P.A. C. No. 175

PUBLIC ACCOUNTS COMMITTEE (1967-68)

TWENTY-SECOND REPORT

(FOURTH LOK SABHA)

[Third Five Year Plan of the Railways—Chapter I and Paras 16 and 17 of the Audit Report (Railways) 1967]

LOK SABHA SECRETARIAT
NEW DELHI
March, 1968/Phalguna, 1889 (Saka)
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Page	Para	Line	For	Read
(ii)		11	Appreisal	Appraisal
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3	1.5	5	productions	reductions
8	1.15	1	para	para 1.3
14	1.30	3	Railways Board	Railway Board
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36	2.32	10	HELL	HEIL
[illegible]	3.5	15	Appendix VIII	Appendix VII
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-	4.8	1	the year	the last year
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125		33	Kanddla	Kandla
138		28	Operational	Operation

(P.T.O.)

Page	Para	Line	For	Read
152		17	FONTIER	FRONTIER
162		2	Para No.5.17	Para No.5.18
163		5	covedeo	covered
164		1	bought-out	brought-out
168		2	Para No.5.27	Para No.5.28
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191	Col.4	24	become	became
193	Col.4	13	Committees	Committee
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194	Col.4	16	various	different

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(1967-68)

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*Declared elected on the 30th November, 1967 *vice* Shri Mohammed Yunus Saleem ceased to be Member of the Committee on his appointment as Deputy Minister.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Twenty-second Report on the Third Five Year Plan of the Railways—Chapter—I and paras 16 & 17 of the Audit Report (Railways), 1967.

2. The Appropriation Accounts (Railways), 1965-66 together with the Audit Report thereon were laid on the Table of the House on the 21st March, 1967. The Committee examined Chapter—I and paras 16 & 17 of Audit Report (Railways), 1967 at their sitting held on 11th December, 1967 (AN). The Committee considered and finalised this Report at their sitting held on 11th March, 1968 (AN). Minutes of each sitting of the Committee form part II* of the Report.

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

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

5. They would also like to express their thanks to the Chairman and Members of the Railway Board and representatives of the Ministry of Industrial Development and Company Affairs, the Ministry of Steel, Mines and Metals and the Planning Commission for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
March, 12, 1968.
Phalguna 22, 1889 (*Saka*).

M. R. MASANI,
Chairman,
Public Accounts Committee.

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I

TRAFFIC FORECASTS

(a) General

The anticipated expenditure during the Third Five Year Plan on Works, Machinery and Rolling Stock Programme and Inventories of Railways was Rs. 1,325 crores of which Rs. 505 crores was expected to be financed from their own resources, that it, from Revenue, Depreciation Reserve Fund and Development Fund. The actual outlay amounted to Rs. 1,686 crores of which the Railways' contribution was Rs. 546 crores.

1.2. The Plan outlay of Rs. 1,325 crores was based on the expectation of increased traffic to be moved during the Third Plan reaching a level of 249 million tonnes of originating goods traffic in the last year of the Plan, namely 1965-66. This meant an increase of 93 million tonnes over the originating goods traffic moved in the last year of the Second Plan which was 156 million tonnes. The anticipated increase in non-suburban passenger traffic was 3 per cent per annum. The Audit Report pointed out that while the actual increase in the non-suburban passenger traffic was 3.4 per cent per annum there was a substantial shortfall in the goods traffic. In 1965-66, the originating goods traffic moved was only 203 million tonnes.

1.3. At the instance of the Committee the Ministry of Railways (Railway Board) furnished notes stating the methodology of planning adopted by the Railway Board and the different stages in the formulation and review of Plan programmes. It has been stated in one of the notes:—

> "The Railways' plans are developed on the estimated increase in traffic over the plan period concerned. These estimates are specific in respect of certain major commodities including coal, raw materials for and finished products from steel plants, export ores, railway materials, foodgrains, cement, Petrol Oil and Lubricants, and fertilisers; a more general basis of increase is adopted for the remaining traffic. The major part of traffic anticipations is thus specifically determined in consultation with the Planning Commission and other Ministries of the Government concerned with these industries. Production estimates and plans for expansion are obtained, analysed, and used for developing traffic forecasts. These estimates are cross-checked with empirical data of past growth patterns, and

firm forecasts are thus developed. Having made initial traffic estimates, a constant liaison is maintained with the Planning Commission and with other sources of information. Changes in sectoral plans are noted and the Railways' own traffic estimates modified according to changing trends and anticipations in economic growth in the country. The plans are, therefore, flexible and subject to frequent review.

