intimation about the despatch of the parcel was sent to Agra Branch of State Bank of India on 23-3-1983.
4. The Railway Parcel Way Bill No. G. 217202 was sent to Agra Branch under Registered Acknowledgement Due cover on 23-3-83.
5. The concerned officer had occasion to visit V.T. station on few occasions during the period between 23rd March and 7th April, 1983. During these visits, he had made verbal enquiries from the concerned Railway Booking Clerk about the actual despatch of the gold parcel.
6. On 7-4-1983, Bombay Main Branch sent a telegram to Agra Branch enquiring whether the parcel has been received.

7. Agra Branch contacted the Railways at Agra on the 11th, 14th and 15th April, 1983 to enquire about the receipt of the parcel and obtained their endorsement on the reverse of the relative parcel Way Bill to the effect that the consignment had not yet reached Agra.
8. Agra Branch intimated Bombay Main Branch about the non-receipt of the parcel by their telegram of 15-4-1983 and again on the 22nd April, 1983.
9. Agra Branch telegram of 15-4-83 was received by Bombay Main Branch on the 18th April, 1983, and immediately Bombay Main Branch took up the matter with the Railways in Bombay in writing, vide their letter No. 1723 of 20-4-83, informing them about the non-receipt of the parcel at Agra and requesting them to look into the matter.
10. On 29-4-83, the Chief Commercial Superintendent, Central Railway informed the Branch, vide letter No. C249/PT/1/2/83 dated 29-4-83 that the parcel in question had been loaded and despatched by 5 Down train on 26-4-83 under an escort guard. The Railway Authorities further advised the Branch that since there was no escort guard at Igatpuri and Bhusaval, it was decided to unload the parcel and keep it in the strong room till the escort guard was available. However, when the escort guard accompanying the 5 Down train from Bombay V.T. to Bhusaval opened the luggage van, in the presence of Assistant Station Master and RPF staff on duty at Bhusaval, the gold parcel was found missing.
11. On receipt of this information, Bombay Main Branch lodged with the Railways their claim for Rs. 14,08,000/- towards the loss of gold parcel on 3-5-1983."
12. Though the gold parcel was tendered by the State Bank of India for despatch at Bombay V.T. Station on 22 March, 1983, it actually moved out V.T. Station on 26th April, 1983. When enquired whether the State Bank of India officials aware that the gold parcel had not moved out of Bombay V.T. for about 35 days, the Department of Economic Affairs (Banking Division) have replied :

"No. This information is not given to us by the Railways."

13. The Department of Economic Affairs (Banking Division) have added in a note :

“The parcel was handed over to Railway authorities at V.T. Station on 22nd March, 1983. Subsequently, the concerned Officer, as per usual practice, had been making frequent visits to VT Station to ascertain despatch of the gold parcel. Since no satisfactory information could be obtained from the Railway authorities, the matter was taken up by Bombay Main Branch with Agra Branch by telegram on 7th April, 1983. Agra Branch informed by their telegram of 15th April, 1983, that the parcel in question was not received by them. Subsequently, the matter was taken up with Railway authorities in Bombay, in writing, vide our Bombay Main Branch letter of 20th April, 1983.

The Bank officials came to know actual position only on receipt of letter dated 29th April, 1983 from the Chief Commercial Superintendent, Central Railway informing the Bank that the parcel in question had been loaded by 5 Down Train on 26th April, 1983 under special escort guard. Earlier enquiries made by the office did not elicit any definite response from the Railway.”

14. When asked by the Committee to explain the delay in despatch of this gold parcel for a long period by the Railway Staff, Bombay at VT Station, the Department of Railways (Railway Board) have stated in a note as under :

“The delay in sending the consignment from Bombay VT to its destination Agra was on account of non-provision of escort guard by the Station Superintendent Bombay VT, without which the consignment could not be transported, as per rules.”

15. In reply to question as to whether the difficulty experienced in despatch of the costly article was brought to notice of the higher officers by the Station Superintendent, the Department of Railways have stated in a note :

“The booking and despatch of such articles was common at Bombay VT. As per practice, arrangement of escort guard was made by Station Superintendent VT, who is a Gazetted Officer. It was not brought to the notice of higher officers.”

16. The Committee drew the attention of the Department of Railways to the statement of Department of Economic Affairs (Banking Division) that the concerned officer of State Bank of India had been making frequent visits to V.T. station to enquire about the gold parcel but no satisfactory information could be obtained from the Railway authorities at V.T. station and desired to know whether the customer should not be given information about the despatch of the goods in the interest of good public relations. In reply, the Department of Railways (RB) have explained in a note as under :

“In absence of the specific details as to who made the enquiries from whom and when at Bombay VT station, it cannot be verified whether verbal information was given or not. There is no difficulty in advising the position of despatch particulars of a consignment booked by a party. Such information is furnished by Station Master as and when asked by the parties.”

17. The Committee desired to know whether it was not considered necessary to provide escort or to move the parcel in the charge of a responsible Bank Official. The Department of Economic Affairs (Banking Division) have stated in a note as under :

“Under the long standing arrangement, the gold consignments have always been sent through the Railways as parcels; the content of the parcels are always known to the Railways, who accept the parcels for despatch under special guard provided by them. The question of deputing a Bank official to accompany the parcel while in the custody of the Railway did not arise as the Railways had provided special guard on payment of prescribed charges and HGML also stipulated this arrangement only. However, the parcels are always taken from the Bank to Railways by responsible officials of the Bank accompanied by armed guards. A similar precaution is taken at the receiving end also.”

