

**TWO HUNDRED AND TWELFTH
REPORT
PUBLIC ACCOUNTS COMMITTEE
(1983-84)
(SEVENTH LOK SABHA)**

**CENTRAL RAILWAYS—CONSTRUCTION OF BROAD
GAUGE LINE BETWEEN DIVA AND BASSEIN
ROAD STATIONS
AND
NORTH EASTERN RAILWAY—GAUGE CONVERSION
FROM SAMASTIPUR TO DARBHANGA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

**[Paras 4 and 5 of the Advance Report of
the C & AG of India for the year 1981-82,
Union Government (Railways)]**

*Presented in Lok Sabha on 30 April, 1984
Laid in Rajya Sabha on 30 April, 1984*

**LOK SABHA SECRETARIAT
NEW DELHI**

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COMMITTEE (7TH LOK SABHA)

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2.2.1984 (FN and AN)

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(1983-84)

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*Ceased to be Member of the Committee consequent upon retirement from Rajya Sabha w.e.f. 2.4.1984.

INTRODUCTION

1, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Two Hundred and Twelfth Report of the Committee on Paragraphs 4 and 5 of the Advance Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Railways) regarding Central Railway—Construction of broad gauge line between Diva and Bassein Road stations and North Eastern Railway—gauge conversion from Samastipur to Darbhanga, respectively.

2. The Advance Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Railways) was laid on the Table of the House on 4 April, 1983.

3. In Chapter I of this Report, the Committee have dealt with a case where the Ministry of Railways (Railway Board) had sanctioned the construction of a BG line between Diva Station on Central Railway and the Bassein Road Station on the Western Railway at an estimated cost of Rs. 12.73 crores with electrification in April 1972. Although the work was scheduled to be completed by March 1976, the line was certified fit for operation with diesel traction w.e.f. 25.11.1980 at a cost of Rs. 28.80 crores. Even after completion, the line was not commissioned and a further period of more than 2 years elapsed before it was commissioned in April 1983 with DC traction. The Committee have come to the conclusion that in the execution of this project, there were numerous acts of omission and commission on the part of the project authorities and the Railway Board. Apart from lack of proper planning and poor management which had resulted in as many as 27 disputes in 33 Sections, there was incomprehensible indecisiveness and ambivalence in deciding the mode of traction to be adopted. These, together with the heavy cut in allotment of funds just when the work on the project had started, resulted in the commissioning of the line in over 10 years instead of 3 years envisaged in the estimate. The cost also shot up from Rs. 12.73 crores to Rs. 28.80 crores. And more importantly, the main objects for which the project was undertaken remained unfulfilled from March 1976 (when the project was expected to be completed) till April 1983 (when the line was commissioned with DC traction). The Committee have expressed

the hope that the Railways would draw appropriate lesson from this case so as to be more careful in future while handling such projects. The Committee have also desired the Ministry of Railways (Railway Board) to examine whether the existing system of contracts under which disputes had arisen in 27 contracts in 33 Sections needed to be overhauled.

4. In Chapter II of this Report, the Committee have observed that the part conversion of the Section 'Samastipur Darbhanga' of the branch line 'Samastipur-Raxaul' was approved by the Ministry of Railways (Railway Board) in the budget of 1974-75 at an approximate cost of Rs. 4.75 crores, although the investigations by the Railway Administration in May 1964 and in April 1969 had established that the conversion was not financially viable. This part conversion was not recommended either by the General Manager or by the Financial Adviser and Chief Accounts Officer of the Railway. After the approval of this conversion project in 1974-75 it did not receive any priority for 6 years as only Rs. 1000 were allotted to it by the Railway Board till 1979-80. Suddenly, in December 1980, this Section became important and deserved top priority when Railway Board decided to sanction an urgency certificate for Rs. 60 lakhs. But, barely 10 months after the sanction of the urgency certificate, this work was ignored and deferred as it did not fall within the category of 'important projects'. Thus, the total investment of Rs. 65.24 lakhs incurred on the project till then became unproductive. The Committee have expressed the view that the manner in which the order of priorities went on changing in the Railway Board from time to time in the case of this project has created a doubt whether the priorities were at all given on the basis of objected criteria and considerations.

Several other cases have come to the notice of the Committee where after incurring substantial expenditure, works were subsequently frozen/slowed down/abandoned. In the opinion of the Committee, the discontinuance of work on such projects was either due to improper selection or financial constraints imposed by indiscriminate sanction of far too many projects unrelated to the available resources. The Committee have desired to be apprised of the details of all such projects in respect of which work has been frozen/slowed down/abandoned, indicating specifically in each case whether the Railways propose to revise them or not and if so, when.

5. The Public Accounts Committee (1983-84) examined these paragraphs at their sittings held on 2 February, 1984 (AN and FN). The Committee considered and finalised this Report at their sitting held on

23 April, 1984. The Minutes of the sittings form Part II* of the Report.

6. A statement containing the recommendations/observations of the Committee is appended to this Report (Appendix). For facility of reference and convenience, these have been printed in thick type in the body of the Report.

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

8. The Committee would also like to express their thanks to the representatives of the Ministry of Railways (Railway Board) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;

April 26, 1984.

Vaisakha 6, 1906 (S).

SUNIL MAITRA

Chairman,

Public Accounts Committee.

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

REPORT

CHAPTER I

CENTRAL RAILWAY CONSTRUCTION OF BROAD GAUGE LINE BETWEEN DIVA AND BASSEIN ROAD STATIONS

Audit Para

1.1 The Ministry of Railways (Railway Board) accorded (January 1971) their sanction for undertaking survey for the construction of a broad gauge (BG) line (41.96 km) between Diva station on Central Railway and Bassein Road Station on Western Railway.

1.2 The objects of the line as given in the Project Report were mainly as follows :

- (i) To cater to the interchange traffic between Western Railway and Central Railway. (Dadar junction to be closed to interchanged goods traffic because of saturation of the existing section).
- (ii) To avoid detention caused to the wagons interchanged at Dadar marshalling of the wagons in Bandra marshalling yard.
- (iii) To give relief to the suburban sections of both the Central and Western Railways.

1.3 Based on the survey, construction of the B.G. line was sanctioned at an estimated cost of Rs. 10.33 crores (without electrification) and Rs. 12.73 crores (with electrification) by the Ministry of Railways (Railway Board) in April 1972. The return on capital was assessed at 8.53 per cent (in the sixth year of opening of the line). The work on the project commenced in March 1973 and was to be completed within three years i. e. by March 1976. However, only 23.6 per cent of the work was completed by March 1976. The Ministry of Railways (Railway Board) in October 1977 decided that the Diva-Bassein line should be commissioned with diesel traction in the first instance.

1.4 The cost of the work was revised to Rs. 23.48 crores in May 1978, taking into account the change in the mode of traction from 25 KV AC to

1500 V DC, general price rise and modifications in the construction design etc. The following revised targets were fixed for completion of the line :

- | | |
|---------------------------|------------|
| (i) With diesel traction | March 1980 |
| (ii) With electrification | June 1982 |

A review of the planning and execution of Diva-Bassein Road Project revealed the following :

I. Delay in handing over the site to the contractor

1.5 The contract for earthwork and minor bridges in Section VII-A was awarded to contractor 'A' in December 1973, to be completed by March 1975. The Railway Administration was not having possession of the land at that time, for handing it over to the contractor. The State Government completed land acquisition proceedings in November 1973 only. The Railway Administration gave the contractor extension of time upto 22nd December 1975, without penalty. The contractor went for arbitration and claimed (July 1977) Rs. 40 lakhs on account of delay in handing over the site and the resultant escalation in rates idling or machinery and labour etc. The Railway Administration appointed two serving railway officers as arbitrators in January 1978. The arbitrators directed both the contractor and the Railway Administration to send statement of facts and claims/counter-claims by March 1978, While the contractor submitted his statement in March 1978; the Railway Administration failed to file the counter statement despite repeated extensions given by the arbitrators. The Railway Administration took 6 months in collection and scrutiny of relevant data upto 30th August 1978, and thereafter, allowed time to lapse, first in raising doubts about their requests for extensions having reached both the arbitrators (as replies to them were being given by one of the two), and latter on challenging legality of arbitration proceedings. The arbitrators awarded Rs. 18 lakhs plus interest and other costs, to the contractors in April 1979.

1.6 The lapses on the part of the Railway Administration in this case were as under :

- (i) Award of the contract before acquiring physical possession of the land was in violation of the Ministry of Railways (Railway Board) standing instruction (of 1972) which enjoin, *inter alia* that the Railway Administration should invite tenders only when fully prepared to hand over the sites.

- (ii) Having appointed two serving railway officers as arbitrators, the Railway Administration never filed claims or counter-claims before the arbitrators. They rather started questioning the jurisdiction of the arbitrators to continue the proceedings.

II. Operation of an avoidable additional non-standard item

1.7 As per Railway's Book of specifications, there are two types of embankments-one for formation without compaction (specification number 201) and the other for formation with compaction (specification No. 202). In Diva-Bassein Railway Project, certain embankments were classified under specification No. 202 (with compaction), while in the same section some embankments were also classified under specification No. 201 (without compaction). An additional non-standard item 'Extra for compaction' was also provided to cater for contingencies of compacting earth, wherever required separately. There was, however, no need for this item in view of the overall specification No. 202. Having provided and operated this non-standard extra item, it was also not ensured that the rate prescribed for embankments (under 201) plus extra for compaction was not more than the rate fixed for specification under 202. This aspect was not brought out by any of the tender committees, while finalising such contracts. This resulted in avoidable payment of Rs. 5.46 lakhs.

1.8 In 5 other contracts, claims amounting to Rs. 16.65 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the arbitrators (who were serving railway officers). However, the exact amount relating to the aforesaid non-standard item could not be segregated, as the awards did not give any item wise break-up.

1.9 Fourteen court cases against the Railway for other claims of Rs. 186.83 lakhs covering 9 contracts are also pending.

III. Construction of Bridges

1.10 The two major bridges to be constructed on this line required 5 girders of 45.7 m spans. The work relating to sub-structures for these bridges was given on contract, while the work of fabrication of steel girders was entrusted to the Railway's Civil Engineering workshop at Manmad. The work orders for this fabrication were issued in March 1975 though the work on the project had commenced in March 1973. While the work of sub-structures was completed by the contractor in September 1977, the

fabrication of girders was not done by the Railway workshop. In February 1978 (after nearly 3 years) the Railway Administration issued revised work orders setting the target dates for fabrication of girders as 31st August, 1978 (for 3 girders) and 31st October, 1978 (for 2 girders). The Chief Bridge Engineer who was in charge of Railway Workshop at Manmad, stated in August 1978 that they would not be able to supply the girders by 31 October, 1978, but they could supply the girders by December 1979 at the fabrication cost of Rs. 1,800 per tonne.

1.11 At this stage, the Railway Administration decided to get the work done by contract. Tenders were called for, which were returnable by 14th December 1978. The lowest offer of a public sector undertaking at the rate of Rs. 2,700 per tonne was accepted on 12th April, 1979. (The same firm had earlier in June 1978 offered to do this work at the rate of Rs. 2,400 per tonne, but this was not accepted by the Administration). However, the contract agreement was executed on 6th May, 1980 i.e. over one year after the issue of acceptance letter. The terms agreed to were as under :

- (i) The material required for the fabrication was to be supplied by the Railway.
- (ii) For any revision of the wages of the contractor's labour, the Railway would have to pay escalation charges subject to a ceiling of Rs. 540 per tonne.
- (iii) The supply of fabricated material was to be completed within 4 months i. e. by 11th August, 1979.

1.12 Though the acceptance letter was issued in April 1979, the despatch of Railway material started in July 1979, and was completed in January 1980.

1.13 The materials supplied (709.099 tonnes) included about 135 tonnes which had rolling defects and were heavily pitted. The defects in 70 tonnes were rectified by the contractor. The balance was rejected and recouped subsequently.

1.14 The contractor did not deliver the fabricated material by the target date. However, the Railway Administration gave extension without penalty upto 31st July, 1980. The delivery of fabricated girders (585.755 tonnes) commenced in March 1980 and was completed in September 1980.

1.15 The wage rates of the contractor's labour were revised with effect from 1st December, 1979. In consequence, by application of the

escalation clause, payment became due at the maximum rate of Rs. 540 per tonne for the entire quantity, as the first despatch took place more than 3 months after the rise in wages.

1.16 The following points arise in this case :

- (i) There was delay on the part of the Railway Administration in procuring 5 girders within a period of 7 years (March 1973 to March 1980). Since the work on Diva-Bassein Project had started as early as in March 1973, and the Railway Administration was aware of the types of spans required, work orders for fabrication of girders could have been issued to the Railway workshop much earlier than March 1975.
- (ii) After the Railway workshop had failed to take any action for 3 years from March 1975 to February 1978, if the Railway Administration had at that stage itself opted to get the work done through an outside agency, the rate of Rs. 2,400 per tonne quoted by the Public Sector Undertaking in June 1978 could have been availed of, leading to a saving of Rs. 4.92 lakhs [(Rs. 3240-2400)x585.755 tonnes].
- (iii) In August 1978 the Chief Bridge Engineer had stated that the Railway Workshop at Manmad could supply the girders by December 1979 at a fabrication cost of Rs. 1,800 per tonne. Considering the usual time required for finalisation of tender and the stipulated period of execution of contract and the extensions likely to be given, the Administration could have foreseen that there would not be any material difference in the delivery dates of the Railway workshop and the contractor. The Administration had an added advantage in the case of former, inasmuch as it could exercise pressure at higher level to get the work executed departmentally. As it actually turned out, the contractor completed (September 1980) the delivery 10 months latter than the date (December 1979) given by the Chief Bridge Engineer. Besides, the extra expenditure that had to be incurred in addition, came to Rs. 8.43 lakhs [(Rs. 3240-1800) x585.755 tonnes].
- (iv) The Administration failed to despatch the material for fabrication as soon as the contract was settled. It took the

Administration three months to despatch the first consignment of 40.508 tonnes out of the total requirements of 709.099 tonnes of material. The total supplies were completed by January 1980 (4 months after the scheduled date for delivery of girders by the contractor). Further, the Administration sent nearly 135 tonnes of defective material part of which was rejected and part rectified. But for these acts of omission and commission on the part of the Administration, the work could have been completed by the contractor by due date, viz, 12th August, 1979 or with a further extension of 2 or 3 month i.e. to end of November 1979 at the latest. Even the contractor in the initial tender had asked for a maximum period of six months. Obviously, it was possible for the Administration to get the work executed before the crucial date of 1st December, 1979 when the wage escalation took place. The total amount of payment due to the contractor on account of wage escalation for 585.755 tonnes works out to Rs. 3.16 lakhs.

- (v) The special condition of contract provided for a monthly report on the progress of manufacture. However, not a single report was submitted by the contractor. The Railway Administration had posted an Inspector of Works (IOW) at Howrah to monitor the progress and do liaison work. He also did not submit any reports. The contractor broached the question of escalation in October, 1980 only, that is, after the despatch of the last consignment of fabricated material by him in September, 1980.

IV. Mode of Traction

1.17. The Ministry of Railways (Railway Board) had decided in October 1977 that Diva-Bassein line should be commissioned with diesel traction in the first instance. The line was certified fit by the Chief Engineer (Construction) for operation with diesel traction for goods traffic with effect from 25th November 1980, but it was not commissioned. In consequence, the benefits (c. f. para 1 above) that could have accrued from this line constructed at a cost of over Rs. 23 crores, had not been availed of for over two years (November 1980 to November 1982), as had been planned earlier in October 1977. It may be added that despite the trunk routes being electrified in Bombay area, diesel engines are still in use for shunting and banking purposes, and could have been productively used on this line as well.