Finally, the development of additional transport capacity on the Railways has two main aspects. Increased capacity in terms of fixed structures and track takes a long time to develop. It also grows in 'blocks' and cannot be tailored to meet changing needs from year to year. It is considered most economic as well as advisable to plan for block increases even though this may lead to transport capacity temporarily in excess/short of requirements at the end of one Plan period or another. The development of rolling stock capacity is more amenable to quick change, though here again violent fluctuations in wagon orders have to be avoided. In both cases, however, the perspective of planning becomes important: not necessarily the year-to-year estimates of traffic and the requirements of capacity, but requirements viewed as for the end of a Plan period, and the yearly approach towards them."

1.4. The first traffic forecasts for the Third Five Year Plan were made in October, 1960 at the time of deliberations of the Railway Convention Committee. As per these forecasts the traffic expected to be moved in the last year of the Plan was 238.8 million tonnes. The basis for the forecast has been stated in the note furnished by the Ministry as under:—

"The production targets in the major industrial sectors mentioned above had, however, not yet taken final shape, and a precise indication about financial outlay during the Third Plan was not available.

Assuming a traffic level of 164.6 million tonnes in 1960-61, and on the basis of available information, the Planning Commission, in February, 1960, indicated rail transport requirement of 238.8 million tonnes by 1965-66. The outlay proposed was Rs. 1255 crores, for an increase of 74.2 million tonnes in originating freight, and 15 per cent in passenger traffic over the Plan period. The freight traffic anticipa-

tions assumed the following production levels in major industries by the end of the Plan:

Steel	. . .	8.9 million tonnes
Pig Iron	. . .	1.5 million tonnes
Coal	. . .	91.4 million tonnes
Cement	. . .	13.2 million tonnes

In respect of general goods traffic, including railway materials and iron ore for export, an increase of 5 per cent per annum was provided for. The basis for this projection was the actual increase of 5.2 per cent per annum during the period from 1951-52 to 1955-56, and of 4.52 per cent per annum from 1956-57 to 1960-61."

1.5. In March, 1961, the above forecast prepared in October, 1960 was revised to 248.9 million tonnes. This was the result of an upward revision of the estimates in respect of raw materials and coal for the Steel Plants, coal for the general public and Railway material and certain productions in the case of other items. The Third Five Year Plan, however, noted:

"The Development Programmes for coal and certain other important industries have not yet all been worked out in full detail. As their exact nature and requirements become clear, it will be possible to coordinate the railway programme with them more closely so as to ensure that they move forward in harmony and their phasing and implementation are carefully synchronised. Furthermore, since the overall estimates of traffic can only be treated as tentative at this stage, they will be subject to constant review in the light of the actual trends in traffic from year to year."

1.6. In January, 1962, on the basis of certain studies made the traffic forecast for the last year of the Plan was further revised upward to 264 million tonnes. The increase was made under coal (5 million tonnes) and General goods (10.2 million tonnes) which meant an additional outlay of Rs. 175.5 crores. Another Rs. 59.0 crores were provided for the construction of Broad Gauge link in Assam and for the extension of a strategic line. A further Rs. 22 crores was provided for taking advance action on rail capacity required in the early year of the Fourth Plan. Thus the Plan outlay was increased by Rs. 256.5 crores.

1.7. In November, 1963, at the time of Mid-Plan Appraisal it became clear that the production targets visualised in respect of coal, steel and cement industries were not likely to materialise. The overall rail traffic target at the end of the Plan was, therefore, reduced to 245 million tonnes. However, the physical programme at a cost of Rs. 1581.5 crores was left unaltered. In the Midterm Appraisal of the Plan it was stated:

> "*Trends in traffic.*—The development programme for railways in the Third Plan was drawn up in relation to a total traffic of 249 million tonnes estimated to materialise in 1965-66. The present programme provides for capacities adequate for carrying 264 million tonnes. Owing to shortfalls anticipated in the production of Steel, coal and cement industries originating traffic in the last year of the Third Plan is now reckoned at about 245 million tonnes. However, since the traffic will be growing steadily over the remaining period of the Plan, originating traffic on the railways during the last quarter of the year-1965-66 is expected to correspond to a higher annual rate than the estimate of 245 million tonnes for the year as a whole. It is proposed to carry out the rail transport programmes as enlarged so that transport capacities should be adequate and even a little ahead of actual need at the beginning of the Fourth Plan."