18. Rules 720 and 721 of the Central Treasury Rules Vol. I provide that when coins and currency notes and other treasure and moved from one Bank to the other or from one treasury to the other, the Treasury Officer jointly with the Police Officer who is to travel in charge, shall superintend personally or by substitute the loading of the vans and shall hand over to the Police Officer a memorandum of instructions and take a receipt thereof.

19. The Committee desired to know whether similar precaution was taken in the instant case and the consignment of gold in question was loaded in the brake van in presence of bank's representative and the Police Officer. The Department of Economic Affairs (Banking Division) have stated *inter alia* in a note as under :

"The Treasury Rules are applicable to movement of treasure belonging to the Government/Reserve Bank of India. The gold in this case belonged to Hutti Gold Mines Ltd. and its movement was carried out in terms of a separate arrangement entered into with Hutti Gold Mines Ltd and State Bank of India and Rules 720 and 721 of the Central Treasury Rules Vol. I are not applicable."

20. As regards providing of escort guard for the gold parcel, the Chairman, Railway Board stated during evidence :

"We did provide a special guard but not an armed guard."

21. On enquiry as to why armed guard was not provided by the Railways, the witness replied :

"We have to spend on the armed guard.....If they want that we should provide an armed guard then they should pay for it."

22. In this connection, the representative of Railway Board stated ;

"If the Railways start making the complete arrangements in respect of non-insured articles then nobody would like to insure the articles with the Railways and in that case the responsibility of Railways would increase very much. I am only making a request that the other party should also take steps."

23. In reply to a question as to why the arrangements for special custody of this consignment were made upto Bhusaval only when it was to move to Agra, the Department of Railways (RB) stated in a note :

"When the consignment left by Punjab Mail from Bombay VT the arrangement was to carry it through to Agra. It had to be unloaded at Bhusaval by the Escort Guard as he could not be relieved at Igatpuri and Bhusaval by other Escort Guards. Station Master, Igatpuri, had received the message from Bombay V.T. for providing the Escort Guard but he had only 4 Guards available and they had been utilised for running other trains. No extra

hand was available. At Bhusaval also no Escort Guard reported to take over. Therefore, he decided to unload the consignment. He had already completed 8 hours of running duty."

24. The Committee were given to understand during evidence that a Departmental Inquiry was held in the instant case of theft of gold parcel. On enquiry about the dates of setting up of the Departmental Enquiry Committee and completion of its findings, the Department of Railways (RB) have stated in a note .

"The Inquiry Committee was set up on 27.4.1983 as per the order of Addl. General Manager, Central Railway. The Departmental Inquiry of three officers of claims, security and Accounts Departments was completed on 21.4.1984. The time taken in the finalisation of the inquiry was on account of large number of witnesses examined and also due to change of the posts and transfers of the members of the Inquiry Committee."

25. When asked about the action taken by the Railways in pursuance of the findings of this Departmental Inquiry, the Department of Railways (Railway Board) have stated in a note as under :

"The Departmental Inquiry held the following persons responsible against whom action has been taken as under :

| Sl. No. | Name | Lapse | Action taken |
|---------|---|---|---|
| 1. | Shri D.D. Modak Guard Bombay VT | failed to exercise caution & vigilance in his duties as Escort Guard | He is under suspension and disciplinary action for major penalty is under process |
| 2. | Shri R.G.Pardeshi, ASM/Igatpuri | failed to arrange relief guard at Igatpuri | His increment has been with-held for six months |
| 3. | Shri S.G. Paitharkar, Parcel Booking Clerk, Bombay VT | Remark of the Forwarding Note, "not insured with Railways" was not reproduced on the P.W. Bill | His increment has been withheld for one year |

| Sl. No. | Name | Lapse | Action taken |
|---------|--|------------------------------------|--|
| 4. | Shri Fernandes SS/ Bombay VT | Delay in providing Escort Guard | Retired on 31.5.83. Stoppage of post- retirement passes is under examination. |
| 5. | Shri Samant Detail Clerk of S.S. Bombay VT | Delay in providing Escort Guard | Retired on 30.6.83. Stoppage of post- retirement passes is under examination. |

26. During evidence the Committee referred to the facts that first-the Railway staff members were aware that the gold parcel had not been insured thereby realising Railways' reduced responsibility for its safe transport and secondly the non-provision of Escort Guard from Bhusaval onwards and desired to know whether these did not raise doubts about the possible connivance by the staff. The Chairman, Railway Board reacted by saying :

"The fact that no guard was arranged led to a suspicion about conspiracy. That is why CID enquiry is there. We will certainly look into it."

He further added :

"We were waiting for the CID report. That report was received on 12 September, 1985 by IG, Bombay which is now being scrutinised by them.

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In consultation with the Maharashtra Police and the RPF we will ensure that such things do not happen."

27. When questioned that someone at the top had acted irresponsibly in not providing for adequate guards and exhibited negligence in the safe transport of gold parcel, the witness replied "that will be done only when CID report is known". On an enquiry if the CID report had since been received by the Railways, the Department of Railways (Railway Board) stated in a note :

"Letter received from Special I.G. (CID) (Crime) Pune dated 23.10.1985 by Central Railway, shows that final report from the Investigating Officer, Nasik CID Branch has been received by the

IG's office and is under examination by the Legal Branch of his office. The Railway Administration has not received any report about the investigation of this gold case so far from the Police."

28. In reply to further query by the Committee as to what were the facts established as a result of C.I.D. investigation, the Committee have been informed as under :

"The parcel was brought from the strong room of the Parcel Office at Bombay V.T. to the Parcel Van of 5 Dn. Punjab Mail at about 16.30 hours on 26.4.1983 and placed in locker of the parcel van which was later locked by Guard D.D. Modak, who kept both the keys of the lock affixed to the locker with himself. He also signed appropriate register in token of having received the parcel.