[Para 4 of the Advance Report of the C&AG of India for the year 1981-82, Union Government (Railways)]

1.18 According to audit para, the work on the project commenced in March 1973 and was to be completed within three years i.e. by March 1976. However, only 23.6 per cent of the work was completed by March, 1976. The Committee enquired as to why the work could not be completed by the target date. In a note furnished in this regard, the Ministry of Railways (Railway Board) have explained the position thus :

“The project report envisaged completion of the work by March 1976. The estimate for the project amounting to Rs. 12.73 crores was sanctioned on 7.4.1972. However, while sanctioning the estimate, the Board had desired that, pending a further examination of the basic assumptions made in the project report relating *inter alia*, to the quantum of traffic then passing through Dadar likely to get diverted to the new route, and the question of levy of inflated charges, the Railway should not enter into any commitment on this project. The project was finally cleared only on 1.12.1972, eliminating electrification for the time being. With the major part of the financial year already over the allotment for the project got reduced from the original figure of Rs. 1 crore to Rs. 13.28 lakhs against which an amount of Rs. 14.60 lakhs was actually spent while talking up preliminary work. During the next financial year the steep price rise in the wake of the oil crisis had its impact on all sectors. The twin effects of costs of projects going up steeply and of economy cuts being imposed on both “Plan” and “Non-plan” expenditure resulted in stifling a number of projects. As a sequel, it was not possible to allocate sufficient funds for progressing this work, among others during the financial years from 1973-74 to 1975-76. Within the overall constraints, however, every

effort had been made to make the maximum possible allocations to the work as would be readily seen from the following table :

(amount in crores of Rs.)

Year	Anticipated cost of on going "New Line" projects	Balance to complete new lines at the beginning of the year	Funds allocation for "New Lines"	Percent age of (4) to (3)	Funds allotted to Diva-Bassein Project	Percent age of (6) to (4)
1	2	3	4	5	6	7
72-73	204.19	56.48	17.51	31.02	0.13	0.742
73-74	176.29	43.45	12.85	29.574	1.465	11.401
74-75	305.95	173.72	13.15	7.57	1.62	12.319
75-76	321.94	154.40	19.00	12.306	2.973	15.647

During the initial three years, in keeping with the reduced allocations, contracts were finalised to cover work over a section limited to 13.10 Km. The physical progress till the end of March 1976 was, therefore, only 22.64%."

1.19 During evidence the Committee drew the attention of the representatives of the Ministry of Railways to the contention of the Railways that it was not possible to allocate sufficient funds for progressing this work among others, during the financial years from 1973-74 to 1975-76 and desired to know whether construction of any other new line was sanctioned by the Railway Board during this period. To this, the representative of the Railway Board stated in reply :

"construction of new lines was being sanctioned from time to time."

1.20 When asked whether the Railways have any priority for the new lines, the witness stated:

"We have the priority for the lines. The priority was fixed generally on the basis of the project-oriented lines. Then we have got the defence-oriented lines."

1.21 In reply to a query as to whether there was any list of new lines in terms of feasibility as well as priority, the witness stated :—

“Previously though there was no shelf as such. We knew which one is the project oriented line and which one is a defence oriented line for the development. Now we are giving priority to these in consultation with the Planning Commission. We knew what were the project oriented lines or the development lines.”

1.22 The Committee desired to know why, instead of spreading the entire expenditure over the years on a number of projects, the Railways should not have a priority list so that the projects in higher position in the priority list are sanctioned adequate funds and completed according to the time schedule and only then the other projects are taken up. In reply, the representative of Ministry of Railways (Railway Board) stated :

“Exactly, in the last few years, we have made that and we know which are the priority projects—project oriented lines and the strategic lines.”

1.23 In this connection, Chairman, Railway Board stated :

“We have been spreading available resources on far too many works simultaneously instead of taking up one or two works and complete it in one or two or three years so that the gestation period is cut down and cost is cut down.”

1.24. According to the Audit para, construction of the B.G. line between Diva station on Central Railway and Bassein Road station on Western Railway, based on a survey, was sanctioned at an estimated cost of Rs. 10.33 crores (without electrification) and Rs. 12.73 crores (with electrification) by the Ministry of Railways (Railway Board) in April, 1972. The Committee desired to know whether the original proposal envisaged running of the line without or with electric traction. In reply, the Ministry of Railways (Railway Board) have stated in a note :

“During the original final location survey-cum-traffic re-appraisal, the following broad conclusions were made as regards the mode of traction on the new Diva-Bassein line.

- (a) Steam traction should not be considered since it was on the decline and in any case there was also difficulty for getting water.

- (b) Going in for diesel traction could have its difficulties in the context of electrification of the Virar-Sabarmati section inasmuch as the new project line would be between two electrified sections and the diesel locomotive required for the section may have to be worked from the homing shed at Ratlam.
- (c) Under these circumstances, therefore, the Diva-Bassein line should have electrified traction."

1.25 According to the Audit para, the Ministry of Railways (Railway Board) decided in October, 1977 that Diva-Bassein line should be commissioned with diesel traction in the first instance. When enquired about the considerations which weighed with the Railway Board in taking this decision, the Ministry of Railways (Railway Board) have stated in a note as under :

"When the construction estimate for the new line was sanctioned, it had been felt that there should be more exhaustive study to determine whether 25 KV AC or 1500 V DC traction would be more beneficial. A Committee was appointed to go into this question. Pending a final decision on the mode of electric traction, it had been felt that as an intermediate phase, use of diesel traction could be considered."

1.26 In this connection, representative of Railway Board stated during evidence :

"The idea was to have diesel traction only for an interim period and it was not proposed to continue this traction as diesel traction. It was also said that the diesel traction would be necessary as an interim measure."

1.27 Explaining the position further in this regard, the Chairman, Railway Board stated :

"The main problem was that it was meant for the operation of goods traffic. Now for operation of the goods traffic, if we have to change from diesel to electric the goods trains have to come up to Virar and then it has to be changed. That means it will require yard, engine, etc. and all those facilities will have to be readily available. It means that more yard work will

have to be taken up at Virar, or Bassein and Diva. Instead of that, when there is more than once change of traction facilities on the way, we bridge this distance with diesel so that there is no intermediate change twice."

1.28 On being asked about the circumstances which compelled the Railways again to give up the diesel traction and to adopt electric traction, the witness replied :

"We thought that there was no point in spending money additionally on diesel traction when electrification had been sanctioned."

1.29 When enquired whether this aspect of incurring extra expenditure was not considered at the time the decision regarding diesel traction was taken, the representative of Railway Board stated :

"In the Works Programme Committee meeting in 1977 it was noted that the work was going on rather slowly because of various constraints. We said that we must complete the track portion. Let the electrification follow."

1.30 The Committee desired to know whether any action was taken to procure diesel engines for this line when it was decided in October, 1977 that the line should be commissioned with diesel traction in the first instance. In a note furnished in this regard the Ministry of Railways (Railway Board) have explained the position as under :

"It had been known that ultimately the Diva-Bassein line would have to have electric traction inasmuch as it would be lying between two electrified sections and that, therefore, diesel traction on this line could only be considered as an intermediate phase, pending a final decision on whether 25 KV AC traction or 1500 V DC traction would be more desirable. On further examination it was noticed that provision of diesel traction on this small section between two electrified sections would involve heavy investment on provision of change of traction facilities and maintenance and servicing facilities. It was considered that in the long run it would be uneconomical to go in for such heavy investments during the intermediate phase specially when there was difficulty in diverting diesel locomotives from the existing holdings, in the context of

greater demand for such locomotives arising from progressive replacement of steam traction.”

1.31 As per the code rules *vide* para 716 of Engineering Code, an estimate for rolling stock is also required to be prepared when new line is to be laid. When asked to state whether the estimate for rolling stock was prepared and got sanctioned by the competent authority, the Ministry of Railways (Railway Board) have explained in a note as under :

“As regards the provisions in para 716 of the Engineering Code, it may be stated that the stipulation made therein is that “when it is necessary in connection with a new project to provide rolling stock” the estimate for such rolling stock should be kept distinct from the estimate for the remainder of the project. Since the line between Diva-Bassein formed a very short section between the Western Railway and the Central Railway system, it had not been considered necessary to prepare a separate estimate for rolling stock particularly since some saving in the requirement of rolling stock running on the main line had been anticipated in view of the reduced lead of traffic when the new line would get commissioned.”

1.32 The Committee desired to know why the mode of traction stipulated as 25 KVAC in April 1972 estimate was changed to 1500 V DC in May 1978 estimate. In reply, the Ministry of Railways (Railway Board) have stated in a note :

“The need for a review of the mode of electrification was recognised at the time of approving the project estimate in April 1972 itself and a committee was appointed to go into the same. The Committee recommended 1500 VDC system for reasons of operational flexibility and factors of economic advantage with DC system at traffic levels envisaged over the initial forecasts and difficulties that may be encountered in arranging 25 KV AC supply for a short section between 2 DC systems.”

1.33 During evidence, the Committee desired to know as to way the mode of traction was stipulated as AC. in April 1972 estimate, between two DC sections. To this, the representative of Railway Board replied :

“Two questions were involved. First whether the section should be electrified at all or should we run it on diesel and steam. At that time they made some calculations and a Committee was

appointed to check whether the section should be electrified at all and secondly whether it should be AC or DC. The Committee went into it and reported that operationally, financially and on other considerations it is desirable to make it DC and the report of the Committee was submitted in May 1973 and the Board accepted it."

1.34 On being pointed out whether it did not mean that the project was sanctioned without finalising the mode of traction, the witness stated :

"The sanction was for the main project of construction of the line. The sanction was accorded for the line but while according the sanction it was said that no commitment should be entered into on the electrification portion till the report of the Committee is received."

1.35 Clarifying the position in this regard the Chairman, Railway Board, stated :

"Sanctioning a project means various facts of the working including the type of rolling stock to be used on the section. In this particular case, I am sure you will appreciate our dilemma. Sir, wherever change-over is done from 1500 DC to AC it is this sort of decision making which is necessary when we have to take a decision between old one phased out and the new type of traction which is extended practically all over India."

1.36 In reply to a question the Ministry of Railways (Railway Board) informed the Committee that the work of electrification was commenced in May 1978 and was completed in November, 1982.

The Committee understood from Audit that the Railway Administration have since submitted 2nd revised estimate amounting to Rs. 28.80 crores to the Ministry of Railways (Railway Board) indicating net increase of Rs. 5.32 crores (22.65%) over the first revised estimate. When asked to explain the increase department-wise viz. Civil, Electrical and Signal and Telecommunication etc. and the reasons therefor, the Ministry of Railways (Railway Board) have stated in a note as follows :

"I. The first revised estimate of this project was framed in the year 1977 based on the then prevailing rates. This was sanctioned in the year 1978. The second revised estimate was framed in the year 1982, after a lapse of 5 years. During this

period the cost material and labour etc. increased considerably, resulting in an overall increase in cost of Rs. 3.98 crores on this account.

II. There was some inevitable increase in scope of work amounting to Rs. 96 lakhs—

(i) *Civil Engineering :*

The increase in the scope of Civil Engineering portion, accounted for Rs. 58.49 lakhs, which was due to factors such as Additional work done in the test bank, due to subsidence ;

Provision of pitching of bank slopes for a length of 9.5 Kms., to protect from tidal effects;

Special protection work for stabilising slopes of cuttings in a length of 3.5 Kms.;

Improvement to side drains, necessitated due to poor soil condition;

Increase in P. Way length in yards as per approved plans;

Increased length of track, due to diversion of alignment at two locations by 111 Kms.;

Diversion of road, widening of road, provision of height gauge, and few other minor items; and

Welding of rails to 3 rail panels, etc.

(ii) *Electrical :*

The increase in scope of electrical portion accounted for Rs. 37.29 lakhs, which was mainly due to increase of 2 Nos. structures (mast etc.) per track Km. which was necessitated due to heavy curvature, and heavy wind pressure;

Corresponding increase in OHE fittings, due to increase in the number of structures; and

Provision of one liquid cooled rectifier unit.

(iii) *Signalling & Telecommunications* :

The increase in scope of Signalling portion was only Rs. 0.29 lakhs, which was mainly due to the actual requirement, and provision of spares for special maintenance ;

III. Additional items of work, found necessary, accounted for Rs. 62 lakhs excess in the estimate, which was mainly due to :—

(i) *Civil Engineering* :

Rs. 9.50 lakhs. This was due to increase in proportionate increase in general charges and provision of productivity linked bonus.

(ii) *Signalling*

Balance Rs. 52.50 lakhs in signalling work due to additional quantity of cables of different core, change in equipment, provision of SM's control frame, guide roller, assembly, warning covers etc. the main signal group, joint group, co-group interlocked relay, AC and DC relays, 2 aspect signal, 4 aspect signal, additional G.I. wire, provision of telephone at level crossing gate etc."

The details of increases department-wise are summarised below :

(Fig. in lakhs of Rs.)

Department	Cost as per revised estimate sanctioned vide Rly Bd. No. 75/W4/CNL/23 (i) in 1978	Cost as per 2nd revised estimate now submitted to the Rly. Bd.	Net excess	EXCESS DUE To			Savings effected due to decrease in the scope of work
				Inc-crease in cost of materials, labour etc.	Inc-crease in the scope of work during execution	Addi-tional items of work found necessary	
1	2	3	4	5	6	7	8
Civil	1736.31	1994.80	258.48	207.85	58.50	9.50(—)	17.36
Elec.	431.90	640.18	208.28	170.98	37.29	—	—
Sig.	180.11	245.31	65.13	19.52	0.28	52.86(—)	7.54
	2348.32	2880.29	531.89	398.35	96.07	62.36(—)	24.90

Contract for earthwork and minor bridges in Section VII-A

1.37 According to the Audit para, the contract for earthwork and minor bridges to Section VII-A was awarded to contractor 'A' in December 1973, to be completed by March 1975. The contract value for the work was Rs. 29.79 lakhs. The Railway Administration was not having possession of the land at that time, for handing it over to the contractor. The State Government completed land acquisition proceedings in November, 1974 only.

1.38 Audit para points out that the award of the contract before acquiring physical possession of the land was in violation of the Ministry of Railways (Railway Board) standing instructions (of 1972) which enjoin, *inter-alia* that the Railway Administration should invite tenders only when fully prepared to hand over the sites. During evidence, the Committee desired to know the reasons for not adhering to the Railway Board's instructions. In reply, the representative of the Railway Board stated :—

“In the Railway Code there is a para in which we say we can have direct negotiations with the villagers and when we find proceedings will take more time.”

1.39 Explaining the position in this regard, the Ministry of Railways (Railway Board) have stated in a note as under :—

“The permission to start the work on Diva-Bassein Rail link project was given by the Railway Board, to the Central Railway in December, 1972. Immediately thereafter formal Land Acquisition proceedings were started.

Since the land acquisition proceedings are time consuming, and in the normal course take several months, private negotiations were also conducted with the Land owners in terms of para 608 E (revised Engg. Code para 808-E) with a view to taking advance possession of some of the land, so as to take up the work in some stretches without losing time. A sample copy of one such undertaking is enclosed. After carrying out such negotiations 10 contracts covering the length of 13.10 Kms., which also included Section VII (A) were awarded during the period 1972-73, 1973-74 and 1974-75. Incidentally, this procedure which had also been adopted in other contracts, had worked satisfactorily, without any problem.

In case of Section VII (A) and VII (B), however, the land owners, after having entered into the agreement with the Railway resiled from the undertaking given by them and obstructed the contractor and prevented him from doing the work. The formal handing over of the land after completing all the formalities in terms of the Land Acquisition Act was carried out by the State Government in the month of November, 1974. Contracts which were awarded after this date did not pose any problem regarding land. The peculiar situation in respect of VII (A), and VII(B) was created only due to the obstructive nature of the land owners. The problem created and experienced in this case was therefore, not due to any violation of the standing instructions of the Railway Board but in spite of it due to circumstances beyond control. The action of the Railway to take action under code para 608 E was in the best interest of the Administration to expedite the work within the existing constraint of the resources."

1.40. The Committee pointed out that the order of the Railway Board was violated despite the fact that it was not possible for the Railways to allocate sufficient funds for progressing this work during the financial years from 1973-74 to 1975-76. To this, the representative of the Ministry of Railways (Railway Board) stated :

"Yes, Sir, It was done in good faith to see the work was carried on."

He added :

"Normally, when we started the project, the project report said it should be done in three years."

1.41 Intervening in the discussion, the Chairman, Railway Board, stated :

"We have learnt from the past the we must first get the land 100% into our custody before we start the work. Otherwise land prices appreciate and there is a lot of problem of acquiring the land anywhere."

1.42 The earthwork was actually completed by 30 May, 1979 and the actual cost of completion as per the final bill was Rs.40.11 lakhs against the original contract value of Rs. 29.79 lakhs.