1.8. The Ministry of Railways have stated in their note that in January, 1965, a further review revealed a steep fall in the off-take of coal, a decline in the anticipations of iron ore export, and a fall in the production of cement. A reduction in the development programme of the Railways thus became essential. Schemes linked with specific projects were slowed down or deferred to the Fourth Plan. The procurement programme for rolling stock was cut back to a capacity level of 231 million tonnes (further reduced by subsequent short deliveries).

1.9. The actual materialisation of traffic in 1965-66 was, however, below even the initial forecast of 238.8 million tonnes made in October, 1960.

1.10. The anticipated traffic target for the last year of the Third Five Year Plan and the actual Traffic moved by the Railways during

the year were as follows:

Traffic targets for 1965-66 (in million tonnes)

Actual traffic carried in 1960-61		Convention Committee Estimates (Oct. 60)	Third Plan Estimates (Mar. 61)	January, 1962 Estimates	Mid-term Appraisal (Nov. 63)	Actuals	Shortfall with reference to Plan targets
1		2	3	4	5	6	7
	1. *Coal*						
19·5	(*a*) Railways	22·4	22·3	22·3	24·0	20·3	—2·0
8·2	(*b*) Steel Plants	(@)	18·7	18·7	15·5	12·0	—6·7
22·7	(*c*) Others	(@)	50·4	55·4	49·5	34·4	—16·0
50·4	TOTAL	82·4	91·4	96·4	89·0	66·7	—24·7
	2. *Steel, Plants*						
3·8	(*a*) Finished products	8·5	8·4	8·4	7·1	6·3	—2·1
10·5	(*b*) Raw materials excluding coal	21·9	26·1	26·1	19·8	17·4	—8·7
14·3	TOTAL	30·4	34·5	34·5	26·9	23·7	—10·8
6·5	3. *Cement*	12·2	12·2	12·2	10·5	8·6	—3·6

@ Break up not available.

1		2	3	4	5	6	7
	4. *General Goods*						
2·6	(*a*) Iron Ore for export	@	11·2	11·2	8·0	5·2	—6·0
65·4	(*b*) Other General Goods	@	76·7	86·8	87·9	78·2	+1·5
68·0		92·5	87·9	98·0	95·9	83·4	—4·5
17·0	5. *Railway materials* (*other than coal*) . .	21·3	22·9	22·9	22·9	20·7	—2·2
156·2	GRAND TOTAL	238·8	248·9	264·0	245·2	203·1	—45·8
	Increase expected over 1960-61 level . .	82·6	92·7	107·8	89·00	Actual increase. 46·9	Shortfall w.r.t. Plan 45·8

@Break up not available.

1.11. The year to year materialisation of traffic was also below expectations from the beginning of the Plan period. The anticipated traffic compared with actual materialisation was as under.—

(In million tonnes)

	As per estimates for Convention Committees October, 1960	Actual Traffic Moved
1961-62 . . .	175	160
1962-63 . . .	187	179
1963-64 . . .	200	191
1964-65 . . .	214	194
1965-66 . . .	239	203
TOTAL . . .	1,015	927

1.12. The broad categories of traffic in which shortfalls occurred are indicated below:

(Shortfall in million tonnes)

	With reference to October 1960 estimates	With reference to 1961 estimates	With reference to January 1962 estimates
Coal	15·7	24·7	29·7
Steel Plants . . .	6·7	10·8	10·8
Cement	3·6	3·6	3·6
General Goods . . .	9·1	4·5	14·6
Railway Material . .	0·6	2·2	2·2
	35·7	45·8	60·9

1.13. In the course of evidence the Committee, therefore, enquired whether the traffic forecasts were not framed on a realistic basis. The representative of the Railway Board, explained that the demand for rail freight traffic depended on the quantum of production in different sectors of the economy. In March, 1961, the plans were formulated on the basis of production targets for different industries set out by the Planning Commission and various Ministries. He added that while 85 per cent of the 'incremental traffic' pertained to

"specific output related traffic" i.e. goods in respect of which production targets had been fixed the remaining 15 per cent was worked out on a 'trend basis.' In reply to another question the witness stated:

> "The point is we are dependent on the forecasts given to us by others.....We may have our own judgment, but if the consensus of expert analysis determine the sectoral targets the plan as a whole has to be accepted."