The parcel van was later locked by Guard S.B. Sen who was the main guard of the train. The parcel van next opened at Igatpuri, Railway Station when Guard Sen handed over charge to Guard Ramkhilawan. According to Guard Modak he had at that time opened the locker and satisfied himself that the gold parcel was inside. This claim has not been corroborated by either Guard Sen or Guard Ramkhilawan or the box boy who was also present. When the locker was again opened by Guard Modak at Bhusaval in the presence of Sr. Rakshak R.P.F. Shri Devi Prasad Pande, in order to offload it as Guard Modak had not been provided a reliever he found the gold parcel missing from the locker though the lock did not appear to be tampered with. It is, therefore, highly probable that the gold parcel was removed at Railway Station, Igatpuri or Devlali where also the parcel van was opened for loading some parcels."

29. During evidence the Committee desired to know whether the Railways have paid the claim for Rs. 14,08,000/- lodged by State Bank of India, Bombay towards the loss of gold parcel. The representative of Department of Economic Affairs (Banking Division) replied :

"This incident took place in 1983. After that they made a claim and the claim was rejected by the Railways. While rejecting, the Railways have pointed out the provisions of section 77 (B) in which it is stated that to hold the Railways responsible, they should also insure with the Railways."

30. In this connection, the Department of Railways (Railway Board) stated in a note :

“The claim preferred by the State Bank of India was not found tenable and has been repudiated as the consignor did not elect to pay percentage charges on the value of the consignment as required under Section 77 (B) of the Indian Railways Act.”

31. Section 75 of Indian Act mentions about the responsibility of Railway Administration as carrier of luggage and it says as under :

“A railway administration shall not be responsible for the loss, destruction, damage deterioration or non-delivery of any luggage belonging to a passenger unless a railway servant has booked the luggage and given a receipt therefor and in the case of luggage which is carried by the passenger in his charge, unless it is also proved that the loss, destruction, damage or deterioration was due to the negligence or misconduct on the part of the railway administration or of any of its servants.

32. The Committee drew the attention of the witnesses to the aforesaid section and desired to know as to how the Railways could escape from the general principle of liability as a carrier when the loss is reported to be due to the misconduct of railway employees. To this Chairman, Railway Board replied :

“Section 75 which you quoted is the general rule. It is also subject to the other provisions of the Act.”

33. In reply to a query as to why Railways provided a special guard, he stated :

“I am coming to that, Sir. The theory is that when a high valued commodity moves, it attracts the attention of the criminal elements more.”

34. In this connection the Department of Railways (Railway Board) have stated in a note as under :

“The payment of extra charges i.e. percentage charge (insurance charge) is optional under extant Rules. When such charge is not paid, the Railway is exonerated from liability for loss or damage under Section 77B of the Indian Railway Act.”

35. In reply to a question as to why the Railway Administration accepted the gold parcel without the consignor (State Bank of India) having paid the percentage charges, the Department of Railways (Railway Board) have stated in a note :

“There is a special forwarding note for such article and in the forwarding note the party has to declare in writing its option on the following entry.”

‘I declare that each package contains/ piece is of value of Rs. and I engage/do not engage to pay the percentage charge on value for the increased risk as required by the Administration.’

Hence, as per Rules then in force, the Railway Administration could not have refused to book the consignment when the party was prepared to carry the same under their own risk.”

36. In another note the Department of Railways (Railway Board) have stated as under :

“To prevent recurrence of such incidents in future and for alerting and educating the staff in this regard, the Central Railway have issued a joint circular No. C-249/PE/1/2/83 dated 30 October 1983 signed by the Heads of the Operating, Commercial and Security Departments. These instructions *inter-alia*, included that :

“Whenever any consignment of bullion, gold, silver or jewellery costing Rupees one lakh and more is tendered for despatch payment of the percentage charge on value should be compulsory. In all such cases an armed RPF escort in addition to Escort guard shall be provided.”

37. The Department of Railways (Railway Board) stated further in a note subsequently furnished to the Committee as under :

“Ordinary freight on the basis of weight for articles like gold is very nominal. The Railways therefore, cannot afford to spend large amounts on providing armed escorts etc. if the consignor refuses to pay the charge on value. At the same time when such costly package is lost from the custody from the Railways, it brings a bad name and tarnishes the image of the railways. In view of these considerations, instructions have now been issued to all zonal railways that consignment of gold, silver and jewellery valuing more than Rs. 1 lakh should not be accepted for booking unless the consignor had paid percentage charge. Instructions have also been issued that in all such cases, armed

R.P.F. guards must accompany the package through to destination station”.

38. The Department of Economic Affairs (Banking Division) have further stated in a note as under :

“Subsequent to the theft of the gold in the instant case, the Railways had stopped accepting further parcels unless the Bank agreed to pay additional charges, at 1% of the value of consignment to the Railways, to enable them to cover the gold against loss while in their custody. The Bank arranged for detailed discussions between concerned parties, viz. Hutti Gold Mines Ltd., the Railways and the Bank. Based on these discussions the Hutti Gold Mines Ltd. agreed to meet the additional charges demanded by the Railways and all parcels are since then being sent by rail for which an additional 1% of the value of consignment as demanded by the Railways is paid ; these charges are borne by the Hutti Gold Mines Ltd.”