1.43 The Committee understood from Audit that the contractor went for arbitration and claimed (July 1977) Rs. 40 lakhs on account of delay in handing over the site and the resultant escalation in rates, idling of machinery and labour etc., though the Railways had extended the date for completion of work from 6 March, 1975 to 22 December, 1975, without penalty. In January, 1978, Railway Administration appointed two arbitrators Shri B.R. Karnad, Chief Engineer (OL), Central Railway and Shri K. Subramanian, FA&CAO(C), Central Railway. The contractors submitted their claims to the arbitrators on 22 March, 1978 but the Railway asked for extension of time 3 times viz., upto 31 May, 1978, 31 July, 1978 and 31 August, 1978. for submitting its counter statements. Even on 30 August 1978, instead of submitting the counter statements, the Railway entered into correspondence with the arbitrators stating that it had a doubt whether its request for extension of time had been received by the co-arbitrators (Shri K. Subramanian, FA&CAO) who had been transferred to Railway Board by then. This was due to receipt of replies to Railway Administration under signature of only one arbitrator-Shri Karnad. Though the date was further extended upto 31 December, 1978 by the arbitrators, the Railway did not submit the counter-statements.

1.44 The Committee desired to know why the Railway Administration claims or counter claims were not filed before the Arbitrators and whether any action had been taken against the officials responsible for this lapse. The Ministry of Railway (Railway Board) have stated in a note as under :—

“The Arbitrators, who were appointed in January, 1978, directed the contractor to submit the statement of facts, which he did by 2.3.1978. In view of the preoccupation of the concerned Executive Engineer, during the busy working season, the railway had requested the Arbitrators to extend the time for submitting the counter-statement of facts from time to time upto the end of August, 1978. In the meantime the Railway administration, due to certain developments, got some doubts regarding the conduct of the Arbitrators. The Law ministry's opinion was, therefore, sought, who, after carefully examining the material placed before them advised that the co-arbitrators have legally mis-conducted on various grounds, and advised the Railway administration to file a petition for removal of the co-arbitrators under Section 11 of the Arbitration Act. Accordingly, the Railway also filed petition before the Bombay High Court for removal of both the co-arbitrators.

Under these circumstances, the question of submitting the counter-statement before the co-arbitrators, whose conduct was a subject matter of reference in the court did not arise. The administration had followed the legal advice given by the Ministry of Law, and as such the question of apportioning any blame or taking any action against any of the officials does not arise."

1.45 During evidence, the Committee drew the attention of the witnesses to a note furnished by the Ministry of Railways wherein it had been stated that because of the pre-occupation of the concerned Executive Engineer during the busy working season, they had requested the Arbitrator to extend the time. The Committee desired to know whether there was no other person to take care of the case if one individual was busy. In reply, the representative of the Ministry of Railways (Railway Board) stated :

"One may be familiar with all the details of the case."

1.46 On being asked about the position these arbitrators are holding now, the witness replied :

"They have retired. In 1979, Mr. Karnard retired and in 1981 Mr. Subramanian retired."

1.47 When enquired as to whether these two arbitrators were appointed by the Railways or they were appointed one by each party, the witness stated :

"Since the amount is so large, the two Arbitrators were kept. One is called the nominee of the Railways and for the other a panel of three or four names was given by the Railway to the contractor and he selected one of the names."

1.48 In reply to a question as to whether these two arbitrators were appointed in other cases earlier, the witness stated :—

"They may have been appointed in other cases. We lost confidence in them because there was a suspicion of legal mis-conduct on their not appointing an umpire. Therefore, we sought the advice from our Legal Adviser about their legal mis-conduct."

He added :

“One of the things according to the Arbitration was that the two Arbitrators should have appointed an umpire within a month of the appointment of the Arbitrators.”

1.49 The Committee pointed out that the Ministry could have at least informed the Arbitrators that the Railways do not admit the claim submitted by the contractor. To this, the representative of the Railway Board stated :

“We did not submit because we had the legal advice that if we submitted this, we were submitting to the jurisdiction. We wanted to get the Arbitrators removed. But in any way we did not file this. We could have filed it saying we are doing so under protest.”

He added :

“I do agree that the claims should have been refuted. They should have submitted their counter-claims and if necessary they should have gone to the court on legal grounds.”

1.50 The Committee desired to why the jurisdiction of the arbitrators to continue the proceedings was questioned. The Ministry of Railways (Railway Board) have stated in a note thus :

“The Co-arbitrators had *prima-facie* mis-conducted themselves, and as such the matter was referred to Ministry of Law, who confirmed the same and advised that action may be taken to remove the co-arbitrators. In this connection the verbatim advice of the Ministry of Law is reproduced below :—

“The learned Arbitrators were required to appoint an Umpire not later than one month from the latest date of their respective appointment *i.e.* on or before 12.2.1978 *vide* condition 2 of the first schedule to Arbitration Act, 1940. No Umpire has yet been appointed by them. The learned Arbitrators have thus misconducted themselves. Railway had a grievance that copies of the letters of extensions were not being forwarded by the Learned Arbitrators, Shri Karnad to his co-arbitrator, Shri K. Subramanian. When they brought this grievance to the notice of the co-arbitrators, Shri Subramanian. wrote

a letter No. DE/ARB/78 dated 4/6-9-1978, calling upon the Railway Administration to file their counter-statement without further loss of time. He also chastised the Administration for doubting the bonafides of Shri Karnad, the co-arbitrator, who according to him was also incidentally the Administration's Arbitrator. Shri Subramanian has wrongly assumed that he himself was the Arbitrator for the Contractor. This assumption being contrary to the terms of letter of appointment dated 13.1.1978, Shri Subramanian has thus mis-conducted himself, Railway did not seek any further extension after 31.8.1978. Even assuming that the extension upto 31.8.1978 was given by the Learned Arbitrators with the concurrence of both the parties, although there is nothing to suggest so on record, they have failed to publish the award within four months of this date. It was open to them to proceed Ex-parte against the Railways after 31.8.1978 and pronounce their award. However, having failed to do so and having spent a period of four months thereafter, the Railway have further grievance that it is no more open to them to hear the contending parties and that in the circumstances they cannot concede to their jurisdiction any more.

I, therefore, advise Railways to make an application to the Court, under clause 11 of the Arbstration Act for the removal of both the Arbitrators, setting all grounds/grievances cogently in the application. Pre-intimation of this intention may be given to both the Arbitrators and the claimant, calling upon them not to proceed with the reference any more."

1.51 The Committee learnt from Audit that the Railway Board, with the consent of Law Ministry, filed a suit in February 1979, in Bombay High Court for removal of arbitrators as they had legally mis-conducted on various grounds. The arbitrators published their award ex-parte on 7 April, 1979 and the Railway had to pay Rs.17.15 lakhs towards claims and Rs. 1.46 lakhs towards interest.

1.52 The appeal preferred by the Railway to the Bombay High Court and later to the Supreme Court for setting aside the award was dismissed.

Operation of an avoidable additional non-standard item

1.53 According to the Audit para, as per Railway's Book of specifications, there are two types of embankments—one for formation without compaction (specification number 201) and other for formation with compaction (specification No. 202). In Diva-Bassein in Railway Project, certain embankments were classified under specification No. 202 (with compaction), while in the same section some embankments were also classified under specification No. 201 (without compaction). An Additional non-standard item 'extra for compaction' was also provided to cater for contingencies of compacting earth, wherever required separately. There was, however, no need for this item in view of the over-all specification No. 202. Having provided and operated this non-standard extra item, it was also not ensured that the rate prescribed for embankments (under 201) plus extra for compaction was not more than the rate fixed for specification under 202. This resulted in avoidable payment of Rs. 5.46 lakhs.

1.54 The Committee desired to know why it was not ensured by the Railway administration that the rate for compaction did not exceed the over all rate for formation of embankment with compaction as provided in the shedule of rates while allowing a separate rate for compaction. The Ministry of Railway (Railway Board) have, in a note, stated as under :

"It may be mentioned in this connection that the overall rate for formation of embankment with compaction depended upon two main factors :—

- (a) the type of soil used and
- (b) the height of the embankment.

To elaborate further, with "good" soil and embankments upto a height of 6 Metres, no compaction was considered necessary while compaction was needed in case the embankment was more than 6 Metres even if "good" soil was available. On the other hand, in the absence of "good" soil, compaction was necessary irrespective of the height of the embankment.

Under these circumstances it would be difficult to state that there could have been any uniform overall rate for formation of

embankment with compaction. The demands for completing the formation of embankment in various segments could have varied depending upon the nature of soil available and the height of the embankment necessary.

Since in all cases open tenders had been invited and the contracts had been finalised on the basis of the most competitive offers, it would be reasonable to conclude that payments were made on the best available rates."

1.55 The audit para points out that in 5 other contracts, claims amounting to Rs. 16.65 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the arbitrators (who were serving railway officers). However, the exact amount relating to the aforesaid non-standard item could not be segregated, as the awards did not give any item-wise break-up.

1.56 The Committee desired to know the details of the other matters of disputes and whether these arose out of any failure on the part of Railway officials. In reply, the Ministry of Railways (Railway Board) have, in a note, stated as under :

"The Railways had referred to Arbitration, claims in respect of five contracts, relating to earthwork in formation and construction of bridges etc. totalling to Rs. 106.78 lakhs, against which the arbitrators awarded Rs. 34.15 lakhs. The details of these contracts are as under :—

Section	Amount claimed	Amount awarded
Section VII A	39.58 lakhs	17.51 lakhs
Section V	17.06 lakhs	3.01 lakhs
Section VII B	19.89 lakhs	3.76 lakhs
Section VIII	13.58 lakhs	7.57 lakhs
Section XI	16.67 lakhs	2.30 lakhs

The claims in respect of 4 contracts other than for Section VII A totalled Rs. 67.20 lakhs, out of which the amount

awarded was Rs. 16.65 lakhs. The dispute referred to in these 4 contracts were pertaining to—

- (i) Additional work alleged to have been done by contractors over and above the work measured by the Railway ;
- (ii) Recovery for non-employment of technical staff ;
- (iii) Different type of soil met with a borrow pits ;
- (iv) Removal of extra soil at base ;
- (v) Escalation for carrying out the work beyond the original contracted period ; and
- (vi) On other minor grounds.

These claims preferred by the contractors did not arise on account of any failure on the part of the Railway officials. The reasons were clearly brought out while arguing the cases before the arbitrators. Payments were made by the Railway strictly in accordance with the rates entered into by the Railway as provided for in the contract agreement. None of the Railway officials were held responsible as there was no failure on their part. Hence taking any action against Railway officials did not arise.”

1.57 It is learnt that the work on the project was executed in 33 sections under various contracts. Dispute arose in 27 contracts. The contractors preferred claims totalling Rs. 504.09 lakhs (appx.). The claims were dealt with as follows :—

No. of Claims	Amount claimed (Rs. in lakhs)	Paid (Rs. in lakhs)	Remarks
1	2	3	4
6	110.52	37.39	Arbitration award
12	206.74	6.69	Settled by discussion

1	2	3	4
9	186.83		Pending in Court
27	504.09	44.08	

1.58 When enquired about the latest position in regard to 9 claims pending in Court, the Ministry of Railways (Railway Board) have informed the Committee in a note as follows :

“Out of 33 major contracts awarded on the Diva-Bassein Project relating to earthwork and bridges, construction of major bridges, quarters, manufacturing of girders and erection of girders etc. in 9 contracts, the contractors preferred claims amounting to Rs. 186.83 lakhs, which were rejected by the Railways. The contractors, therefore, approached Bombay High Court for appointment of arbitrators. The Railway is contesting all these cases. The final decision of the court is awaited. The claims preferred in these 9 cases are excepted matters, and/or relate to matters outside the scope of the contract. It is for these reasons, that the claims were not accepted by the Railways. There were no failures on the part of the Railway officials nor is there any question of taking any action against any of them.”

Construction of Bridges

1.59 The two major bridges to be constructed on this line required 5 girders of 45.7 m spans. The work relating to sub-structures for these bridges was given on contract while the work of fabrication of steel girders was entrusted to the Railway's Civil Engineering Workshop at Manmad. The work orders for this fabrication were issued in March 1975, though the work on the project had commenced in March, 1973. While the work of sub-structures was completed by the contractor in September, 1977, the fabrication of girders was not done by the Railway workshop till then. The Committee desired to know whether it would not have been possible for the Railway workshop to deliver girders by the time the work of sub-structure was completed in September, 1977 if the work orders had been placed earlier. In a note furnished in this regard the Ministry of Railways (Railway Board) have explained the position as under :

"The project was sanctioned by the Railway Board in April, 1972 and permission to enter into commitment was accorded in December, 1972. The Railway issued tender notice in March, 1973, calling tenders for manufacture, supply and erection of girders, for all the major girder bridges on the Diva-Bassein now line project. The tenders were opened on 1.11.1973. These offers had however, to be cancelled by the Railway due to non-availability of adequate funds during 1974-75. Later on, a work order was placed on Manmad Workshop of Central Railway in March, 1975 for manufacture and supply of 5 spans of 45.7 m. alongwith 6 spans of 76.2 M required for Ullhas Bridge, and other smaller spans required for this project. This work order was placed anticipating that the position of funds would improve in the subsequent years.

The sub-structures of 45.7 M spans bridge were completed by the contractor in Sept, 1977. Normally one would expect that there was adequate time available between March, 1975 and September, 1977 for the Bridge workshop to manufacture and supply the girders after receipt of the work orders. Unfortunately, there were breaches during the monsoon of 1976 on the Western Railway, and the Railway bridge over Daman Ganga was washed away. For restoring traffic, 12 spans of 45.7 M span girders were immediately required, and as such the two spans of 45.7 M which had been fabricated by Manmad workshop at that time, were ordered to be diverted by the Railway Board for Daman Ganga bridge. In addition 4 more spans, which were under fabrication or were due to be taken up shortly, were also ordered to be diverted for the restoration on W. Rly. The schedule of fabrication in the Manmad Workshop, therefore, got completely upset. The position was therefore reviewed again in April, 1977 by the Chief Administrative Officer (Constn.) in consultation with the Chief Bridge Engineer and it was decided that the Manmad workshop would manufacture the 6 spans of 76.2 M girders for the Ullhas bridge, but it would not be possible for the workshop to also take up the manufacture of the 5 spans of 45.7 M girders, which as per request of the Chief Bridge Engineer had to be off loaded. It was only then decided by the Construction Organisation of Central Railway to call fresh open tenders for manufacture and supply of 45.7 M spans required on the Project."

1.60 Explaining the position further in this regard, the representative of the Ministry of Railways (Railway Board), stated during evidence :

“The mean time for the manufacture of girders will be one year. If we had placed the order earlier, the girders would have come but non-availability of funds would have been there.”

1.61 On the view expressed by the Committee that when the project was cleared the Railways should have known about its financial implications and the financial resources should have been distributed in such a manner that the work did not suffer, the witness stated :-

“Normally this is the procedure and we try our best to do it. when we take up project we should reasonably presume that we should work like this and the work should be completed in say 3 years or 3½ years’ time.”

1.62 When enquire in this case there were abnormal circumstances due to which girders could not be procured by the time the sub-structure was completed, in September, 1977, the witness replied :

“We have tightened it now to the extent that 80% of the fund which are available to us are spent on the oriented projects alone and we ensure that this is done say within four or five years. So the financial planning and work planning is none on those project. There have been some lapses, I do agree.”

1.63 The Committee drew the attention of the witness to the reply of the Ministry of Railways (Railway Board) that the position was reviewed in April, 1977 by Chief Administrative Officer (Construction) in consultation with the Chief Bridge Engineer and it was decided that it would not be possible for the Workshop to take up manufacture of the 5 spans of 45.7 m girders and desired to know why it took two years to discover that Manmad workshop would not be able to manufacture 5 spans of 45.7 m girders. The representative of Ministry of Railways (Railway Board) stated in reply :

“The Manmad workshop has got a certain capacity to do the girders. We could have forced the Manmad workshop to do it.”

1.64 According to audit para, the Railway Administration in February, 1978 (after nearly 3 years), issued revised work orders setting the target

dates for fabrication of girders as 31 August, 1978 (for 3 girders) and 31 Oct. 1978 (for 2 girders). The Chief Bridge Engineer who was in-charge of Railway Workshop at Manmad, stated in August, 1978 that they would not be able to supply the girders by 31 October, 1978, but they could supply the girders by December, 1979 at the fabrication cost of Rs. 1,800 per tonne.