The Chairman, Railway Board added:

> "The position is that for the Third Plan Period each Ministry's task was defined.... Railway Ministry's task was defined that they have to produce 245 million tonnes of transport. Every body addressed himself to his own task. So far as the Planning Commission is concerned, their job apparently was to look into these things that everybody's plan was realistic, funds were allotted, etc. So far as the Ministry of Railways is concerned, they were given this task. After everybody had been consulted and they had said that they will be able to fulfil their task, we went to fulfil our own task. Things have turned out that other Ministries have not been able to achieve the goal set for them and the repercussion is that we have not the traffic for which we were asked to prepare."

1.14. The Committee pointed out that in October, 1960, the originating goods traffic for the last year of the Third Five Year Plan was estimated at 239 million tonnes. In March, 1961 this estimate was revised to 248.9 million tonnes and in January, 1962, it was again revised upward to 264 million tonnes. They enquired whether the fact that the traffic instead of increasing had actually gone down was considered while revising upward the estimated requirements of traffic from time to time.

The representative of the Ministry stated:

> "During the two years 1962-63 and 1963-64 we had 30 million tonnes increase in the traffic. In November, 1963, this was the background and we had a substantial increase in traffic. The Planning Commission, along with other Ministries, said the traffic was 245 million tonnes minimum, because production in different industries—steel, coal, was being built on the ground.

1.15. Referring to statement of the Ministry cited in para that production estimates and plans for expansion were obtained,

analysed and used for developing traffic forecasts and that the estimates were cross checked with empirical data of past growth patterns and firm forecasts were developed, the Committee desired to know as to how despite these checks the traffic forecasts could not be more precise. The Chairman, Railway Board, stated:

> "Everybody was confident that they will produce the steel, they will produce the iron ore, coal etc. Everybody was so confident. Target for rail transport was put up to 264 million tonnes. From 249 in the beginning it was brought up to 264. There was mid term appraisal in November, 1963 and a further review in January, 1965. At our initiative it was cut down to 231, later on to 225."

1.16. Asked whether as a commercial organisation it was prudent on the part of the Railway Board that they simply accepted the statements/assessments of other Ministries and did not critically examine, the estimates itself, the Chairman, Railway Board, reiterated his plea stating:

> "Each Department has its own responsibility. Steel Ministry is given a task. Coal and Mines Ministry are given a task. Industries Ministry has a task. The overall planning is that of Planning Commission. It need not be necessary for everybody to have duplicate arrangement for going into such details. Duplicate machinery for all these things would cost money and so on and so forth."

1.17. In reply to a question, the Committee were informed that the Transport Division of the Planning Commission laid down these tasks and suggested methods to achieve the targets. It was stated by the Chairman, Railway Board:

> "Planning Commission has Transport Division also. They met our officers. There were meetings. They decide what should be done and they set the tasks and how to fulfil the targets. Our main aim is as to what resources we need for the task set for us. Responsibility for defining the task has uptil now not been considered to be ours so squarely. We may suggest. Well, this looks rather optimistic; it may not be available and so on. So far as primary responsibility is concerned, once a task is defined for us we see what facilities we need, what funds we need, what lines we need, how many wagons coaches and engines etc. That is the basis so far."

1.18. Explaining the part played by the Planning Commission the representative of the Planning Commission informed the Committee:

"I would only like to add that even at the time when the Third Plan was being drafted the exercise for traffic estimation was made by the Railway Board and then sent to the Planning Commission. The Planning Commission had taken into account the various projections which were given by the various Ministries and then in consultation with the Railway Board fixed a broad target for the Third Five Year Plan. Now this target of traffic was reviewed from time to time. As a matter of fact it is reviewed every year at the time of the Annual Plan discussions in the light of the developments which take place in various sectors."

1.19. The Financial Commissioner, Railway Board explained:

"So far as the Railways are concerned I think they should take the responsibility for projections of traffic target. But that is only derived largely from the targets of production which other Ministries have fixed. What we are concerned with and are capable of doing is to have a co-relationship between production targets and traffic targets arising out of these productions. That we can do only if we are told in some precise terms where the production is going to be generated and in what quantity because a great deal depends on the location of a particular industry, movement of raw-materials and finished products, marketing, etc. On that basis the Railways have to make a projection of the traffic and then decide what facilities will be necessary to meet that traffic."