39. As regards the present position of the compensation claim, the Department of Economic Affairs (Banking Division) have stated :

“Hutti Gold Mines Ltd. had lodged a claim for Rs. 14,08,000/- as compensation for the gold lost, from the United Indian Insurance Company, and the latter have since settled the claim in full. The United India Insurance Co. have now decided to file a Civil Suit against Railways for compensation of the loss suffered by them on account of the loss of gold while in the custody of Railways.”

40. The Committee desired to know whether any theft of gold consignments, booked by State Bank of India, while in transit have taken place during the last few years. The Department of Economic Affairs (Banking Division) have stated that the arrangement with Hutti Gold Mines has been in vogue ever since 1963 and there has been no other instance of loss of gold while in transit.

41. The Committee desired to know from the Railways the number of cases of theft of gold-silver consignments from Railways custody during their carriage in the last five years and the amount of compensation paid therefor. In reply, the Department of Railways (Railway Board) have stated in a note as under :

“Quick enquiries made from Zonal Railways indicate that theft/pilferage of gold & silver consignments during the last five years were as under :

| Period | No. of cases | Name of Railways | Value of property stolen | Value of property recovered | Arrests | | | Remarks |
|----------------|--------------|------------------|--------------------------|-----------------------------|----------|---------------|-----------|--|
| | | | | | Outsider | Rly. employee | Total | |
| 1980-81 | Nil | — | — | — | — | — | — | — |
| 1981-82 | 1 | Western | 70,000 | Nil | — | 1 | 1 | Case acquitted |
| 1982-83 | Nil | — | — | — | — | — | — | — |
| 1983-84 | 1* | Central | 14,08,000 | — | — | 3 | 3 | Case of Central Rly. is under investigation. |
| | 1 | Western | 46,000 | — | 1 | 1 | 2 | Case of W. Rly. is pending in the Court |
| 1984-85 | 2 | Western | 3,82,500 | 28,800 | 7 | — | 7 | Both are pending trial in the court |
| Total : | 5 | | 19,06,500 | 28,800 | 8 | 5 | 13 | |

* Case which has been taken up by Audit.

No compensation was paid in any of these cases as percentage charge had not been paid and the consignments had not been insured with the Railways. Accordingly, the cases were repudiated under Section 77B of the Indian Railways Act."

42. The Committee note that the State Bank of India, acting as agents for its clients M/s. Hutti Gold Mines Ltd (HGML), receives gold at Bombay and despatches it to various centres (13 at present) specified by them. This arrangement with the Hutti Gold Mines Ltd. has been in existence since 1963. HGML pays the State Bank of India appropriate service charges in addition to meeting all out of pocket expenses. An omnibus insurance policy issued by United India Insurance Company at the request of HGML covers the risk of transporting gold from the crushing and grinding plant at Hutti Mines to various selling centres of the Bank and until it is delivered to the purchasers.

43. In accordance with the procedure one such parcel containing 8 kgs. of gold bars valued at Rs. 14.08 lakhs was booked by the State Bank of India, Bombay, Ex. Bombay V.T. to Agra on 23rd March, 1983. Telegraphic intimation about the despatch of the parcel was sent to the Agra Branch of State Bank of India on the same day, that is, 23rd March 1983. According to Department of Railways (Railway Board), and confirmed by SBI, when the Bank was asked to pay percentage charges on the declared value of this consignment towards its insurance, it elected not to do so and merely endorsed at the time of its booking on the 'Forwarding Note' to the effect, 'Not insured with Railways'. [According to existing rules (para 119 (b) of Coaching Tariff], an Escort Guard has to be provided for the safety of consignments containing gold, silver jewellery, etc. if their value is Rs. 20,000/- or more whether they are insured or not. The gold parcel was actually despatched by the Railways after delay of more than a month on 26th April, 1983 in Bombay V.T. station. According to Railways, this delay of more than a month occurred as necessary Escort Guard could not be arranged earlier. The consignment is stated to have been loaded on 26th April, 1983 in charge of 'Special Guard' in the locker of the second compartment in the rear SLR (Sitting cum luggage cum brake van) of 5 Dn. Punjab Mail in the presence of staff of Railway Protection Force and Government Railway Police as well as the Coaching staff of Bombay VT. According to Department of Railways, the gold parcel had to be unloaded at the Bhusaval by the Escort Guard as he could not be relieved at Igatpury or Bhusaval by other Escort Guards and he had already completed 8 hours of running duty. However, when the Escort Guard accompanying the 5 Dn. train opened the luggage van, in the presence of the Assistant Station Master and RPF staff on duty at Bhusaval, the gold parcel was found to be missing.