1.65 At this stage the Railway Administration decided to get the work done by contract. Tenders were called for, which were returnable by 14 December, 1978. The lowest offer of a public sector undertaking at the rate of Rs. 2,700 per tonne was accepted on 12 April, 1979 (the same firm had earlier in June 1978 offered to do this work at the rate of Rs. 2,400 per tonne, but this was not accepted by the Administration).

1.66 The Committee desired to know why the work was given in April, 1979 to a contractor (who had agreed to supply the girders only by August 1979) when it was possible to get the girders fabricated by Manmad workshop by December, 1979 at a lesser cost. The Ministry of Railways (Railway Board) have stated in a note :

"While it is true that Chief Bridge Engineer had advised the Chief Administrative Officer (Construction) on 31.8.1978 that he can supply 5 spans of 45.7 M by December, 1979, if the matching steel is supplied to the Bridge workshop by January, 1979, the same Chief Bridge Engineer had earlier shown his inability to supply the girders by December, 1979, *vide* his letter of 27.6.78. The offer was conditional and subject to supply of the entire matching steel by January 1979. A decision was therefore taken to call limited tenders for supply of 45.7 M span girders on the Diva-Bassein Project. The work order placed in March, 1978 on Manmad workshop was however, not cancelled, as in any case these 45.7 M spans girders were also required on Apta-Roha new line project in the vicinity of Bombay.

Manmad workshop started the supply of girders in the 3rd quarter of 1981, and completed the supply by the middle of January, 1982 i.e. 16 months after the supply was completed by M/s. Bridges & Roof. The debits for the five girders

received from Bridge workshop Manmad, against the work order placed in March, 1978 have not so far been finalised. In any case there has been no loss to the Railway as the capacity of the workshop has not been allowed to idle.

If, therefore, the contracts had not been awarded in April, 1979 the girders would not have been received even by September, 1980 and the line would not have been ready for opening in November, 1980 as planned and executed."

1.67 When asked why the Railway Administration could not procure the girders from Manmad workshop when they supplied girders for some other projects with the same specification, the representative of Railway Board stated during evidence :

"Manmad was already engaged for all our other works. So, we gave order to the Bridge and Roof. Bridge and Roof is a public sector Company.

1.68 Explaining the position in this regard, the Chairman, Railway Board stated :

"We load fully all other workshop with bridge construction work. After that there is necessity for immediate work in the case of floods etc. especially on the western side of India. It is quite in order that if the capacity is exceeded by the requirements, then we necessarily have to go outside. Then again we give orders to a public undertaking as far as possible. In this particular context, even in this case, while girders were got ready, there were heavy floods and so the girders were transferred to that particular work to carry on the day-to-day runnings. So, priorities are always changing as far as our bridge workshop are concerned because we have to first rush the girders to the spot."

1.69 On being asked whether the offer of the Manmad workshop was not considered due to these considerations, the representative of Ministry of Railway (Railway Board) stated :

"The Manmad workshop has the fully utilised capacity and, therefore, we had to go outside "

1.70 When asked about the capacity utilisation of the Manmad workshop during the period, the witness stated :

“Manmad would not have been able to supply them during this period. The Manmad would have produced it later.”

1.71 In reply to a query whether Manmad workshop was the only workshop for this purpose, the witness stated :

“Mughalsarai was also there.”

1.72 On being asked as to why the Mughalsarai workshop was not asked to manufacture and supply the girders, the witness stated :

“I will have to enquire.”

1.73 The Committee desired to know why the decision taken in August, 1978 to get the work done by the contractor, could not be taken earlier in June, 1978 when the same firm (to whom the work was finally awarded) had offered to do this work at the rate of Rs. 2400 per tonne (as against Rs. 2700 per tonne finally accepted) particularly in view of the fact that the Railway workshop had not been able to effect supplies during March, 1975 to February, 1978. In a note furnished in this regard, the Ministry of Railways (Railway Board) have explained the position thus :

“After the efforts of Railway to obtain girders from the Bridge workshop during the period May, 1975 to April 1977, and from market by open tenders in November, 1977 and again through Bridge workshop in Feb-June, 1978 did not meet with satisfactory response, the possibility of obtaining the girders from the S.C. Railway was also examined. The S.C. Railway, who had awarded a contract for supply of girders to M/s. Bridge & Roof, a Public Sector Undertaking, was requested to increase the scope of work to also include the 5 girders of C. Railway. Although this suggestion was not accepted by the S.C. Railway, M/s. Bridge & Roof, who had not originally quoted any rate in the tender, opened in November, 1977, wrote a letter to the administration in June, 1978 intimating that they were prepared to take up the work of fabrication of 45.7 M span @ Rs. 2400/- per tonne at the rate, terms & conditions of the contract agreement, as entered into by them with South Central Railway. The rate was far delivery at their Howrah works siding. The conditions of contract entered into by this firm on the South Central Railway

were not known fully to the Central Railway Administration. In any case the contract conditions of S.C. Railway envisaged increase in rates based on an escalation clause which did not prescribe any ceiling limit. It was, therefore, not considered in order to accept the casual offer made by the firm. It was further decided to explore the open market, by calling fresh limited tenders, giving an opportunity to M/s. Bridge & Roof to quote competitive rates.

Tenders were opened on 14.12.1978. Two tenders were received. After carrying out necessary negotiations, the lowest offer of M/s. Bridge & Roof @ Rs. 27.00 was accepted. This rate was subject to maximum escalation charge @ 20% i.e., Rs. 540 per tonne. As it was found that the wages had been advised with effect from 1.1.79, itself, i.e., before the issue of the acceptance letter, the ceiling at 20% i.e., Rs. 540 per tonne became operative from the beginning of the contract period. The accepted rate, therefore, became Rs. 3240 max. Incidentally, it may be mentioned that if the original rate of Rs. 2400 per tonne, as advised by M/s. Bridge and Roof in June, 1978 had been accepted, the actual payments, after taking into account the effect of all the conditions stipulated in the agreement, between S.C. Railway and the firm, would have been higher than the payment made on the maximum rate, at which the contract was awarded by the Central Railway. Further, the rate offered in the letter of June, 1978 by M/s. Bridge and Roof was for delivery of fabricated girders at Howrah works siding, whereas in terms of contract as entered into with the Central Railway, the supply was to be F.O.R. destination 'Dembivili'.

It would thus be seen that the contract negotiated by the Central Railway with M/s. Bridge & Roof on the basis of tenders opened on 14.12.78 was, overall, more beneficial since the difference arising from a lower basic rate offered by the firm in their unsolicited offer of June, 1978 would have been offset after taking into account the full impact of the conditions accepted by South Central Railway which had been stipulated by the firm while making the offer of June 1978.

1.74 Audit para points out that one of the terms agreed to with the contractor in April, 1979 was that the supply of fabricated material was

to be completed within 4 months i.e. by 11 August, 1979. Though the acceptance letter was issued in April, 1979, the despatch of Railway material started in July, 1979, and was completed in January, 1980. The Committee desired to know why the Railway Administration did not supply the materials as soon as the firm's offer was accepted in April, 1979. In reply, the Ministry of Railway (Railway Board) have stated in a note :—

“The work order placed on the Bridge workshop, Manmad in March, 1978, was not cancelled as in case, the girders were also required for APTA-ROHA, project. The supply of steel to the contractors, M/s. Bridge & Roof had, therefore, to be arranged by the construction organisation, and could not be dependent upon availability of steel in the Bridge workshop based on this earlier indent. In any case some of the steel material was procured and supplied to the firm from the stock available with the Bridge workshop, Manmad.”

1.75 According to audit para, the special condition of contract provided for monthly report on the progress of manufacture of girders. However, not a single report was submitted by the contractor. The Railway Administration had posted an Inspector of works (IOW) at Howrah to monitor the progress and do liaison work. He also did not submit any reports. The Committee enquired why the monthly progress report of manufacture was neither submitted by the contractor, nor by the IOW specially deputed to progress the work. The Ministry of Railways (Railway Board) have stated in a note :—

“Although the contractors M/s. Bridge & Roof were not formally sending the progress report for manufacture and supply of the girders in terms of contract agreement, the progress was being closely watched by the Inspector of Works/Executive Engineer and Dy. Chief Engineer I/C of the work who were frequently visiting Calcutta to check and expedite the supply. The IOW (C) was posted at Calcutta to liaise with the firms for chasing the supply of steel for fabrication and supplying matching steel to various firms, with which the Railway had entered into contracts. The IOW was regularly keeping himself in touch with his superiors and necessary action was taken as required by the supervisors/officers at different levels to ensure that there was no delay in fabrication and supply of girders required for the project.”

1.76 The materials supplied (709.099 tonnes) included about 135 tonnes which had rolling defects and were heavily pitted. The defects in 70 tonnes were rectified by the contractor. The balance was rejected and recouped subsequently.

1.77 The contractor did not deliver the fabricated material by the target date. However the Railway Administration gave extension without penalty upto 31st July, 1980. The delivery of fabricated girders (585.755 tonnes) commenced in March, 1980 and was completed in September 1980. The line was certified fit by the Chief Engineer (Construction) for operation with diesel traction for goods traffic with effect from 25th November, 1980.

1.78 The objects of the line as given in project report were mainly as follows :—

- (i) To cater to the interchange traffic between Western Railway and Central Railway.
- (ii) To avoid detention caused to the wagons interchanged at Dadar and marshalling of the wagons in Bandra Marshalling Yard.
- (iii) To give relief to the suburban sections of both the Central and Western Railways.

1.79 When asked to evaluate these operational benefits in terms of money value, the Ministry of Railways (Railway Board) stated in a note :—

“While the overall objective when the project was conceived was to achieve the improvements referred to in the question, it has not been possible to quantify all these gains. However, in the survey Report, the benefits from the project has been assessed as under :—

(a) Saving in detention to wagons and engines	Rs. 55,69,358
(b) Saving in haulage charges on account of shorter lead	Rs. 17,54,840
TOTAL : (a+b)	Rs. 7324,198

(e) Loss in freight on account of shorter lead	Rs. 40,76,685
Net Saving (a+b)—c	Rs. 32,47,513

1.80 When asked about the anticipated annual return on capital from 1st year onwards, after opening of line, as per original estimate of April, 1972, 1st revised estimate of May, 1978 and second revised estimate of May, 1982, the Ministry of Railways (Railway Board) have stated in a note :

- The cost of the project according to the sanction accorded on 7.4.72 was Rs. 12.73 crores. The returns as worked out in the project report by the conventional method for the first year of opening, 6th year of the opening and 11th year of the opening were as follows :—

1st year..... (+)	3.68%
6th year(+)	5.12%
11th year..... (+)	6.5%
- The first revised estimate was submitted in the year 1977 and sanctioned by the Railway Board in the year 1978 at a cost of Rs. 23.48 crores. On the basis of first revised estimate, the net return worked out to 7.21% and with 50% inflated margin of Diva-Bassein section, the return would be 9.41% at the end of 11th year, on D.C.F. technique.
- The second revised estimate costing Rs. 28.80 crores has been submitted to the Board in May, 1982 and this is under process of sanction. No financial implications have, however, been worked out in respect of the second revised estimate so far."

1.81. According to audit para, the Ministry of Railways (Railway Board) had decided in October, 1977 that Diva-Bassein line should be commissioned with diesel traction in the first instance. The line was certified fit by the Chief Engineer (Construction) for operation with diesel traction for goods traffic w.e.f. 25 November, 1980, but it was not commissioned. In consequence, the benefits that could have accrued from this line constructed at a cost of over Rs. 28 crores had not been availed of for over two years (November, 1980 to November, 1982) as had been planned earlier in October, 1977.

1.82 The Committee desired to know why the line was not opened for goods traffic in accordance with the Railway Board's decision of October, 1977 after the line had been certified fit by the Chief Engineer (Construction) for operation with diesel traction for goods traffic w.e.f. November, 1980. The Ministry of Railways (Railway Board) have stated in a note as under :

“The decision taken in October, 1977 was to complete the line at the earliest and if found necessary, to work the interchange trains with diesel engines in the interim period. The decision obviously implied that the question of running interchange trains with diesel engines was to be further examined, if found necessary.

The Diva-Bassein section is connected at both its ends to D.C. electrified sections. On detailed examination of facilities required for interchange at Bassein Road and maintenance/service facility required at Kalyan, the heavy investment for transitory period was not considered justified and as such the work of Diva-Bassein section with diesel traction even in the transitory period was not pursued.”

1.83 In this connection, the representative of the Ministry of Railways (Railway Board) stated during evidence :—

“In November, 1980, the track was completed in all respects and diesel traction could have gone on that track. At that stage, it was thought that if diesel traction is to be introduced, we have to incur an extra expenditure to the extent of Rs. 75-80 lakhs.”

1.84. In reply to a question as to whether any signal and telecommunication work had been done in the meantime with a view to running the line with diesel traction, the Ministry of Railways (Railway Board) have, in a note, stated that no separate signal and telecommunication work was done with a view to running the line with diesel traction as the Signal and tele-communication arrangements were the same as required for running the line with diesel or electric traction.

1.85. The Committee desired to know the extent of the return that was expected during November, 1980 to November, 1982 if the line had been operated with diesel traction. The Ministry of Railways (Railway Board) have stated in a note :—

“No return has been worked out for the period November, 1980

to November, 1982 for working the section with diesel traction. The question of running diesel engines have been examined at length and as it would have entailed heavy investment this was not resorted to. This heavy investment would have become infructuous after electrification of this line."

1.86. Audit para points out that despite the trunk routes being electrified in Bombay area, diesel engines are still in use for shunting and banking purposes, and could have been productively used on this line as well.

1.87. Further, the diesel locomotives holding with the Railways was in surplus from 1977-78 to 1983-84 and its number* according to Ministry of Railways (Railway Board) during each of these years was as under :

Year	Surplus diesel locomotives
1977-78	70
1978-79	110
1979-80	143
1980-81	118
1981-82	81
1982-83	153
1983-84	143

1.88. The Committee desired to know why the diesel engines could not be operated on this line. In reply, the Ministry of Railways (Railway Board) have *inter-alia* stated in a note :—

"While in October, 1977, the Railway Board had decided that the work may be progressed to completion, pending decision on electrification, the emphasis was not so much on diesel operation, as on completing the balance work on this project. The idea was

*Please see page 6 of PAC's 167th Report on Utilisation of locomotives.

that with the available funds the work may be progressed and not slowed down on account of re-examination on the question of type of electrification.

Subsequently, when the question of dieselisation, as an interim measure was examined, it was found that it would create more problem and that it would not be worth while introducing diesels during the interim period."

1.89 On being asked whether the line has since been energised and opened to traffic, the Ministry of Railways (Railway Board) have, in a note, stated :—

"The Diva-Bassein Road line was energised with DC traction on 22/11/82. The line is being used for increased number of trains on and from 14.4.1983. Due to short period for which line has been in operation, the return on investment accruing to the Railway has not been assessed so far."

1.90 The Ministry of Railways (Railway Board) accorded in January 1971 their sanction for undertaking a survey for the construction of a broad gauge (BG) line (41.96 Km) between Diva Station on Central Railway and Bassein Road Station on Western Railway. The objects of the line as given in the Project Report were mainly to cater to the interchange traffic between Western Railway and Central Railway (Dadar junction to be closed to interchange goods traffic because of saturation of the existing section), to avoid detention caused to the wagons interchanged at Dadar and marshalling of the wagons in Bandra marshalling yard and to give relief to the suburban sections of both the Central and Western Railways. Based on the survey, the construction of the BG line was sanctioned at an estimated cost of Rs. 10.33 crores (without electrification) and Rs. 12.73 crores (with electrification) by the Ministry of Railways (Railway Board) in April, 1972. The work on the project commenced in March, 1973 and was scheduled to be completed within three years *i.e.* by March, 1976. However, only 22.64% of the work was done by March, 1976. The line was certified fit for operation with diesel traction with effect from 25.11.1980, *i.e.* more than four and a half years after its scheduled date of completion, at a cost of Rs. 28.80 crores. However, even after completion, the line was not commissioned and a further period of more than two years elapsed before it was commissioned in April, 1983.