1.20. The Committee are surprised at the explanations given by the Ministry of Railways (Railway Board). In the note furnished to the Committee, (Para 1.3) the Ministry had explained that "production estimates and plans for expansion are obtained, analysed and used for developing traffic forecasts" and that estimates are "cross checked with empirical data of past growth patterns and firm forecasts are then developed." In the course of evidence, however, the Ministry stated that they were "dependent on the forcasts given by others". viz., the Planning Commission and other Ministries. The Planning Commission was responsible for the overall coordination and planning and it was not necessary on the part of the Railway Board to duplicate arrang[illegible] "for going into details." It was, therefore, contended that the Ministry of Rail[illegible] were concerned with the task of building rail tr[illegible], which they carried out.

1.21. Apparently, the two statements made by the Ministry of Railways are at variance with each other. The Railways have a sizeable establishment for 'planning' in the Railway Board as well as the Zonal Headquarters of the Railways. The Committee are inclined to agree with the views of the Financial Commissioner that "so far as the Railways are concerned, they should take the responsibility of projections of traffic target."

1.22. From the facts placed before them, the Committee cannot help feeling that, from the very beginning, planning in respect of goods traffic was far from realistic.* As stated in the Ministry of Railways' note (para 1.4), when the first estimates were prepared in 1960, the production targets in the major industrial sectors had not taken final shape and a precise indication about financial outlay was not available. The final estimates included in the Plan were, therefore, tentative. In fact the Third Five Year Plan specifically stated:

> **"Furthermore, since the overall estimates of traffic can only be treated as tentative at this stage, they will be subject to constant review in the light of the actual trends."**

1.23. The Committee regret to note that subsequent reviews as contemplated in the Plan were not made and rail programmes not co-ordinated with the production levels reached in the major industries. The actual materialisation of traffic from year to year was not kept in view.

1.24. It is not businesslike for a commercial organisation like the Railways merely to accept the statements/assessments of other Ministries without critically examining the position themselves. Even when estimated traffic was not forthcoming, the Ministry of Railways did not promptly reduce or revise the programmes merely because "everybody was confident" that they would produce the goods.

1.25. The Committee asked as to why an assessment of traffic was not made earlier than January, 1965. The Chairman, Railway Board, stated that upto October, 1964 there was no reason to doubt that there would be such a shortfall in production targets of the various industries because the traffic had increased by 18 and 12 million tonnes in the second and third years of the Plan, respectively. It was pointed out that although traffic had increased in the earlier

*The assumption of traffic level for the last year of the Second Plan (1960-61) at 164.6 million tonnes for drawing up traffic projections for the Third Plan was grossly in excess of the actual traffic of 156.2 million tonnes carried in 1960-61.

years of the Plan there was a wide gap between Plan anticipations and the actuals. The Financial Commissioner, Railway Board, stated that although there were gaps between anticipation and realisations during the first three years it was expected that traffic would catch up to 245 million tonnes by the end of the Plan period. He stated:

> "In the earlier years during the Third Five Year Plan the Production targets of various Ministries kept on changing. It started with 238, then it went to 248.9 and in January, 1962 it went as high as 264 millions and then in the Mid-term Appraisal it was brought down to 245. In 1961-62 as against an estimate of 15 million tonnes it increased by 4.3. In the very next year when we had expected an increase of 15 millions it increased by 18.33 millions tonnes. The year after that it increased by 12.3 million tonnes. This was in 1963-64. Till the time of Mid-term Appraisal there was still expectation that things will improve and the production will improve; till that time there was still hope that the production will catch up and the traffic will increase further. The mid-term appraisal figure was 245 million tonnes. In the intermediate years there could have been variations, but still it was expected that by the end of the Third Five Year Plan we might reach the figure of 245 million tonnes. Only when in the next year, in 1964-65, the estimated traffic increase should have been 17.3 million tonnes but actually at came to only 2.7 million tonnes, we all alerted ourselves and thought that no longer is it possible to reach the target."

1.26. The Committee, therefore, desired to be furnished with a note indicating (i) the manner in which physical requirements such as the number of lines to be constructed, line capacity works to be undertaken etc. were determined with reference to the traffic forecasts, (ii) whether the traffic forecasts were reviewed in the light of the actual trends in traffic from year to year, and (iii) steps taken by the Railway Board to curtail the Plan programmes in the light of these reviews. The note submitted by the Ministry of Railways (Railway Board) is at Appendix I. The note states *inter alia* that:

> "A total of six traffic projections were made for the Third Plan traffic, between October, 1960 and January, 1965. The last two reviews were in the form of annual plans for 1964-65 and 1965-66, when it was realised that the actual traffic, especially in respect of coal and steel plants traffic,

was likely to be appreciably less than that previously anticipated. The enclosed statement (Annexure 'A') indicates the traffic projections made at various times, in juxtaposition with the freight traffic actually carried.