44. Cash, silver and gold are 'excepted articles' mentioned in the second schedule of Section 77B of Indian Railways Act, 1890 Section 77B (i) *inter alia*, provides that when any article mentioned in the second schedule is delivered to Railway Administration to be carried by Railway and the value of such article exceeds rupees five hundred the Railway Administration shall not be responsible for the loss, destruction, damage or deterioration etc. of the article unless the person sending the article agreed to declare its value and contents in writing and if so required by the administration, paid or agreed to pay in writing a percentage on the value so declared by way of compensation for the increased risk. In this case, the claim for Rs. 14.08 lakhs preferred by the State Bank of India towards the loss of gold parcel was rejected by the Railways as the percentage charges on the value of the consignment were not paid. Hutti Gold Mines Ltd which had taken out a general insurance policy for all gold sent out from the mines lodged a claim for Rs. 14.08 lakhs with the United India Insurance Company and the latter settled the claim in full. The United India Insurance Company decided to file a civil suit against the Railways to compensate them for the claim paid by them on account of the loss of gold from the custody of Railways. While the Railways take protection under the above stated provisions of Railway Act, the State Bank of India relies upon the practice and tradition of sending the gold by rail for the last 2 decades and more without paying any percentage charges to the Railways. Practice and Custom cannot, according to Railways, justify any responsibility being placed on them as carrier in the light of the specific provision in the Railway Act and Rules thereunder. While the Committee agree that the Railways are on strong ground in rejecting any claim for the loss of gold, they should surely have been gravely concerned that a theft of this kind and magnitude had taken place of valuable goods entrusted to them. As a public organisation, they have a responsibility as is clear from the fact that they had delayed the despatch of the gold until they had an escort available. Equally deplorable is the apathy shown by the State Bank of India in discharging their agency functions merely because the gold had been insured by Hutti Mines and the insurers had paid the claim. Their excuse is that as the Hutti Mines had taken out a policy they were absolved. This is not the right attitude for a Bank to adopt. It is expected to justify the trust reposed in it by exercising every care while the gold is in its care and custody. In this case, the bank showed surprising indifference. One would have expected that as a responsible organisation, it would institute inquiry about its parcel of gold as soon as the time it would normally have taken for the parcel to arrive at its destination had expired. The Railways also should have been equally concerned. Insurance is effected only to cover the financial loss involved if the parcel is lost or stolen. It cannot absolve either the Bank as the agent entrusted with the task of delivery to its destination or the Railways as the

actual transporting organisation from the primary responsibility of seeing to it that the article entrusted to them was delivered safely to its destination. It was incumbent on them to have taken steps when the loss was discovered. A thorough inquiry should have been made.

45 The Committee would draw attention to yet another instance of indifference and complacency in regard to this case. The Railway Departmental Inquiry Committee of three officers from Claims, Security and Accounts Departments which was set up on 27 April, 1983 took nearly a year to complete its work and submitted its report only on 21 April, 1984. The inquiry is stated to have taken so much time because evidence of a large number of witnesses had to be taken, and because of transfers of members of the Inquiry Committee. The very purpose of setting up an Inquiry Committee in such matters is defeated if their findings become available after a long lapse of time. Only if responsibility is clearly fixed can punitive action be taken and therefore it is of the utmost importance to ensure that the Inquiry Committee complete their work expeditiously. Punishment should also be deterrent and commensurate with the nature of the offence.

46. The Committee are informed that the Railways are awaiting the report of CID which was entrusted with the task of investigation of this theft case. The final report from the investigating officer, Nasik CID Branch was stated to have been received by the IG's office and was under examination by the legal branch of his office. From the information furnished by special Inspector-General of Police, C.I.D. Crime, Pune, the following is evident : "The parcel was brought from the strong room of the Parcel Office at Bombay V.T. to the parcel Van of the 5 Dn. Punjab Mail at about 1630 hours on 26-4-1983 and placed in locker of the parcel van which was later locked by Guard D.D. Modak, who kept both the keys of the lock affixed to the locker with himself. He also signed appropriate register in token of having received the parcel. The parcel van was later locked by Guard S.B. Sen who was the main guard of the train. The parcel van was next opened at Igatpuri, Railway Station when Guard Sen handed over charge to Guard Ramkhilawan. According to Guard Modak he had at that time opened the locker and satisfied himself that the gold parcel was inside. This claim has not been corroborated by either Guard Sen or Guard Ramkhilawan or the box boy who was also present. When the locker was again opened by Guard Modak at Bhusaval in the presence of Sr. Rakshak R.P.F. Shri Devi Prasad Pande, in order to off load it, as Guard Modak had not been provided a reliever, he found the gold parcel missing from the locker though the lock did not appear to be tampered with. It is, therefore, highly probable that the gold parcel was removed at Railway Station Igatpuri or Devlali where also the parcel van was opened for loading some parcels."

47. The net result is the mysterious disappearance of this gold parcel defying not only detection but also even an intelligent guess as to who could have committed this theft. The guard who was arrested and suspended has not been *prima facie* held responsible for the loss of the gold as it is obvious from the fact that the investigating agency has failed to file a charge sheet against him. Circumstantial evidence to hold him *prima facie* responsible is also not forthcoming. Between the two agencies viz. SBI Officials and Railway Officials and their servants and agents on whom the blame must rest has not been solved by the investigation undertaken. To the question as to whether any charge sheet has been filed against any person, if not reasons therefor, the spl. I.G.P., CID (Crime), Pune has stated in a note "No charge sheet has been filed against any person in this case. The reason being that no tangible evidence has come up against any person that would reasonably establish a charge of theft or misappropriation. However, the case is still under investigation and decision in this regard would be taken before long". Having regard to the fact that case was registered on 27-4-1983 it can be taken for all practical purposes that no useful purpose will be served by keeping the investigation pending. This adds a new dimension to mysterious disappearance of 5 kg. of gold. The second dimension is the utter weakness, inefficiency and inability of the investigating agency to detect a crime of this magnitude which has occurred on our public carrier system. The third dimension, a still more staggering, is the utter lack of concern, urgency or anxiety on the part of the State Bank of India officials, the Railway officials and the Investigating officials to mutually cooperate and retrieve their prestige by tracing the missing gold or catching the culprit. The naked fact is that gold worth Rs. 14 lakh is lost, unsung and unwept. The utter callousness and indifference exhibited by the SBI, the Railways and investigating agency over this huge loss has shocked the Committee. The usual monotonous game of passing on the blame from one to the other indulged in all cases of loss of public funds has exhibited itself in this case also in all its ugly form.