1.91 As regards the reasons for the delay in the completion of the project the Ministry of Railways have stated that the project was finally cleared only

on 1.12.1972. With the major part of the financial year already over, the allotment for the project got reduced from the original figures of Rs. one crore to Rs. 13.28 lakhs. It was not possible to allocate sufficient funds for progressing this work during the financial years 1973-74 to 1975-76 because of the twin effects of costs of projects going up steeply and of economy cuts being imposed on both "Plan" and "Non-plan" expenditure in the wake of the oil crisis. The funds allotted to the project upto 1975-76 amounted to only Rs. 6.18 crores (*i.e.* about 48% of the original estimate). The Committee are unhappy over the manner in which the Railway Administration had acted in this case. They observe that while this project suffered on account of financial constraints, the Railway have sanctioned other such projects during the same period. The Committee fail to understand why they should have taken in hand new projects, resulting in further scattering of scarce resources when the Railways were well aware of the financial constraints. The Committee have pointed out time and again that it is unwise to take up too many projects thereby spreading the limited resources at the disposal of the Railways so thinly as not to make any impact. The Committee need hardly point out that it not only delays the project but also results in escalation of cost. How costly the slashing of the allotment had proved in the present case will be seen from the fact that the project which was planned to be completed in three years actually completed in seven and a half years and the cost had risen from Rs. 12.73 crores (with electrification) as per original estimate to Rs. 23.48 crores as per first revised estimate of May, 1978 and again to Rs. 28.80 crores as per second revised estimate of May, 1982. An analysis of the rise in cost between the first and the second revised estimate shows that over 75% of it was accounted for by cost overrun alone and less than 25% by increase in the scope of the project. The Chairman, Railway Board admitted in evidence "We have been spreading the available resources on far too many works simultaneously instead of taking up one or two works and complete it in one or two or three years so that gestation period is cut down and cost is cut down." The Committee trust, in future, on-going schemes and projects will not be allowed to suffer.

1.92 The Committee are astonished at the extent of vacillation shown by the Railways in taking a decision on the mode of traction to be adopted. The mode of traction stipulated in April, 1972 project estimate was 25 KV AC. A Committee was then appointed to go into the question whether 25 KV AC traction or 1500 VDC traction would be more desirable. The Committee recommended 1500 VDC system for reasons of operational flexibility and factors of economic advantage with DC system at traffic levels. The Committee felt that difficulties may be encountered in arranging 25 KV AC

supply for a short section between two DC systems. The Committee submitted its report in May 1973 and the Railway Board accepted it. However, even after accepting the report, the indecisiveness in the Railway Board continued. In October, 1977, the Railway Board decided that the Diva-Bassein line should be commissioned with diesel traction in the first instance as an intermediate phase, although the original location survey-cum-traffic re-appraisal had not favoured diesel traction on the consideration that the new line would be between two electrified sections and the diesel locomotives required for the section may have to be worked from the homing shed at Ratlam. In May 1973, the cost of the project was revised to Rs. 23.48 crores from Rs. 12.73 crores, taking into account the change in the mode of traction from 25 KV AC to 1500 V DC. However, the work on the diesel traction continued. In November, 1980, the line was certified fit for operation with diesel traction. But the line was not commissioned considering that an investment of Rs. 75-78 lakhs would have to be made for the transitory period on creation of facilities for inter-change at Bassein Road and maintenance/service facilities at Kalyan. However, while taking this decision, no detailed assessment had been made of the return that would have accrued from commissioning of the line with diesel traction. Thus, even after completion, the line constructed at a cost of over Rs 28 crores remained unused for over two years. It was commissioned only in April, 1983 with DC traction. When the original location survey-cum-traffic re-appraisal made in 1972 had not favoured diesel traction on the consideration that the new line would be between two electrified sections, it is not understandable why in October, 1977, the Board should have decided on diesel traction even as an intermediate phase. It is yet another example of total lack of planning and perception in the Railway Board. The Committee would like the Railway Board to ensure that such costly mistakes are not repeated in future.

1.93 An equally painful aspect of the case is the award of the contract for earthwork and minor bridges in Section VII-A by the Railway Administration even before it was in possession of the site. This contract was awarded to contractor 'A' in December, 1973 to be completed by March, 1975. The Railway Administration was not having possession of the land at the time of awarding the contract. The State Government completed land acquisition proceedings in November 1974 only. The dispute in this section arose as the contractor claimed (July, 1977) Rs. 40 lakhs on account of delay in handing over the site and the resultant escalation in rates, idling of machinery, wage revision, etc. In extenuation, the Ministry of Railways (Railway Board) have stated that private negotiations were conducted with the land owners in terms of para 608 E (revised Engineering Code para 808-E) with a view to

taking advance possession of some stretches without losing time. After carrying out such negotiations, 10 contracts covering the length of 13.10 Km., which also included Section VII-A, were awarded. This procedure, which had also been adopted in other contracts, had worked satisfactorily. However, in case of Sections VII-A and VII-B, the land owners, after having entered into an understanding with the Railways, resiled from the undertaking given by them and obstructed the contractor and prevented him from doing the work. While the Committee do not object to the approach of the Railway Administration in conducting negotiations with the land owners in terms of para 608 E (revised Engineering Code para 808-E), they feel that there was no justification on the part of the Railway Administration for awarding the contract before it was in possession of the site. Also, this action of the Railway Administration was in violation of the Ministry of Railways (Railway Board's) standing instructions of 1972 which enjoin, *inter alia*, that the Railway Administration should invite tenders only when fully prepared to hand over the sites. In this connection, the Committee note the admission made by the Chairman, Railway Board before the Committee in evidence, 'we have learnt from the past that we must first get the land 100% into our custody before we start the work. Otherwise land prices appreciate and there is a lot of problem of acquiring the land anywhere.' The Committee trust that necessary action will be taken by the Railway Board to ensure that their aforesaid standing instructions are strictly adhered to by the Railway Administrations and that in future no contract is awarded by a Railway Administration unless it is fully prepared to hand over the site to the contractor.

1.94 The Committee are amazed over the manner in which the Railway authorities had acted in the matter of arbitration proceedings. The Arbitrators, who were serving Railway Officers, directed both the contractor and the Railway Administration to send statements of facts and claims/counter-claims by March, 1978. While the contractor submitted his statement in March, 1978, the Railway Administration failed to file their counter-statement despite repeated extensions given by the Arbitrators up to 31 May, 1978, 31 July, 1978 and 31 August 1978. Even thereafter, the Railway Administration, instead of submitting the counter-statement, allowed time to lapse first in raising certain doubts and later on in questioning the jurisdiction of the Arbitrators to continue the proceedings. On 4.9.1978, the Arbitrators called upon the Railway Administration to file their counter-statement without further loss of time. Even though the date was finally extended upto 31 December, 1978 by the Arbitrators, the Railway Administration did not submit the counter-statement. On 7.4.1979, the Arbitrators published their award *ex-parte* and directed the Railway Administration to pay Rs. 17.51 lakhs towards the claims.

of the contractor and Rs. 1.46 lakhs towards interest. The original value of the contract was Rs. 29.79 lakh only.

1.95 It is inexplicable why the Railway Administration, after appointing two serving Railway Officers as Arbitrators in January, 1978, should have failed to submit their claims/counter-claims even though repeated extensions had been given to them by the Arbitrators. The explanation given by the Ministry of Railways (Railway Board) for the Railway's failure to do this was 'the pre-occupation of the concerned Executive Engineer during the busy season'. The Committee are surprised at this. Another explanation given during evidence was that if "we had submitted (the claim)" it would have been taken that "we were submitting to the jurisdiction" of the Arbitrators. The Committee find this explanation as unacceptable as the first one. When questioned in evidence, the representative of the Railway Board conceded, "I do agree that the (contractor's) claims should have been refuted. They (the Railway Administration) should have submitted their counter-claims. We could have filed it (our counter-claims) saying we are doing so under-protest." It appears to the Committee that it is not a case of mere negligence, it is something more than that. The Committee desire that the matter should be investigated in depth by an independent authority as to why the Railway officials had allowed the claims of the Railways to go by default and responsibility fixed. The Committee would like to be informed of the results of the investigations within a period of six months from the presentation of this Report.

1.96 The work on the Diva-Bassein project was executed in 33 sections under various contracts. How badly the Railway Administration had managed their affairs may be gauged from the fact that out of these 33 contracts, disputes arose in 27 contracts. The claims preferred by various contractors totalled Rs. 504.09 lakhs (approximately). In six disputed contracts, as against Rs. 110.52 lakhs claimed by the contractors, Rs. 37.39 lakhs were paid by the Railway as a result of Arbitration awards. In 12 other contracts the dispute was settled by discussion and the amount paid was Rs. 6.69 lakhs as against of Rs. 206.74 lakhs claimed by the contractors. As regards the remaining nine contracts involving claims of Rs. 186.83 lakhs by the contractors, the Ministry of Railways (Railway Board) have stated that these claims relate to excepted matters or matters outside the scope of the contracts and for this reason the claims were not accepted by the Railways. The Committee are informed that the contractors have now approached the Bombay High Court for appointment of Arbitrators and the Railways are contesting the cases. The Committee would like to be informed of the decision of the High Court in this regard.

1.97 The Committee note that as per Railway's Book of Specifications, there are two types of embankments—one for formation without compaction (specification No. 201) and the other for formation with compaction (specification No. 202). In this project, certain embankments were classified under specification No. 202 while in the same section some embankments were also classified under specification No. 201. An additional non-standard item 'Extra for compaction' was also provided to cater for contingencies of compacting earth, wherever required separately. The Committee fail to understand the need for the non-standard extra item in view of the overall specification No. 202, *i.e.* embankment with compaction. According to the Ministry of Railways (Railway Board), no compaction was considered necessary with "good" soil and embankments upto a height of six metres while compaction was needed in case the embankment was more than six metres even if "good" soil was available. If so, the Committee feel, the appropriate course for the Railway Administration was to have split up the sections for either "formation with compaction" or "formation without compaction" as per Railways Book of Specifications and proceed accordingly. This unfortunately they did not do. Even if the non-standard extra item had been provided, the Railway Administration should have ensured that the rate prescribed for specification (No. 201) plus extra for compaction was not more than the rate fixed for specification No. 202. This also was not done, with the result that the Railway Administration had to make avoidable extra payment of Rs. 5.46 lakhs. Actually, the avoidable extra payment on account of operation of the non-standard item would be much more, considering the fact that in five other contracts, claims amounting to Rs. 16.65 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the Arbitrators. However, the exact amount relating to the non-standard item could not be segregated, as the awards did not give any item-wise break-up. In the opinion of the Committee, it is a case of failure to do proper preparatory work in the first instance and failure to negotiate proper rates thereafter. The Committee would like the Ministry of Railways to suitably deal with the concerned officials and to ensure that such lapses do not recur.

1.98 Another matter in which the Railway Administration had shown poor management was the construction of major bridges. Work orders for the fabrication of five steel girders required for two major bridges on this line were issued to the Railway's Civil Engineering workshop at Manmad in May, 1975, though the work on the project was commenced in March, 1973. According to the Ministry of Railways (Railway Board), the tenders for manufacture, supply and erection of girders opened on 1.11.1973 had to be cancelled by the Railway Administration due to non-availability of adequate funds during

1974-75. The Committee have already recommended that as far as possible, allotment of funds on on-going works should not be slashed.

1.99 The fabrication of steel girders should have synchronized with the completion of the sub-structure of the bridges. It is, however, seen that while the work of the sub-structures was completed by the contractor in September 1977, the fabrication of girders was not done by the Railway Workshop, Manmad. It was stated in extenuation that there were breaches during the monsoon of 1976 on the Western Railway, and the Railway bridge over Daman Ganga was washed away. For restoring traffic, the two spans of 45.7M which had been fabricated by Manmad Workshop at that time were ordered to be diverted for this bridge. In addition, four more spans which were under fabrication or were due to be taken up for fabrication shortly were also ordered to be diverted for restoration of traffic on Western Railway. While the Committee appreciate the extenuating circumstances in which the Manmad Workshop could not deliver the fabricated girders, they cannot help observing that the Railway Administration had failed to monitor the progress of the fabrication of steel girders and there was communication gap between the Railway Administration and the Manmad Workshop. Had the Railway Administration kept a proper watch on the progress of fabrication work in the Manmad Workshop, they would have come to know much earlier that the Manmad Workshop would not be able to deliver the girders as per schedule. In such a case, the project authorities could have tapped alternative sources much earlier such as the Mughalsarai Workshop or any outside agency fabricating such girders.

1.100. In November 1977, the Railway Administration made efforts to obtain girders from the market by open tenders, but they were not successful. In August 1978, the Chief Bridge Engineer had stated that the Railway Workshop at Manmad could supply the girders by December 1979 at a fabrication cost of Rs. 1800 per tonne. The Railway Administration did not accept this offer but decided to get the work done by contract. On the basis of the lowest tender, the work was awarded in April 1979 to a public sector undertaking, M/s. Bridge & Roof who offered to supply the girders by August 1979 at the rate of Rs. 2700 per tonne plus escalation charges on account of revision of wages, subject to a ceiling of Rs. 540 per tonne. Thus in effect, the Railway Administration agreed to pay Rs. 3240 per tonne as fabrication charges to M/s. Bridge & Roof as against Rs. 1800 per tonne offered by the Manmad Workshop. The explanation given in evidence by the representative of the Railway Board for not awarding the contract to the Manmad Workshop was that "Manmad would not have been able to supply them during

this period. Manmad would have produced it later." The Committee are not convinced by this explanation. Considering the usual time required for finalisation of tenders and the stipulated period of execution of contracts and the extensions likely to be given, the Railway Administration could have foreseen that there would not be any material difference in the delivery dates of the Railway Workshop and the contractor. The Administration had an added advantage in the case of the former, inasmuch as it could exercise pressure at a higher level to get the work executed departmentally. As it actually turned out, on account of delay on the part of the Railway Administration in supply of material to the contractor, nearly 1/5th of which was found defective, the contractor could complete the delivery in September 1980—*i. e.* about 10 months after the Chief Bridge Engineer, Manmad Workshop had offered to do. The extra payment made to the contractor—M/s. Bridge & Roof works out to Rs. 8.43 lakhs. The manner in which the Railway Administration had handled this case hardly redounds to their credit.

1.101 The foregoing paragraphs show that in the execution of this project there were numerous acts of omission and commission on the part of the project authorities and the Railway Board. Apart from lack of proper planning and poor management which had resulted in as many as 27 disputes in 33 sections, there was incomprehensible indecisiveness and ambivalence in deciding the mode of traction to be adopted. These, together with the heavy cut in the allotment of funds just when the work on the project had started, resulted in the commissioning of that line in over 10 years instead of three years, envisaged in the estimate. The cost also shot up from Rs. 12.73 crores to Rs. 28.80 crores. And more importantly, the main objects for which the project was undertaken, *i. e.* to avoid detention caused to wagons interchanged at Dadar and to provide relief to suburban services of both the Central and Western Railways, remained unfulfilled from March 1976 (when the project was expected to be completed) till April 1983 (when the line was commissioned with DC traction). The Committee expect the Railways to draw appropriate lesson from this case so as to be more careful in future while handling execution of such projects. In particular, the Committee would like the Ministry of Railways (Railway Board) to examine whether the existing system of contracts under which disputes had arisen in 27 contracts in 33 sections needed to be overhauled.

CHAPTER II

NORTH EASTERN RAILWAY-GAUGE CONVERSION FROM SAMASTIPUR TO DARBHANGA

Audit paragraph

2.1 Samastipur-Darbhanga section (38 Km) forms part of Samastipur-Darbhanga-Raxaul branch line (182 Km). The Ministry of Railways (Railway Board) had instructed the Railway Administration to examine the financial viability of conversion of Samastipur-Raxaul branch line from Metre Gauge (MG) to Broad Gauge (BG) via Muzaffarpur and via Darbhanga in May 1964 and again in April 1969. The investigation by the Administration on both the occasions established that the conversion was not financially viable. However, the part conversion of the section 'Samastipur-Darbhanga' of the branch line 'Samastipur-Raxaul' was included in the budget for 1974-75 at a cost of Rs. 4.75 crores by the Ministry of Railways (Railway Board). The part conversion was held to be justified on the following grounds :

- (i) It would reduce transshipment at Samastipur.
- (ii) It would help in the industrial development of Darbhanga and surrounding areas.
- (iii) It would serve the Air Force Headquarters at Darbhanga.

2.2 An abstract estimate amounting to Rs. 9.62 crores (as against the original estimated cost of Rs. 4.75 crores) was submitted by the Railway Administration to the Ministry of Railways (Railway Board) in December 1974.