It will be noticed from the enclosed statement that the actual traffic was close to anticipations in the first two years of the Third Plan. It fell short to a modest extent in 1963-64. For the remaining two years of 1964-65 and 1965-66 the shortfall in relation to the annual plans, was 14.2 million tonnes in 1964-65, and 4.9 million tonnes in 1965-66. As already stated in reply to the main Questionnaire, these shortfalls occurred due to the rapidly developing economic recession in the country and could not have been foreseen."

1.27. The Committee note that the comparisons of traffic anticipations and actuals made in the note submitted by the Ministry of Railways are based on the revised estimates prepared in January, 1962, and November, 1963, and not on the estimates prepared for the Conventions Committee in October, 1960 and for the Third Plan in March, 1961. As indicated in the Audit Report there was a wide gap between the actual traffic and that anticipated in October, 1960. Even in the case of estimates of January, 1962, the Committee note that, while the increase in traffic estimated for the first two years of the Plan over the traffic moved in the last year of the Second Plan was only 21·9 million tonnes, an increase of 85·9 million tonnes was anticipated over the next three years. The Committee are, therefore, forced to conclude that while formulating their Plan the Ministry of Railways did not pay due regard to the actual trends of traffic. It is regrettable that heavy capital expenditure was incurred in creating traffic capacity far in excess of the requirements on the basis of mere hopes and expectations. Scarce resources which could have been utilised for more productive purposes were blocked.

1.28. The part played by the Planning Commission also calls for comment. The Commission, which was in over all charge of laying down the targets and for coordinating the efforts of different sectors to achieve the objectives, did not exercise any check on the Railways incurring heavy capital expenditure without corelating it to traffic requirements. Even as late as November, 1963, at the time of the Mid-term Appraisal of the Plan, although it was evident that goods traffic would not come up to expectations, the Ministry of Railways were allowed to carry out the rail transport programmes.

1.29. In reply to a further question from the Committee as to what checks were proposed to be adopted to avoid recurrence of such a situation, the Chairman Railway Board replied:

> "We have since become wiser in certain ways. One of the ways is, at three months intervals we review these things. We have toned down various forecasts and Plan estimates. Even Fourth Plan targets have been cut down severely.... We hope we will be able to keep track better."

The Financial Commissioner further explained:

> "We all learnt a lesson from this experience. The methodology for estimating the level of traffic arising from the estimation of production, which was there already, is still continued. . .
>
> We have got various ratios well established, so much production the Railways will carry and so much percentage of traffic will be carried by other modes of traffic etc. If variations are noticed over a certain period of time, then they are taken into account and incorporated in the revised methodology. The point is we would be more critical about estimation of production of other Ministries. If over a period of three months the expectations are not materialising we would enquire into the reasons. If we find that there are no valid reasons to justify the original expectation, we would insist on cutting down the target so that the traffic target could also be reduced."

1.30. The Committee trust that the Ministry of Railways will put to better use the existing staff for planning at different levels both in the Railways Board and at Headquarters of Zonal Railways in order to avoid the recurrence of a similar situation.

(b) Growth of Goods Traffic in respect of Major Commodities.

1.31. According to Para 3(a) of the Audit Report, the total traffic of 1,015 million tonnes during the Plan period anticipated in 1960 comprised 199 million tonnes of Railways' own traffic (including coal for their use) and 816 million tonnes of revenue earning traffic. While the actual revenue earning traffic was 723 million tonnes (about 11 per cent less) the Railways' own traffic was 204 million tonnes (an increase of 2.5 per cent) during the Plan period. The

commodity-wise break-up of the actual traffic carried is as follows:—

Particulars	Traffic anticipated in 1960 (In million tonnes)	Traffic handled
1. *Revenue Earning Traffic*		
(*a*) Coal	23	202
(*b*) Raw materials for steel plants other than coal	86	77
(*c*) Finished products from steel plants	34	29
(*d*) Cement	50	37
(*e*) General Goods	412	378
4. *Railways' Own Traff.*		
(*a*) Coal	99	107
(*b*) Other materials	100	97
TOTAL	1,015	927

1.32. The Committee examined in detail the anticipations and actual movement of traffic pertaining to (i) Coal (ii) raw materials for and unfinished products from steel plants (iii) general goods, and (iv) railway material.