As per para 1108 of Indian Railway Commercial Manual Volume-I, all package containing excepted articles, on which the consignor has undertaken to pay the percentage charge on value should be examined personally by the Station Master or by any authorised Railway official who must see that the declaration agrees with the contents of the packages. The gold consignment in question was accepted by Railways on 'said to contain' R.R. Apparently, the contents were not examined by Railway as the consignor did not elect to pay the percentage charges. Whereas SBI are responsible for not paying the percentage charges with the result that its contents remained unverified at the time of its booking, the Railways are also guilty as the parcel disappeared while in their custody. The Committee are of the opinion that immediately

after the theft was detected, the SBI and Railways ought to have swung into combined dynamic action and called for the best detecting agency to recover the lost gold and to identify the persons responsible for the loss. The Committee recommend that if the State CID is not in a position to finalise the investigation and identify the culprits, the investigation should be entrusted to the CBI.

48. The Committee find that consequent upon the theft of gold in the present case the Central Railway issued instructions on 31 October, 1983 with a view to preventing recurrence of such incidents in future and for altering and educating the staff in this regard. These instructions, *inter alia* provide that the consignments of bullion, gold, silver or jewellery costing Rs. one lakh and more should be accepted only on the payment of the percentage charge equivalent to 1% of the value of the consignment and in all such cases an armed RPF escort in addition to Escort guard should be provided. However, the Committee find that in 1984-85, a case of theft/pilferage of gold and silver consignments valued at Rs. 3.83 lakhs occurred on Western Railways. According to Railways the case for compensation claim was repudiated under section 77B of the Indian Railways Act as the consignment had not been insured by the party. Obviously these instructions were not enforced in other Zonal Railways. Had these instructions been issued uniformly on other Zonal Railways, the theft/pilferage case on Western Railway in 1984-85, could have been avoided. The Committee expect the Railway Board to ensure that instructions involving common interest of all Zonal Railways are invariably issued uniformly in all the Railways and for this some sort of coordination system is required at Central level, which may be devised in case such coordination does not exist at present.

49. The Committee desire that the Indian Railway Act, rules thereunder and instructions issued by Railways may be modified so as to make it obligatory on the part of the consignees booking excepted articles mentioned in second schedule *ibid* (i.e. gold/silver etc.) to insure them with the Railways by paying the percentage charges irrespective of the cost of the consignment. Such articles valuing less than Rs. one lakh are being transported without armed guards and thereby exposed to greater risk of theft/pilferage etc. Railways attract adverse publicity by any such acts of theft/loss/pilferage etc. and in the process lose the confidence of the people in them as a safe carrier of their valuable goods. It is therefore important that these articles are safely transported irrespective of their cost. Once an article is accepted for transport, the Railways as public carrier must take it as a sacred duty to transport the goods to its destination safely, securely and expeditiously. Further the Committee find that the claims of the parties for compensation in case of loss etc. of consignments valuing less than Rs. one lakh can be

rejected by the Railways under Section 77B of Indian Railways Act 1890 if they are not insured with the Railways even though it is proved that loss was due to negligence or misconduct on the part of Railway Administration or any of its servant, whereas Section 75 of the Act provides that Railway Administration shall be responsible for loss etc. of any luggage if it is proved that loss etc. was due to negligence or misconduct on the part of Railway Administration or any of its servant. The Committee feel that this ambiguity in the rules can best be avoided by issuing fresh instructions which may provide that the 'excepted articles' mentioned in the 'second schedule' must be insured by parties while booking the same with the Railways so that proper check and arrangement could be made for their safe transport by Railway and also bind the Railways for payment of compensation in the event of loss/theft thereof. The parties can be asked to pay either 1% of the cost of the consignment or some minimum charges commensurate with the cost of making additional security arrangements.

50. The Committee note that whereas the compulsory insurance of these articles by the consignors and the provisions of armed guards by Railways is a safeguard against any theft/pilferage, plugging up of the various loopholes in the procedure noticed as a result of study of the case by the Railways is also necessary with a view to avoiding recurrence of such instances in future. The Committee expect the Railways to apprise them of the precise steps taken.

The Committee also desire that the Ministry of Finance should review the procedure for transport of gold and other valuable articles sent by banks to ensure their safe custody during their despatch, transit and receipt destination.

NEW DELHI;
20 June, 1986
30 Jyaishta, 1908 (Saka)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

A P P E N D I X

APPENDIX

Statement of Observations/Recommendations

| Sl. No. | Para No. | Ministry/ Deptt. Concerned | Observation/Recommendation |
|---------|----------|--|---|
| 1 | 2 | 3 | 4 |
| 1 | 42 | Railways Economic Affairs (Banking Division) | <p>The Committee note that the State Bank of India acting as agents for its clients M/s Hutti Gold Mines Ltd. (HGML), receives gold at Bombay and despatches it to various centres (13 at present) specified by them. This arrangement with the Hutti Gold Mines Ltd. has been in existence since 1963. HGML pays the State Bank of India appropriate service charges in addition to meeting all out of pocket expenses. An omnibus insurance policy issued by United India Insurance Company at the request of HGML covers the risk of transporting gold from the crushing and grinding plant at Hutti Mines to various selling centres of the Bank and until it is delivered to the purchasers.</p> |
| 2 | 43 | -do- | <p>In accordance with the procedure on such parcel containing 8 kgs of gold bars valued at Rs. 14.08 lakhs was booked by the State Bank of India, Bombay, Ex. Bombay V.T. to Agra on 23rd March, 1983. Telegraphic intimation about the despatch of the parcel was sent to the Agra Branch of State Bank of India on the same day, that is, 23rd March, 1983. According to Department of Railways (Railway Board), and confirmed by S.B.I. when the Bank was asked to pay percentage charges on the declared value of this consignment towards its insurance, it elected not to do so and merely endors-</p> |