2.3 The part conversion of Samastipur-Darbhanga section was not recommended either by the General Manager or the Financial Adviser and Chief Accounts Officer of the Railway for the reasons indicated below :

- (i) The existing MG line capacity on Samastipur-Darbhanga section was not utilized fully. As against the capacity of 18 trains each way, only 14 trains each way were running.

- (ii) The part conversion from MG to BG would create transshipment problems at Darbhanga in respect of large scale international traffic for Nepal moving through Raxaul.
- (iii) The return on capital would be only 3.58 per cent as against the general norm of 10 per cent of financial viability.

2.4 No priority was given to this project by the Ministry of Railways (Railway Board), and only token allotment of Rs. 1000 was made till 1979-80. However, during 1980-81, the Railway Administration, at the instance of the Ministry of Railways (Railway Board), submitted (December 1980) an Urgency certificate for Rs. 60 lakhs, which was sanctioned in March 1981 by the latter. The expenditure of Rs. 65.24 lakhs was booked to the end of 1980-81, of which Rs. 60.00 lakhs were spent on collection of wooden sleepers.

2.5 In January 1982, the Ministry of Railways (Railway Board) informed the Railway Administration that in view of serious constraints on availability of funds for new lines and line capacity works, it had been decided in consultation with Planning Commission to progress only some important Projects, which were required to be completed urgently. In the list of such important projects, aforesaid work had not been included.

2.6 Despite reservations about the financial and operational feasibility of the project, the work was sanctioned on an urgency certificate. According to Indian Railway Code for the Engineering Department, works are started on an urgency certificate in the following situations :

- (i) Works which are considered to be urgently necessary to safeguard life or property or to repair damage to the line caused by flood, accident or other unforeseen contingency, so as to restore or maintain through communication.
- (ii) Works considered urgent but not falling within (i) above, as for instance, works required to meet the immediate needs of traffic which are considered by the General Manager so urgent that they must be started before the earliest date by which detailed estimates could be prepared.

2.7 This work does not fall under (i) above and does not also appear to fall under (ii) above in view of the subsequent events according to which the work was deferred after collection of material worth Rs. 60 lakhs on the site. Thus, the total investment of Rs. 65.24 lakhs (material : Rs. 60,00

lakhs, survey expenses : Rs. 4.19 lakhs and other expenses : Rs. 1.05 lakhs) remained unproductive. This also throws an unavoidable recurring liability of Rs. 3.91 lakhs per annum towards the payment of dividend. The two generating sets ordered for purchase for this work have been subsequently transferred for use at Samastipur station and installed there.

[Para 5 of Advance Report of C&AG of India for the year 1981-82,
Union Government (Railways)]

2.8 During evidence, the Committee desired to know whether Railways want to convert all the different gauges into one, apart from the narrow gauge. The representative of the Ministry of Railways (Railway Board) stated in reply :

“No, sir. Not the entire Railway.”

Explaining the position in this regard, the Chairman, Railway Board stated :

“Most of the eastern area in metre gauge. There is a proposal to link the eastern sector with the Indian Railways which means we cannot remove metre-gauge because it has tremendous potential with regard to movement of freight and passengers. For quite a distant future, there will be at least two gauges, metre-gauge and broad-gauge.”

2.9 On being asked as to where the metre-gauge should be converted into broad-gauge, the witness replied :

“From the point of view of freight movement, we have found that it is very much better to have broad-gauge because the capacity potential and tare/weight ratio for movement of wagons is very much more on the broad-gauge than on the metre-gauge.”

He added :

“We only want to convert such of those sections of the metre-gauge which have a very heavy freight potential.”

2.10 On being enquired whether any study had been made as to which metre-gauge sections should be converted into broad-gauge, the representative of the Ministry of Railways (Railway Board) replied in the affirmative and added :

“The surveys are ordered on the basis of feasibility and viability.”

2.11 The Committee desired to know whether there existed any priority list in the Railways for conversion of those meter-gauge lines in respect of which studies had been completed and the projects found to be feasible and financially viable. In reply, the witness stated :

“No Sir, we do not have a priority list as such.”

He added :

“Only for existing on-going projects we have a priority list.”

2.12 Audit para points out that the Ministry of Railways (Railway Board) had instructed the Railway Administration to examine the financial viability of conversion of Samastipur-Raxaul branch line from Metre-Gauge (MG) to Broad-Gauge (BG) *via* Muzaffarpur and *via* Darbhanga in May 1964 and again in April 1969. The investigation by the Administration on both the occasions established that the conversion was not financially viable.

2.13 However, the part conversion of the Section ‘Samastipur-Darbhanga’ of the branch line ‘Samastipur-Raxaul’ was included in the budget for 1974-75 at a cost of Rs. 4.75 crores by the Ministry of Railways (Railway Board).

2.14 The Committee desired to know why a part of the Railway line from Samastipur to Darbhanga was sanctioned when the conversion of Samastipur-Darbhanga-Raxaul Railway line was not found to be financially viable. The Ministry of Railways (Railway Board) have, in a note, stated as under :

“Conversion of the section Samastipur-Darbhanga-Raxaul from MG to BG was included in the perspective plan of gauge conversion on the Indian Railways. The Ministry of Railways had accordingly sanctioned, in consonance with the above policy, Engineering-cum-Traffic Survey of the entire line and the Survey Report was submitted by north-eastern Railway to the Ministry of Railways in 1971 for both the alternative routes, *i.e.* Samastipur-Darbhanga-Raxaul and Samastipur-Muzaffarpur-Sagauli-Raxaul as independent units. Subsequently

the Ministry of Railways approved the conversion of Samastipur-Darbhanga sub-section in the budget of 1974-75 at an approximate cost of Rs. 4.75 crores. Although the project was not financially justified, nevertheless the financial viability is not the only criterion for sanction of Railway projects. The area served by the project line forms a part of the under-developed and backward region of North Bihar. It is one of the economically backward areas of the country. Excessive high population density and low per capita income are the basic characteristics of this area."

2.15 When asked why Darbhanga and its surrounding areas alone were considered for industrial development in preference to the remaining region upto Raxaul, the Ministry of Railways (Railway Board) have stated in a note :

"The length of the section Samastipur-Raxaul *via* Darbhanga is about 187 kms. and that of Samastipur to Darbhanga 38 kms. The total length of the project, if taken up would have cost about Rs. 16 crores (as per 1971 survey report). Due to difficult ways and means position, it was felt necessary to take up in the first instance, the sub-section Samastipur-Darbhanga in a length of 38 kms. Which was to cost Rs. 4.75 crores as the first part of the conversion project. As such there is no question of Samastipur-Darbhanga and surroundings having been given any special consideration for industrial development."

2.16 One of the considerations on which part conversion was taken up was that it would serve the Air Force Head-quarters at Darbhanga. However, in reply to a question, Ministry of Railways have stated that no specific request was received for this conversion project from the Air Force at Darbhanga.

2.17 In August 1975, the Railway Board had furnished to PAC a note on-policy regarding construction of new Railway lines [vide p. 45 of 191st Report of PAC (1975-76)] It was mentioned that in the case of gauge conversions, a project is taken up (i) when a section becomes saturated and is incapable of handling additional traffic (ii) when the magnitude of transshipment involved is such that it is uneconomical or is not feasible at all (iii) when they are needed for providing speedy and uninterrupted means of communication to areas which have potential growth.

2.18 The Committee desired to know how conversion of Samastipur-Darbhanga section could be justified when even the existing metre gauge capacity, was not being utilised fully. The Ministry of Railways (Railway Board) have stated in a written reply :

“The North Bihar region suffers from back wardness and high population density. To satisfy the aspirations of the people of backward region, the Railway Ministry took a decision to approve this work in 1974-75.”

2.19 Even after conversion of Samastipur-Darbhanga line, traffic moving beyond Darbhanga and upto Raxaul would have needed transshipment at Darbhanga. The Committee enquired how it was consider gainful to have transshipment at Darbhanga instead of Samastipur. In a note furnished in this regard the Ministry of Railways (Railway Board) have explained the position thus :

“Bulk of freight traffic movement from Samastipur to Darbhanga consists of traffic for destination to Raxaul. About 80% of the traffic movement is for Raxaul and the balance 20% gets dissipated on the section connected to Samastipur-Darbhanga for working the metre gauge system from Samastipur to Darbhanga and beyond. The transshipment from BG to MG is done at Garhara/Barauni and not at Samastipur.

It may also be appreciated that after the gauge conversion of Samastipur-Gorakhpur section, there has been a distinct shift in the pattern of movement of traffic to Nepal, in as much as 80% of the bulk traffic comprising of foodgrains, fertilizers, cement, etc., is now going over to the BG terminal at Narainpur Anant near Muzaffarpur, leaving about 20% of it going to Raxaul by transshipment at Barauni. The gauge conversion of Samastipur-Darbhanga does not, therefore, materially alter this position. Darbhanga may perhaps come in for consideration as a transshipment point later, when the construction of Sakri-Hasanpur new MG line will be completed. but this obviously will not be in lieu of Samastipur where, as already stated, no transshipment is done at present.

The proposed construction of the BG link from Samastipur to Darbhanga, has however, assumed a new dimension with the

commissioning of the road bridge across the Ganga at Patna. Darbhanga area is an important part of the under-developed and backward region of North Bihar with a very high population density. With the conversion of the Samastipur-Sonepur-Gorakhpur section to BG, involving break of gauge at Samastipur, the passengers destined for Darbhanga have now per force to disperse from Patna by road to avoid double transshipment. Transport problem of population of north Bihar can be mitigated if the focal point for dissipation of this passenger traffic namely Darbhanga, is connected to BG system, by gauge conversion from Samastipur to Darbhanga."

2.20 Audit para points out that no priority was given to this project by the Ministry of Railways (Railway Board), and only token allotment of Rs. 1000 was made till 1979-80.

2.21 The Committee desired to know why only Rs. 1000 were allotted to this project till 1979-80. The Ministry of Railways (Railway Board) have stated in a note as under :

"After approval of the work in 1974-75, the North Eastern Railway considered it necessary to review the provision of bridges and widening/raising of formation after the unprecedented floods of 1974 which had adversely affected this section. The original scheme of conversion as was envisaged in 1970 based on which the work was approved at an approximate cost of Rs. 4.75 crores did not fit in, in the context of the changed circumstances. The North Eastern Railway had undertaken post flood review of 1974, and a Final Engineering-cum-Location survey in 1976-77. In view of this development requiring need for the surveys and recasting of the estimate, it was considered advisable to allot nominal funds till the final scheme was available to the Ministry for taking investment decision."

2.22 Following is the chronology of events after the project was sanctioned by Railway Board in 1974-75 :

September 1974	Railway Board approved the conversion project.
December 1974	Abstract estimate for Rs. 9.62 crores submitted to Railway Board.

March 1975	Railway Board asked the Railway to prepare fresh estimate due to changes arising from abnormal floods.
June 1975	Railway Board sanctioned final location survey of the project.
August 1977	Final location survey report submitted to Railway Board (Rs. 9.41 crores -3.58% return).
December 1980	Railway Board sanctioned urgency certificate for Rs. 60 lakhs.
June 1981	Railway Board took a decision on the various alternatives suggested by Zonal Railway in its final location survey report submitted in August, 1977.

2.23 The Committee enquired as to how this work acquired priority suddenly in December 1980 so as to justify its being taken up on an urgency basis when it was postponed for more than six years. In reply, the Ministry of Railways (Railway Board) have stated in a note :

“The North-Eastern Railway had to review the estimate after the unprecedented floods of 1974, as the cost of Rs. 4.75 crores approved in 1974-75 did not appear realistic. Subsequently, in 1976-77 a Final Location-*cum*-Engineering survey was also done to arrive at a more realistic estimate. The North Eastern Railway had made 3 alternatives including setting up a transshipment shed at Darbhanga in the reappraisal of 1977 and this was under consideration of the Ministry. These are as under :

- (i) Straight conversion to BG with transshipment facilities at Darbhanga for Darbhanga-Raxaul (including) and Darbhanga-Jaynagar-Nirmali-Laukaha Bazar branches, called alternative I hereafter. (This would involve the expansion of the transshipment facilities at Muzaffarpur to take care of the traffic on Sagauli-Narkatiaganj, Narkatiaganj-Raxaul, Narkatiaganj-Bagaha and Narkatiaganj-Bhiknathoree and Sagaul-Raxaul section) ...8.6 crores.

- (ii) **Straight conversion with transshipment facilities for dealing with the entire traffic of Darbhanga-Narkatiaganj-Muzaffarpur section and the branches emanating there from (excluding the traffic presently transhipped at Muzaffarpur called Alt. II hereafter)... 9.0 crores.**
- (iii) **Mixed gauge BG/MG track... Rs. 6.61 crores. As the various alternatives and detailed estimate was under review of the Ministry, an urgency certificate for Rs. 60 lakhs was sanctioned to commence the work on formation and bridges etc. The commencement of the work was only possible through the sanction of the urgency certificate, in absence of the sanction of the detailed estimate."**

2.24 When asked whether the sanction of this work on urgency certificate was in contravention of the rules on the subject, the Ministry of Railways (Railway Board) stated in a note :

"The urgency certificate was sanctioned to authorise the Railway to commence the work of formation and bridges etc., as it was expected that the detailed estimate would need to be updated and therefore, its sanctioned would take some time especially due to the steep price escalation, since the preparation of the project estimate in 1977.

The urgency certificate was sanctioned by the Board after careful consideration of the totality of circumstances and in accordance with para 5 of preface of the engineering code."

2.25 During evidence the Committee desired to know how an urgency certificate was sanctioned by Railway Board in December, 1980 when there was no budget provision for it. To this, the representative of the Ministry of Railways (Railway Board) stated :

"Samastipur-Darbhanga is approved work; it is in the pink Book."

2.26 On being pointed out that the Railways could spend only Rs. 1000, the token provision of which had been made till 1979-80, the witness stated :

"From April there are various stages, revised budget, supplementary budget..."

2.27 In reply to a query as to whether the amount could not be included in any of these stages, the witness explained :

"Suppose there is an outlay of Rs. 10 lakhs; it was carried to Rs 60 lakh; it would have been re-appropriated...re-appropriation is permissible."

2.28 The Committee understood from the audit that the conversion of Samastipur-Darbhanga Section was recommended by the North Eastern Railway Administration provided the M.G. Rail link between Chitauri and Bagaha is also restored and the construction of new Railway line between Sakri and Hassanpur is also completed so as to avoid isolation of M.G. lines Darbhanga-Raxaul-Narkatiaganj-Bagaha, Sagauli-Raxaul, Narkatiaganj-Sagauli-Muzzaffarpur.

2.29 The details of the Estimated Cost and the Expenditure incurred on Sakri-Hassanpur Project are as under :

Sakri-Hassanpur-provision of a new MG line (60 kms).

Sanction in	1979-80
Estimated Cost	Rs. 4.75 crores
Expenditure upto 1982-83	Rs. 29.83 lakhs.

It, thus, appears that the conversion of the Samastipur-Darbhanga Section was sanctioned by Railway Board on urgency certificate in December 1980 without ensuring funds for construction of new line from Sakri to Hassanpur.

2.30 The Budget allotment for the project in various years, according to audit, was as under :

Years	Rs. (lakhs)
1979-80	0.01
1980-81	10.00
1981-82	20.00
1982-83	20.00
1983-84	1.00

It is seen from the above that even after issue of urgency certificate in December 1980, the funds allotted during 1980-81 and 1981-82 were very meagre.

2.31 According to the Audit para the two generating sets ordered for purchase for this work have subsequently been transferred for use at Samastipur Station and installed there. When asked about the cost of these two generating sets and the justification for their procurement, the Ministry of Railways (Railway Board) have, in a note, stated :

“The cost of two diesel generating sets of 250 KW; was 14.15 lakhs. These were procured in 1980.

The power supply in North Bihar was very erratic. Interruptions of your supply frequently extended upto 20-22 hours in a day. To get over the problem of interruptions in power supply when the work commenced in right earnest on Samastipur-Darbhanga conversion these generating sets were procured.

As the field work on the project has been slowed down, the generating sets are being utilised now for supplementing power supply to the various railway installations at Samastipur. As the generators were procured for facilitating the field work on Samastipur-Darbhanga gauge conversion project are also being utilised for supplementing power supply to various railway installations at Samastipur, only a proportionate cost has been charged to this project.”