(i) *Traffic for Coal.*

1.33. The traffic estimates for the movement of Coal in the last year of the Third Five Year Plan (1965-66) and the actuals were as under:—

	Estimates for Convention Committee (Oct. 60)	Third Plan Estimates (March.61)	January 1962 Estimates	Mid-term Appraisal (Nov. 63)	Actuals	Shortfall with reference to Plan targets.
Coal						
(*a*) Railways	22·4	22·3	22·3	24·0	20·3	—2·0
(*b*) Steel Plants	(*a*)	18·7	18·7	15·5	12·0	—6·7
(*c*) Others	(*a*)	50·4	55·4	49·5	34·4	—16·0
TOTAL	82·	91·4	96·4	89·0	66·7	—24·7

(*a*) Break up not available

1.34. The forecasts of movement of 82.4 million tonnes of Coal made for Convention Committee in October, 1960 were based on coal production target of 91.4 million tonnes. The production was subsequently estimated to reach a level of 98.6 million tonnes and the final forecast of traffic included in the Plan was placed at 91.4 million

tonnes. In a note submitted at the instance of the Committee the Ministry of Railways has explained:

> "It was estimated by the Ministry of Steel and Mines in October, 1960, that the production of coal in 1965-66 would be 98.6 million tonnes. Of this, 73.2 million tonnes were to be drawn from the Bengal-Bihar Coal fields and the rest from the outlying fields. It was estimated that 91.4 million tonnes of coal would move by rail, the balance 7.1 million being consumed by collieries or moved by other means of transport.
>
> 'Subsequently, the Ministry of Steel and Mines advised field-wise coal production targets and directional breakdown of movement requirements. On the basis of this, certain changes were made in the physical programme for additional transport capacity; these changes as well as the additional financial outlay required were incorporated in the Plan frame with the concurrence of the Planning Commission."

1.35. The January, 1962 estimates took into account an additional 5 million tonnes of coal to be moved to Coal Washeries etc. At this stage it was expected that the production of coal would reach 105.7 million tonnes in the first quarter of the Fourth Plan. But in the Mid-term Appraisal made in November, 1963 it was expected that the production in 1965-66 would reach a level of only 89.9 million tonnes (Actual production was of the order of 69.5 million tonnes). The traffic forecast for coal for 1965-66 was, however, reduced only by 2.4 million tonnes.

1.36. In evidence, the Committee enquired as to why the traffic forecast for coal was reduced by only 2.41 million tonnes when the target for coal production was itself brought down by 8.7 million tonnes from Plan target of 98.6 million tonnes to 89.9 million tonnes. They were informed that the traffic forecast for movement of coal was based on the recommendations of the Working Group on coal. The Committee desired to be furnished with a note giving the details of the composition of the Working Group—its terms of reference and recommendations, together with Government's decision thereon. In a note subsequently submitted to the Committee the Ministry of Railways (Railway Board) have explained: "A new factor developed during the Third Plan to change the ratio between the total production and the rail movement of coal. This factor was the capacity needed for the movement of washed coal to be supplied to the steel plants. The Planning Commission had anticipated at

the time of the Mid-term Appraisal that the washeries then existing, as well as the additional washery capacity likely to be established during the remaining period of the Third Plan, could be expected to supply about 9.5 million tonnes of clean coal in 1965-66. The supply of washed coal to the steel plants involves a duplicate movement so far as the Railways are concerned. The primary movement is from the coalfields to the washeries, with a secondary movement taking place from the washeries to the steel plants.

1.37. A proportion of the movement of washed coal from the washeries to the steel plants takes place by means other than rail.

1.38. While reducing the production target for coal by 8.7 million tonnes at the Mid-term Appraisal, therefore, full account was taken of the increasing quanttum of duplicate movement, and the corresponding rail movement reduced by only 2.4 million tonnes, thus allowing for approximately 6 million tonnes of duplicate movement."

1.39. Another note giving the details of the composition of the Working Group on coal, its terms of reference and recommendations etc. furnished by the Ministry of Railways is at Appendix II.