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ed at the time of its booking on the 'Forwarding Note' to the effect, 'Not insured with Railways'. According to existing rules [Para 119(b) of Coaching Tariff], an Escort Guard has to be provided for the safety of consignments containing gold, silver jewellery, etc. if their value is Rs. 20,000/- or more whether they are insured or not. The gold parcel was actually despatched by the Railways after a delay of more than a month on 26th April, 1983 from Bombay V.T. station. According to Railways, this delay of more than a month occurred as the necessary Escort Guard could not be arranged earlier. The consignment is stated to have been loaded on 26 April, 1983 in charge of 'Special Guard' in the locker of the second compartment in the rear SLR (Sitting cum luggage cum brake van of 5 Dn. Punjab Mail in the presence of staff of Railway Protection Force and Government Railway Police as well as the Coaching staff of Bombay V.T. According to Department of Railways, the gold parcel had to be unloaded at Bhusaval by the Escort Guard as he could not be relieved at Igatpuri or Bhusaval by other Escort Guard and he had already completed 8 hours of running duty. However, when the Escort Guard accompanying the 5 Dn. train opened the luggage van, in the presence of the Assistant Station Master and RPF staff on duty at Bhusaval, the gold parcel was found to be missing.

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Cash, silver and gold are 'excepted articles' mentioned in the second schedule of Section 77B of Indian Railways Act, 1890 Section 77B(1) *inter alia*, provides that when any article mentioned in the second schedule is delivered to Railway Administration to be carried by Railway and the value of such article exceeds rupees five hundred, the Railway Administration shall not be responsible for the loss, destruction, damage or deterior-

ration etc. of the article unless the person sending the articles agreed to declare its value and contents in writing and if so required by the administration, paid or agreed to pay in writing a percentage on the value so declared by way of compensation for the increased risk. In this case, the claim for Rs. 14.08 lakhs preferred by the State Bank of India towards the loss of gold parcel was rejected by the Railways as the percentage charges on the value of the consignment were not paid. Hutti Gold Mines Ltd. which had taken out a general insurance policy for all gold sent out from the mines lodged a claim for Rs. 14.08 lakhs with the United India Insurance Company and the latter settled the claim in full. The United India Insurance Company decided to file a civil suit against the Railways to compensate them for the claim paid by them on account of the loss of gold from the custody of Railways. While the Railways take protection under the above stated provisions of Railway Act, the State Bank of India relies upon the practice and tradition of sending the gold by rail for the last 2 decades and more without paying any percentage charges to the Railways. Practice and Custom cannot, according to the Railways, justify any responsibility being placed on them as carrier in the light of the specific provision in the Railway Act and Rules thereunder. While the Committee agree that the Railways are on strong ground in rejecting any claim for the loss of gold, they should surely have been gravely concerned that a theft of this kind and magnitude had taken place of valuable goods entrusted to them. As a public organisation, they have a responsibility as is clear from the fact that they had delayed the despatch of the gold until they had an escort available. Equally deplorable is the apathy shown by the State Bank of India in discharging their agency

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functions merely because the gold had been insured by the Hutti Mines and the insurers had paid the claim. Their excuse is that as the Hutti Mines had taken out a policy they were absolved. This is not the right attitude for a Bank to adopt. It is expected to justify the trust reposed in it by exercising every care while the gold is in its care and custody. In this case, the bank showed surprising indifference. One would have expected that as a responsible organisation, it would institute inquiry about its parcel of gold as soon as the time it would normally have taken for the parcel to arrive at its destination had expired. The Railways also should have been equally concerned. Insurance is effected only to cover the financial loss involved if the parcel is lost or stolen. It cannot absolve either the Bank as the agent entrusted with the task of delivery to its destination or the Railways as the actual transporting organisation from the primary responsibility of seeing to it that the article entrusted to them was delivered safely to its destination. It was incumbent on them to have taken steps when the loss was discovered. A thorough inquiry should have been made.

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Railways

The Committee would draw attention to yet another instance of indifference and complacency in regard to this case. The Railway Departmental Inquiry Committee of three officers from Claims, Security and Accounts Departments which was set up on 27 April, 1983 took nearly a year to complete its work and submitted its report only on 21 April, 1984. The inquiry is stated to have taken so much time because evidence of a large number of witnesses had to be taken, and because of transfers of members of the Inquiry Committee. The very purpose of setting up an Inquiry Committee in such matters is defeated if their findings become available after a long lapse of time. Only if

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responsibility is clearly fixed can punitive action be taken and therefore it is of the utmost importance to ensure that the Inquiry Committees complete their work expeditiously. Punishment should also be deterrent and commensurate with the nature of the offence.

5 46 Railways The Committee are informed that the Railways are awaiting the report of CID which was entrusted with the task of investigation of this theft case. The final report from the investigating officer, Nasik CID Branch was stated to have been received by the IG's office and was under examination by the legal branch of his office. From the information furnished by Special Inspector-General of Police, C.I.D. Crime, Pune, the following is evident: "The parcel was brought from the strong room of the Parcel Office at Bombay V.T. to the parcel Van of the 5 Dn. Punjab Mail at about 1630 hours on 26 4-1983 and placed in locker of the Parcel van which was later locked by Guard D.D. Modak, who kept both the keys of the lock affixed to the locker with himself. He also signed appropriate register in token of having received the parcel. The parcel van was later locked by Guard S.B. Sen who was the main guard of the train. The parcel van was next opened at the Igatpuri, Railway Station when Guard Sen handed over charge to Guard Ramkhilawan. According to Guard Modak he had at that time opened the locker and satisfied himself that the gold parcel was inside. This claim has not been corroborated by either Guard Sen or Guard Ramkhilawan or the box boy who was also present. When the locker was again opened by Guard Modak at Bhusaval in the presence of Sr. Rakshak R.P.F Shri Devi Prasad Pande, in order to offload it, as Guard Modak had not been provided a reliever, he found the gold parcel missing from the locker though