2.32 Audit para points out that the total investment of Rs. 65.24 lakhs (material ; Rs. 60.00 lakhs, survey expenses : Rs. 4.19 lakhs, and other expenses ; Rs. 1.05 lakhs) remained unproductive. This also throws an unavoidable recurring liability of Rs. 3.91 lakhs per annum towards the payment of dividend.

2.33 During evidence the Committee desired to know whether the Railway Board was keen on proceeding with the conversion work. In reply, the Chairman, Railway Board stated :

“Now, we are wise enough and we will necessarily afford the necessary priority to this project”.

2.34. He added :

“Ultimately the necessity of taking up the work upto Raxul is positively there. There is no question of keeping it aside. But perhaps considering the financial constraints it will have to be projected phase after phase, not in one stroke. We would certainly keep in mind this particular area, that is the trend of movement essentially is upto Raxaul..... Darbhanga to Raxaul link will certainly be given the priority as necessary.”

2.35 The Committee understood from audit that besides this project, there were several others on which substantial expenditure had been incurred but the works had been frozen/had been slowed down. Some instances are :

1. N.E. Railway-Restoration of Chitauni Begaha Rail link (22.3 km)

Date of Sanction	November 1973
Estimated Cost	Rs. 6.74 crores
Latest anticipated cost	Rs. 10.00 crores
Expeniture upto 1982-83	Rs. 4.17 crores
Budget for 1983-84	Rs. 5.00 lakhs
Overall Progress	9%

2. Western Railway—Construction of B. G. line from Nadiad to Modasa

Date of sanction (urgency certificate)	April 1978
Estimated cost	Rs. 5.38 erores
Expenditure upto March'82	Rs. 2.10 crores
Work commenced in	June 1978
Slowed down from	November 1979
And frozen from	November 1980

3. N.E. Railway —Conversion of Bhatni-Varanasi M.G. Section into B.G. (158km)

Project sanctioned on urgency certificate in	May 1980
Estimated cost	Rs. 30 crores
Expenditure upto 1982-83	Rs. 3.3 crores
Overall progress	Rs. 9.6%

4. Sakri-Hassanpur-provision of a new MG line (60 kms.)

Sanction in	1979-80
Estimated Cost	Rs. 4.75 crores
Expenditure upto 1982-83	Rs. 29.83 lakhs

2.36 The Committee note that the Railway Administration, at the instance of the Ministry of Railways (Railway Board), examined the financial viability of conversion of Samastipur—Raxaul Branch line from Metre Gauge (MG) to Broad Gauge (BG) via Muzaffarpur and via Darbhanga in May 1964 and again in April 1969. The investigations by the Administration on both the occasions established that the conversion was not financially viable. Yet, the Ministry of Railways subsequently sanctioned Engineering cum-Traffic survey of the entire line. The survey report was submitted by North Eastern Railway to the Ministry of Railways in 1971, for both the alternative routes. After a period of more than three years the Ministry of Railways approved the part conversion of the section 'Samastipur-Raxaul' in the budget of 1974-75 at an approximate cost of Rs. 4.75 crores. The Committee observe that this part conversion was not recommended either by the General Manager or by the Financial Adviser and Chief Accounts Officer of the Railway. The reasons given by them for not recommending this part conversion project were: Firstly, the existing MG line capacity on Samastipur-Darbhanga section was not utilized fully; as against the capacity of 18 trains each way only 14 trains were running; secondly, the part conversion from MG to BG would create transshipment problems at Darbhanga in respect of large scale international traffic for Nepal moving through Raxaul, and thirdly, the return on capital would have been only 3.58 per cent as against the general norm of 10 per cent of financial viability. It is inexplicable how in the face of such cogent reasons given by the General Manager and Financial Adviser and Chief Accounts Officer against the part conversion project, the Railway Board sanctioned the project.

2.37 The Committee note in this connection that according to the policy regarding construction of new Railway lines furnished to the Committee by the Railway Board in August 4, 1975, a project for gauge conversion is taken up (i) when a section becomes saturated and is incapable of handling additional traffic, (ii) when the magnitude of transshipment involved is such that it is uneconomical or is not feasible at all, or (iii) when it is needed for providing speedy and uninterrupted means of communication to areas which have potential growth. However, in the case of Samastipur—Darbhanga section none of these criteria was satisfied.

2.38 The Committee find that after the approval of this conversion project in 1974-75, it did not receive any priority for six years as only Rs. 1000/- were allotted to it by the Railway Board till 1979-80. Suddenly, in December 1980, this section became important and deserved top priority when Railway Board decided to sanction an urgency certificate for Rs. 60 lakhs. Accordingly, Railway Administration at the instance of Railway Board submitted the urgency certificate in December 1980, and the latter sanctioned it in March 1981. But barely ten months after the sanction of the urgency certificate, this work was completely ignored and deferred as it did not fall within the category of 'important projects' prepared by the Ministry of Railways (Railway Board), in consultation with the Planning Commission (January 1982). Thus, the total investment of Rs. 65 24 lakhs incurred on the project till then became unproductive. The manner in which the order of priorities went on changing in the Railway Board from time to time in the case of this project creates a doubt whether the priorities were at all given on the basis of objective criteria and considerations. The very fact that the project was originally sanctioned in 1974 75 in the face of very sound reasons given by the local Railway Administration against it as also the facts that the proposal regarding the urgency certificate emanated from the Railway Board and not from the concerned Railway and the urgency certificate was given even when it did not satisfy any of the conditions required to be satisfied therefor add to the Committee's doubt.

2.39 The Ministry of Railways have contended that the financial viability or the operating necessity are not the only criteria for conversion of this section. The North Bihar region suffers from backwardness and high population density. To satisfy the aspirations of the people of this backward region, a decision was taken to approve this work in 1974 75. However, as the Committee observe, the fact remains that for all practical purposes there has been little progress on the work and the line remains as it was 10 years back. It has also been stated that one of the considerations on which part conversion was taken up was that it would serve the Air Force Headquarters at Darbhanga. However, it is surprising to note from a reply furnished by the Ministry of Railways that no specific request was received for this conversion project from the Air Force Headquarters at Darbhanga. It is, therefore, not clear to the Committee how it was concluded that the project was needed by the Air Force Headquarters at Darbhanga.

2.40 The Committee also find that the Ministry of Railways do not have any priority list for new conversion projects. This is a sad commentary on the State of planning in the Railways. The Committee are surprised to

learn this. The Committee desire that the Ministry of Railways should, after detailed feasibility and viability surveys, draw up a priority list of new projects in the light of object criteria with a view to avoiding *ad-hoc* selection of new projects. They would urge upon the Railway Board to sanction new conversion projective strictly as per their placement in the priority list and in such number as can be taken up for execution within the reasonably anticipated financial resources.

2.41 Several other cases have come to the notice of the Committee where after incurring substantial expenditure, the works were subsequently frozen/slowed down. On North Eastern Railway—Restoration of Chitauri Bagaha Rail link (22.3 kms.), as against the revised anticipated cost of Rs. 10 crores, an expenditure of Rs. 4.17 crores have been incurred when the work was practically frozen. By then only 9% of work had been done. On Western Railway—Construction of BG line from Nadiad to Modasa, as against the estimated cost Rs. 5.38 crores, an expenditure amounting to Rs. 2.10 crores had been incurred when the work was frozen. On the North Eastern Railway—Conversion of Bhatni—Varanasi MG section into BG (158 km.), as against the estimated cost of Rs. 30 crores, an expenditure of Rs. 3.3 crores had been incurred when the work was abandoned. Only 9.6% of work had been done. Likewise, on Shakri-Hassanpur-provision of a new MG line (60 km.) as against the estimated cost of Rs. 4.75 crores, an expenditure of only Rs. 29.83 lakhs had been incurred when the work was abandoned. There were perhaps many more such cases. Evidently, the discontinuance of work on such projects was either due to improper selection or financial constraints imposed by indiscriminate sanction of far too many projects unrelated to the available resources. There are instances of waste of scarce resources particularly when the Railways are complaining of shortage of fund. The Committee deplore the lack of proper planning in selection and execution of these projects which has resulted in locking up of colossal sums of money without any prospects of return in the foreseeable future. The Committee would like to be apprised of the details of all such project in respects of which work has been frozen/slowed down/abandoned, indicating specifically in each case whether the Railways propose to revive them or not and if so, when.

2.42 The Chairman, Railway Board stated in evidence that “Now we are wise enough and we will necessarily afford the necessary priority to the project.” It was further stated by him that ultimately the necessity of taking up the work upto Raxaul is ‘positively there’ as the trend of movement essentially is upto Raxaul, but considering the financial constraints it will

have to be projected phase after phase and not in one stroke. The Committee feel that since this project has already been taken up it should be ensured by the Ministry of Railways that it is progressed to completion at an early date without any interruption.

NEW DELHI :

April 26, 1984

Vaisakha 6, 1906 (S)

SUNIL MAITRA

*Chairman,
Public Accounts Committee.*

A P P E N D I X

APPENDIX

Statement of Observations/Recommendations

Sl. No.	Para No.	Ministry/ Deptt. Concerned	Observations/Recommendations
1	2	3	4
1.	1.90	Railways	<p>The Ministry of Railways (Railway Board) accorded in January, 1971 their sanction for undertaking a survey for the construction of a broad gauge (BG) line (41.96 Km.) between Diva Station on Central Railway and Bassein Road Station on Western Railway. The objects of the line as given in the Project Report were mainly to cater to the interchange traffic between Western Railway and Central Railway (Dadar junction to be closed to interchange goods traffic because of saturation of the existing section), to avoid detention caused to the wagons interchanged at Dadar and marshalling of the wagons in Bandra marshalling yard and to give relief to the suburban sections of both the Central and Western Railways. Based on the survey, the construction of the BG line was sanctioned at an estimated cost of Rs. 10.33 crores (without electrification) and Rs. 12.73 crores (with electrification) by the Ministry of Railways (Railway Board) in April, 1972. The work on the project commenced in March, 1973 and was scheduled to be completed within three years <i>i.e.</i>, by March, 1976. However, only 22.64% of the work was done by March, 1976. The line was certified fit for operation with diesel traction with effect from 25.11.1980, <i>i.e.</i>, more than four and a half</p>

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years after its scheduled date of completion, at a cost of Rs. 28.80 crores. However, even after completion, the line was not commissioned and a further period of more than two years elapsed before it was commissioned in April, 1983.

2. 1.91 Railways

As regards the reasons for the delay in the completion of the project, the Ministry of Railways have stated that the project was finally cleared only on 1.12.1972. With the major part of the financial year already over, the allotment for the Project got reduced from the original figures of Rs. one crore to Rs. 13.28 lakhs. It was not possible to allocate sufficient funds for progressing this work during the financial years 1973-74 to 1975-76 because of the twin effects of costs of projects going up steeply and of economy cuts being imposed on both "Plan" and "Non-plan" expenditure in the wake of the oil crisis. The funds allotted to the project upto 1975-76 amounted to only Rs. 6.18 crores (*i.e.* about 48% of the original estimate). The Committee are unhappy over the manner in which the Railway Administration had acted in this case. They observe that while this project suffered on account of financial constraints, the Railways have sanctioned other such projects during the same period. The Committee fail to understand why they should have taken in hand new projects, resulting in further scattering of scarce resources when the Railways were well aware of the financial constraints. The Committee have pointed out time and again that it is unwise to take up too many projects thereby spreading the limited resources at the disposal of the Railways so thinly as not to make any impact. The Committee need hardly point out

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that it not only delays the project but also results in escalation of cost. How costly the slashing of the allotment had proved in the present case will be seen from the fact that the project which was planned to be completed in three years actually completed in seven and a half years and the cost had risen from Rs. 12.73 crores (with electrification) as per original estimate to Rs. 23.48 crores as per first revised estimate of May, 1978 and again to Rs. 28.80 crores as per second revised estimate of May, 1982. An analysis of the rise in cost between the first and the second revised estimate shows that over 75% of it was accounted for by cost overrun alone and less than 25% by increase in the scope of the project. The Chairman, Railway Board admitted in evidence "We have been spreading the available resources on far too many works simultaneously instead of taking up one or two works and complete it in one or two or three years so that gestation period is cut down and cost is cut down." The Committee trust, in future, on-going schemes and projects will not be allowed to suffer.

3. 1.92 Railways

The Committee are astonished at the extent of vacillation shown by the Railways in taking a decision on the mode of traction to be adopted. The mode of traction stipulated in April, 1972 project estimate was 25 KV AC. A Committee was then appointed to go into the question whether 25 KV AC traction or 1500 V DC traction would be more desirable. The Committee recommended 1500 V DC system for reasons of operational flexibility and factors of economic advantage with DC system at traffic levels. The Committee felt that difficulties may be encountered in arranging 25 KV

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new line would be between two electrified sections, it is not understandable why in October 1977, the Board should have decided on diesel traction even as an intermediate phase. It is yet another example of total lack of planning and perception in the Railway Board. The Committee would like the Railway Board to ensure that such costly mistakes are not repeated in future.

4. 1.93 Railways

An equally painful aspect of the case is the award of the contract for earthwork and minor bridges in Section VII-A by the Railway Administration even before it was in possession of the site. This contract was awarded to contractor 'A' in December, 1973 to be completed by March, 1975. The Railway Administration was not having possession of the land at the time of awarding the contract. The State Government completed land acquisition proceedings in November, 1974 only. The dispute in this section arose as the contractor claimed (July, 1977) Rs: 40 lakhs on account of delay in handing over the site and the resultant escalation in rates, idling of machinery, wage revision, etc. In extenuation, the Ministry of Railways (Railway Board) have stated that private negotiations were conducted with the land owners in terms of para 608-E (revised Engineering Code para 808-E) with a view to taking advance possession of some stretches without losing time. After carrying out such negotiations, 10 contracts covering the length of 13.10 Km., which also included Section VII-A, were awarded. This procedure, which had also been adopted in other contracts, had worked satisfactorily. However, in case of Sections VII-A and VII-B, the land owners,

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after having entered into an understanding with the Railways, resiled from the undertaking given by them and obstructed the contractor and prevented him from doing the work. While the Committee do not object to the approach of the Railway Administration in conducting negotiations with the land owners in terms of para 608-E (revised Engineering Code para 808-E), they feel that there was no justification on the part of the Railway Administration for awarding the contract before it was in possession of the site. Also, this action of the Railway Administration was in violation of the Ministry of Railways (Railway Board's) standing instructions of 1972 which enjoin, *inter alia*, that the Railway Administration should invite tenders only when fully prepared to hand over the sites. In this connection, the Committee note the admission made by the Chairman, Railway Board before the Committee in evidence, "we have learnt from the past that we must first get the land 100% into our custody before we start the work. Otherwise land prices appreciate and there is a lot of problem of acquiring the land anywhere." The Committee trust that necessary action will be taken by the Railway Board to ensure that their aforesaid standing instructions are strictly adhered to by the Railway Administrations and that in future no contract is awarded by a Railway Administration unless it is fully prepared to hand over the site to the contractor.

5. 1.94 Railways

The Committee are amazed over the manner in which the Railway authorities had acted in the matter of arbitration proceedings. The Arbitrators, who were serving Railway Officers,

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directed both the contractor and the Railway Administration to send statements of facts and claims/counter claims by March, 1978. While the contractor submitted his statement in March, 1978, the Railway Administration failed to file their counter-statement despite repeated extensions given by the Arbitrators—upto 31 May 1978, 31 July 1978 and 31 August 1978. Even thereafter, the Railway Administration, instead of submitting the counter-statement, allowed time to lapse first in raising certain doubts and later on in questioning the jurisdiction of the Arbitrators to continue the proceedings. On 4.9.1978, the Arbitrators called up the Railway Administration to file their counter-statement without further loss of time. Even though the date was finally extended upto 31 December, 1978 by the Arbitrators, the Railway Administration did not submit the counter-statement. On 7.4.1979, the Arbitrators, published their award ex-parte and directed the Railway Administration to pay Rs. 17.51 lakhs towards the claims of the contractors and Rs. 1.46 lakhs towards interest. The original value of the contract was Rs. 29.79 lakh only.