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 reason being that no tangible evidence has come
 up against any person that would reasonably
 establish a charge of theft or misappropriation.
 However, the case is still under investigation and
 decision in this regard would be taken before
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 adds a new dimension to mysterious disappearance
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 The third dimension, a still more staggering, in

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the utter lack of concern, urgency or anxiety on the part of the State Bank of India officials, the Railways officials and the Investigating officials to mutually cooperate and retrieve their prestige by tracing the missing gold or catching the culprit. The naked fact is that gold worth Rs. 14 lakh is lost, unsung and unwept. The utter callousness and indifference exhibited by the SBI, the Railways and investigating agency over this huge loss has shocked the Committee. The usual monotonous game of passing on the blame from one to the other indulged in all cases of loss of public funds exhibited itself in this case also in all its ugly form.

As per para 1108 of Indian Railway Commercial Manual Volume-I, all packages containing excepted articles, on which the consignor has undertaken to pay the percentage change on value, should be examined personally by the Station Master or by any authorised Railway official who must see that the declaration agrees with the contents of the packages. The gold consignment in question was accepted by Railways on 'said to contain' R.R. Apparently, the contents were not examined by Railway as the consignor did not elect to pay the percentage charges. Whereas SBI are responsible for not paying the percentage charges with the result that its contents remained unverified at the time of its booking, the Railways are also guilty as the parcel disappeared while in their custody. Committee are of the opinion that immediately after the theft was detected, the SBI and Railways ought to have swung into combined dynamic action and called for the best detecting agency to recover the lost gold and to identify the persons responsible for the loss. The Committee recommend that if the State CID is not in a

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position to finalise the investigation and identify the culprits, the investigation should be entrusted to the CBI.

- 7 48 Railways The Committee find that consequent upon the theft of gold in the present case the Central Railway issued instructions on 31 October, 1983 with a view to preventing recurrence of such incidents in future and for alerting and educating the staff in this regard. These instructions, *inter alia* provide that the consignments of bullion, gold, silver or jewellery costing Rs. one lakh and more should be accepted only on the payment of the percentage charge equivalent to 1% of the value of the consignment and in all such cases an armed RPF escort in addition to Escort guard should be provided. However, the Committee find that in 1984-85 a case of theft/pilferage of gold and silver consignments valued at Rs. 3.83 lakhs occurred on Western Railway. According to Railways the case for compensation claim was repudiated under Section 77B of the Indian Railways Act as the consignment had not been insured by the party. Obviously these instructions were not enforced in other Zonal Railways. Had these instructions been issued uniformly on other Zonal Railways, the theft/pilferage case on Western Railway in 1984-85, could have been avoided. The Committee expect the Railway Board to ensure that instructions involving common interest of all Zonal Railways are invariably issued uniformly in all the Railways and for this some sort of coordination system is required at Central level, which may be devised in case such coordination does not exist at present.
- 8 49 Railways The Committee desire that the Indian Railway Act, rules thereunder and instructions issued by Rail-

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ways may be modified so as to make it obligatory on the part of the consignees booking excepted articles mentioned in second schedule *ibid* (i.e. gold/silver etc.) to insure them with the Railways by paying the percentage charges irrespective of the cost of the consignment. Such articles valuing less than Rs. one lakh are being transport without armed guards and thereby exposed to greater risk of theft/pilferage etc. Railways attract adverse publicity by any such acts of theft/loss/pilferage etc. and process lose the confidence of the people in them as a safe carrier of their valuable goods. It is therefore important that these articles are safely transported irrespective of their cost. Once an article is accepted for transport, the Railways as public carrier must take it as sacred duty to transport the goods to its destination safely, securely and expeditiously. Further the Committee find that the claims of the parties for compensation in case of loss etc. of the consignments valuing less than Rs. one lakh can be rejected by the Railways under Section 77B of Indian Railways Act, 1890 if they are not insured with the Railways even though it is proved that loss was due to negligence or misconduct on the part of Railway Administration or any of its servant, whereas Section 75 of the Act provides that Railway Administration shall be responsible for loss etc. of any luggage if it is proved that loss etc. was due to negligence or misconduct on the part of Railway Administration or any of its servant. The Committee feel that this ambiguity in the rules can best be avoided by issuing fresh instructions which may provide that the 'excepted article' mentioned in 'second schedule' must be insured by parties while booking the same with the Railways so that proper check and security arrangement could be made for their safe transport by Railway and also bind the Railways for pay-

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ment of compensation in the event of loss/theft thereof. The parties can be asked to pay either 1% of the cost of the consignment or some minimum charges commensurate with the cost of making additional security arrangements.

9 49 Railways
Economic
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The Committee note that whereas the compulsory insurance of these articles by the consignors and the provision of armed guards by Railways is a safeguard against any theft/pilferage, the plugging up of the various loopholes in the procedure noticed as a result of study of the case by the Railways is also necessary with a view to avoiding recurrence of such instances in future. The Committee expect the Railways to apprise them of the precise steps taken.

The Committee also desire that the Ministry of Finance should review the procedure for transport of gold and other valuable articles sent by Banks to ensure their safe custody during their despatch transit and receipt at destination.