6. 1.95 **Railway**

It is inexplicable why the Railway Administration, after appointing two serving Railway Officers as Arbitrators in January, 1978, should have failed to submit their claims/counter-claims even though repeated extensions had been given to them by the Arbitrators. The explanation given by the Ministry of Railways (Railway Board) for the Railway's failure to do this was 'the pre-occupation of the concerned Executive Engineer during the busy season'. The Committee are surprised at this. Another explanation given during evidence was that if "we had submitted (the claim)" it would have

AC supply for a short section between two DC systems. The Committee submitted its report in May, 1973 and the Railway Board accepted it. However, even after accepting the report, the indecisiveness in the Railway Board continued. In October, 1977, the Railway Board decided that the Diva-Bassein line should be commissioned with diesel traction in the first instance as an intermediate phase, although the original location survey-cum-traffic re-appraisal had not favoured diesel traction on the consideration that the new line would be between two electrified sections and the diesel locomotives required for the section may have to be worked from the homing shed at Ratlam. In May, 1973, the cost of the project was revised to Rs. 23.48 crores from Rs. 12.73 crores, taking into account the change in the mode of traction from 25 KV AC to 1500 V DC. However, the work on the diesel traction continued. In November, 1980, the line was certified fit for operation with diesel traction. But the line was not commissioned considering that an investment of Rs. 75.78 lakhs would have to be made for the the transitory period on creation of facilities for inter-change at Bassein Road and maintenance/service facilities at Kalyan. However, while taking this decision, no detailed assessment had been made of the return that would have accrued from commissioning of the line with diesel traction. Thus, even after completion, the line constructed at a cost of over Rs. 28 crores remained unused for over two years. It was commissioned only in April, 1983 with DC traction. When the original location survey-cum-traffic re-appraisal made in 1972 had not favoured diesel traction on the consideration that the

been taken that "we were submitting to the jurisdiction" of the Arbitrators. The Committee find this explanation as unacceptable as the first one. When questioned in evidence, the representative of the Railway Board conceded. "I do agree that the (contractor's) claims should have been refuted. They (the Railway Administration) should have submitted their counter-claims. We could have filed it (our counter-claims) saying we are doing so under protest." It appears to the Committee that it is not a case of mere negligence, it is something more than that. The Committee desire that the matter should be investigated in depth by an independent authority as to why the Railway officials had allowed the claims of the Railways to go by default and responsibility fixed. The Committee would like to be informed of the results of the investigations within a period of six months from the presentation of this Report.

7. 1.96 Railways

The work on the Diva-Bassein project was executed in 33 sections under various contracts. How badly the Railway Administration had managed their affairs may be gauged from the fact that out of these 33 contracts, disputes arose in 27 contracts. The claims preferred by various contractors totalled Rs. 504.09 lakhs (approximately). In six disputed contracts, as against Rs. 110.52 lakhs claimed by the contractors, Rs. 37.29 lakhs were paid by the Railway as a result of Arbitration awards. In 12 other contracts, the dispute was settled by discussion and the amount paid was Rs. 6.69 lakhs as against of Rs. 206.74 lakhs claimed by the contractors. As regards the remaining nine contracts involving claims of Rs. 186.83

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			<p>lakhs by the contractors, the Ministry of Railways (Railway Board) have stated that these claims relate to excepted matters or matters outside the scope of the contracts and for this reason the claims were not accepted by the Railways. The Committee are informed that the contractors have now approached the Bombay High Court for appointment of Arbitrators and the Railways are contesting the cases. The Committee would like to be informed of the decision of the High Court in this regard.</p>
8.	1.97	Railways	<p>The Committee note that as per Railways Book of Specifications, there are two types of embankments—one for formation without compaction (specification No. 201) and the other for formation with compaction (specification No. 202). In this project, certain embankments were classified under specification No. 202 while in the same section some embankments were also classified under specification No. 201. An additional non-standard item 'Extra for compaction' was also provided to cater for contingencies of compacting earth, wherever required separately. The Committee fail to understand the need for the non-standard extra item in view of the overall specification No. 202, <i>i.e.</i> embankment with compaction. According to the Ministry of Railways (Railway Board), no compaction was considered necessary with "good" soil and embankments upto a height of six metres while compaction was needed in case the embankment was more than six metres even if "good" soil was available. If so, the Committee feel, the appropriate course for the Railway Administration was to have split up the sections for either "formation with compaction" or "forma-</p>

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tion without compaction" as per Railways Book of Specifications and proceed accordingly. This unfortunately they did not do. Even if non-standard extra item had been provided, the Railway Administration should have ensured that the rate prescribed for specification (No. 201) plus extra for compaction was not more than the rate fixed for specification No. 202. This also was not done, with the result that the Railway Administration had to make avoidable extra payment of Rs. 5.46 lakhs. Actually, the avoidable extra payment on account of operation of the non-standard item would be much more, considering the fact that in five other contracts, claims amounting to Rs. 16.65 lakh arising out of disputes over various matters including operation of this non-standard item were awarded by the Arbitrators. However, the exact amount relating to the non-standard item could not be segregated, as the awards did not give any item-wise break-up. In the opinion of the Committee, it is a case of failure to do proper preparatory work in the first instance and failure to negotiate proper rates thereafter. The Committee would like the Ministry of Railways to suitably deal with the concerned officials and to ensure that such lapses do not recur.

9. 1.98 Railways

Another matter in which the Railway Administration had shown poor management was the construction of major bridges. Work orders for the fabrication of five steel girders required for the two major bridges on this line were issued to the Railway's Civil Engineering workshop at Manmad in May, 1975, though the work on the project was commenced in March, 1973. According to the Ministry of Railways (Railway Board), the tenders for

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			<p>manufacture, supply and erection of girders opened on 1.11.1973 had to be cancelled by the Railway Administration due to non-availability of adequate funds during 1974-75. The Committee have already recommended that as far as possible, allotment of funds on on-going works should not be slashed.</p>
10.	1.99	Railways	<p>The fabrication of steel girders should have synchronized with the completion of the sub-structure of the bridges. It is, however, seen that while the work of the sub-structures was completed by the contractor in September, 1977, the fabrication of the girders was not done by the Railway Workshop, Manmad. It was stated in extenuation that there were breaches during the monsoon of 1976 on the Western Railway, and the Railway bridge over Daman Ganga was washed away. For restoring traffic, the two spans of 45.7 M which had been fabricated by Manmad Workshop at that time were ordered to be diverted for this bridge. In addition, four more spans which were under fabrication or were due to be taken up for fabrication shortly were also ordered to be diverted for restoration of traffic on Western Railway. While the Committee appreciate the extenuating circumstances in which the Manmad Workshop could not deliver the fabricated girders, they cannot help observing that the Railway Administration had failed to monitor the progress of the fabrication of steel girders and there was communication gap between the Railway Administration and the Manmad Workshop. Had the Railway Administration kept a proper watch on the progress of fabrication work in the Manmad Workshop, they would have come to know much earlier that the Manmad Workshop would not be able</p>

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			to deliver the girders as per schedule. In such a case, the project authorities could have tapped alternative sources much earlier such as the Mughalsarai Workshop or any outside agency fabricating such girders.
11.	1.100	Railways	<p>In November, 1977, the Railway Administration made efforts to obtain girders from the market by open tenders, but they were not successful. In August, 1978, the Chief Bridge Engineer had stated that the Railway Workshop at Manmad could supply the girders by December, 1979 at a fabrication cost of Rs. 1800 per tonne. The Railway Administration did not accept this offer but decided to get the work done by contract. On the basis of the lowest tender, the work was awarded in April, 1979 to a public sector undertaking, M/s. Bridge & Roof who offered to supply the girders by August, 1979 at the rate of Rs. 2700 per tonne plus escalation charges on account of revision of wages, subject to a ceiling of Rs. 540 per tonne. Thus, in effect, the Railway Administration agreed to pay Rs. 3240 per tonne as fabrication charges to M/s. Bridge & Roof as against Rs. 1800 per tonne offered by the Manmad Workshop. The explanation given in evidence by the representative of the Railway Board for not awarding the contract to the Manmad Workshop was that "Manmad would not have been able to supply them during this period. Manmad would have produced it later." The Committee are not convinced by this explanation. Considering the usual time required for finalisation of tenders and the stipulated period of execution of contracts and the extensions likely to be given, the Railway Administration</p>

could have foreseen that there would not be any material difference in the delivery dates of the Railway Workshop and the contractor. The Administration had an added advantage in the case of the former in as much as it could exercise pressure at a higher level to get the work executed departmentally. As it actually turned out, on account of delay on the part of the Railway Administration in supply of material to the contractor, nearly 1/5th of which was found defective, the contractor could complete the delivery in September, 1980—*i.e.* about 10 months after the Chief Bridge Engineer, Manmad Workshop had offered to do. The extra payment made to the contractor—M/s. Bridge & Roof—works out to Rs. 8.43 lakhs. The manner in which the Railway Administration had handled this case hardly redounds to their credit.

12. 1.101 Railways

The foregoing paragraphs show that in the execution of this project there were numerous acts of omission and commission on the part of the project authorities and the Railway Board. Apart from lack of proper planning and poor management which had resulted in as many as 27 disputes in 33 sections, there was incomprehensible indecisiveness and ambivalence in deciding the mode of traction to be adopted. These, together with the heavy cut in the allotment of funds just when the work on the project had started, resulted in the commissioning of the line in over 10 years instead of three years, envisaged in the estimate. The cost also shot up from Rs. 12.73 crores to Rs. 28.80 crores. And more importantly, the main objects for which the project was undertaken, *i.e.* to avoid detention caused to wagons interchanged at Dadar and to

provide relief to suburban services of both the Central and Western Railways, remained unfulfilled from March 1976 (when the project was expected to be completed) till April, 1983 (when the line was commissioned with DC traction). The Committee expect the Railways to draw appropriate lesson from this case so as to be more careful in future while handling execution of such projects. In particular, the Committee would like the Ministry of Railways (Railway Board) to examine whether the existing system of contracts under which disputes had arisen in 27 contracts in 33 sections needed to be overhauled.

13. 2.36 Railways

The Committee note that the Railway Administration, at the instance of the Ministry of Railways (Railway Board), examined the financial viability of conversion of Samastipur—Raxaul Branch line from Metre Gauge (MG) to Broad Gauge (BG) *via* Muzaffarpur and *via* Darbhanga in May, 1964 and again in April, 1969. The investigations by the Administration on both the occasions established that the conversion was not financially viable. Yet, the Ministry of Railways subsequently sanctioned Engineering-cum-Traffic survey of the entire line. The survey report was submitted by North Eastern Railway to the Ministry of Railways in 1971, for both the alternative routes. After a period of more than three years the Ministry of Railways approved the part conversion of the section 'Samastipur—Raxaul' in the budget of 1974-75 at an approximate cost of Rs. 4.75 crores. The Committee observe that this part conversion was not recommended either by the General Manager or by the Financial Adviser and Chief Accounts Officer of the Railway. The reasons

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given by them for not recommending this part conversion project were: Firstly, the existing MG line capacity on Samastipur—Darbhanga section was not utilized fully; as against the capacity of 18 trains each way only 14 trains were running; secondly, the part conversion from MG to BG would create transshipment problems at Darbhanga in respect of large scale international traffic for Nepal moving through Raxaul; and thirdly, the return on capital would have been only 3.58 per cent as against the general norm of 10 per cent of financial viability. It is inexplicable how in the face of such cogent reasons given by the General Manager and Financial Adviser and Chief Accounts Officer against the part conversion project, the Railway Board sanctioned the project.

14. 2.37 Railways

The Committee note in this connection that according to the policy regarding construction of new Railway lines furnished to the Committee by the Railway Board in August, 1975, a project for gauge conversion is taken up (i) when a section becomes saturated and is incapable of handling additional traffic, (ii) when the magnitude of transshipment involved is such that it is uneconomical or is not feasible at all, or (iii) when it is needed for providing speedy and uninterrupted means of communication to areas which have potential growth. However, in the case of Samastipur—Darbhanga section none of these criteria was satisfied.

15. 2.38 -do-

The Committee find that after the approval of this conversion project in 1974-75, it did not receive any priority for six years as only Rs. 1000/- were allotted to it by the Railway Board till 1979-80. Suddenly, in December,

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1980, this section became important and deserved top priority when Railway Board decided to sanction an urgency certificate for Rs. 60 lakhs. Accordingly, Railway Administration at the instance of Railway Board submitted the urgency certificate in December, 1980, and the latter sanctioned it in March, 1981. But, barely ten months after the sanction of the urgency certificate, this work was completely ignored and deferred as it did not fall within the category of 'important projects' prepared by the Ministry of Railways (Railway Board), in consultation with the Planning Commission (January 1982). Thus, the total investment of Rs. 65.24 lakhs incurred on the project till then became unproductive. The manner in which the order of priorities went on changing in the Railway Board from time to time in the case of this project creates a doubt whether the priorities were at all given on the basis of objective criteria and considerations. The very fact that the project was originally sanctioned in 1974-75 in the face of very sound reasons given by the local Railway Administration against it as also the facts that the proposal regarding the urgency certificate emanated from the Railway Board and not from the concerned Railway and the urgency certificate was given even when it did not satisfy any of the conditions required to be satisfied therefor add to the Committee's doubt.

16. 2.39 Railways

The Ministry of Railways have contended that the financial viability or the operating necessity are not the only criteria for conversion of this section. The North Bihar region suffers from backwardness and high population

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density. To satisfy the aspirations of the people of this backward region, a decision was taken to approve this work in 1974-75. However, as the Committee observe, the fact remains that for all practical purposes there has been little progress on the work and the line remains as it was 10 years back. It has also been stated that one of the considerations on which part conversion was taken up was that it would serve the Air Force Headquarters at Darbhanga. However, it is surprising to note from a reply furnished by the Ministry of Railways that no specific request was received for this conversion project from the Air Force Headquarters at Darbhanga. It is, therefore, not clear to the Committee how it was concluded that the project was needed by the Air Force Headquarters at Darbhanga.

17. 2.40 Railways

The Committee also find that the Ministry of Railways do not have any priority list for new conversion projects. This is a sad commentary on the state of planning in the Railways. The Committee are surprised to learn this. The Committee desire that the Ministry of Railways should, after detailed feasibility and viability surveys, draw up a priority list of new projects in the light of objective criteria with a view to avoiding ad-hoc selection of new projects. They would urge upon the Railway Board to sanction new conversion projects strictly as per their placement in the priority list and in such number as can be taken up for execution within the reasonably anticipated financial resources.

18. 2.41 -do-

Several other cases have come to the notice of the Committee where after incurring substantial expenditure, the works were subsequently frozen/slowed down. On North Eastern

Railway—Restoration of Chitauni Bagaha Rail link (22.3 kms.), as against the revised anticipated cost of Rs. 10 crores, an expenditure of Rs. 4.17 crores had been incurred when the work was practically frozen. By then only 9% of work had been done. On Western Railway—Construction of BG line from Nadiad to Modasa, as against the estimated cost of Rs. 5.38 crores, an expenditure amounting to Rs. 2.10 crores had been incurred when the work was frozen. On the North Eastern Railway—Conversion of Bhatni—Varanasi MG section into BG (158 km.), as against the estimated cost of Rs. 30 crores, an expenditure of Rs. 3.3 crores had been incurred when the work was abandoned. Only 9.6% of work had been done. Likewise, on Sakri-Hassanpur-Provi sion of a new MG line (60 km.) as against the estimated cost of Rs. 4.75 crores, an expenditure of only Rs. 29.83 lakhs had been incurred when the work was abandoned. There were perhaps many more such cases. Evidently, the discontinuance of work on such projects was either due to improper selection or financial constraints imposed by indiscriminate sanction of far too many projects unrelated to the available resources. There are instances of waste of scarce resources particularly when the Railways are complaining of shortage of funds. The Committee deplore the lack of proper planning in selection and execution of these projects which has resulted in locking up of colossal sums of money without any prospects of return in the foreseeable future. The Committee would like to be apprised of the details of all such projects in respect of which work has been frozen/slowed down/abandoned, indicating specifically in each case whether the Railways propose to revive them or not and if so, when.

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19.	2.42	Railways	<p>The Chairman, Railway Board stated in evidence that "Now we are wise enough and we will necessarily afford the necessary priority to the project." It was further stated by him that ultimately the necessity of taking up the work upto Raxaul is 'positively there' as the trend of movement essentially is upto Raxaul, but considering the financial constraints it will have to be projected phase after phase and not in one stroke. The Committee feel that since this project has already been taken up it should be ensured by the Ministry of Railways that it is progressed to completion at an early date without any interruption.</p>