1.40. The Committee note from para 15 of the First Report of the Working Group on Coal Production and Transport that the original target of 91.4 million tonnes of Coal Traffic took into account 13.78 million tonnes of Washed Coal to be moved from the washeries. The Mid-term Plan Appraisal specifically stated that clean coal to be supplied by the Washeries in 1965-66 would be 9·5 million tonnes. It is thus clear that the estimate of the Working Group of the 13·78 million tonnes of washed coal exceeded the actual requirements by more than 4 million tonnes and this margin should have been taken into account by the Railways while determining the net quantities of coal to be moved.

1.41. Further in their First Report the Working Group had recommended that:

> "the estimates of demand, the progress in production and transport facilities for coal in the Third Plan, should be reviewed on an annual basis."

1.42. In their Second Report as well the Working Group had suggested—

> 'It is necessary to tie up more closely the requirements of coal movement in various directions and the wagon availability in these directions on a year to year basis depending upon the increased line capacities likely to be achieved by the railways each year. The Ministry of Mines and

Fuel and the Coal Comptroller should try to work out the phased requirements of movements direction-wise from year to year and the Ministry of Railways should estimate what increased line capacities will be available in each direction from year to year."

1.43. The Committee are constrained to observe that the suggestions of the Working Group were not properly followed and the actual trend of movement of coal from year to year was not kept in view while fixing the traffic targets.

1.44. In this connection the Committee would also invite reference to the recommendations of the Estimates Committee made in para 56 of their Thirty-Third Report (Third Lok Sabha).

"The Committee observe that although the year-wise targets of coal production as worked out by the Working Group in its Second Report have been agreed to by the Railways and they are broadly committed to move the quantity indicated therein, the fieldwise target of production and direction-wise movement thereof during each of the remaining three years of the Third Five Year Plan, have still not been furnished to them by the Ministry of Mines and Fuel. It is unfortunate that the lessons of the Second Plan when production was deliberately stepped up regardless of the fact that corresponding transport facilities were not available, have yet to be learnt.

Now that a coal production target of 98.3 million tons has been agreed to by all concerned, the Committee would stress upon the Ministry of Mines and Fuel the need to work out the fieldwise targets of production and directionwise movement thereof for each of the remaining three years of the Third Five Year Plan so that the Ministry of Railways get timely notice to gear up their transport arrangements to meet in full the requirements."

In reply (page 23 of Eighty-eighth Report of Estimates Committee, Third Lok Sabha) the then Ministry of Mines and Fuel stated that the direction-wise transport requirements for movement of Coal during the final year of the Plan had been furnished but information for the intervening years could not be made available as the sponsoring authorities were not able to furnish detailed destination wise requirements from year to year. It has been added—

"For the purpose of future planning, however, it has been decided that the Coal Controller will organise, on a continu-

ing basis, the collection of factual information in regard to direction-wise requirements, so that a realistic assessment of directionwise movement of coal can be made from year to year."

The Committee would like to be informed as to whether the above procedure is since being strictly followed by the Coal Controller and whether the Railways take into account in planning for Coal traffic the direction-wise transport requirements.

(ii) *Traffic for the Steel Plants.*

1.46. As stated in the Audit Report, cited above, the traffic estimated for the Steel Plants and that actually moved on the Railways during the Third Plan period was as follows:—

	Traffic Anticipated in 1960	Traffic hauled
	in million tonnes	
(*a*) Raw materials for Steel Plants other than coal .	86	77
(*b*) Finished products from Steel Plants . .	34	29

The traffic targets fixed for the year 1965-66 at different stages of planning and the actuals were as under:—

	Estimates for Convention Committee. (Oct. 60)	Third Plan Estimates (March 61)	January 1962 Estimates	Mid-term Appraisal (Nov. 63)	Actuals	Shortfall with reference to Plan targets
			(In million tonnes)			
(*a*) Finished Products	8·5	8·4	8·4	7·1	6·3	—2·1
(*b*) Raw materials excluding coal .	21·9	26·1	26·1	19·8	17·4	—8·7
TOTAL .	30·4	34·5	34·5	26·9	23·7	—10·8

1.47. In a note furnished at the instance of the Committee the Ministry of Railways have explained: 'The reduction of 0.1 million tonnes in the estimated movement of finished products was caused by readjustment in the production targets of public sector steel plants. This included the re-scheduling of Bokaro Steel Plant. A review was made of the raw material requirements of steel plants in proportion to the finished products. It was concluded that for every one million tonnes of finished steel, 3 to 3.2 million tonnes of

raw materials (excluding coal) were required. For production target of 8.4 million tonnes of steel, including pig iron, revised raw material requirements were, therefore, estimated at 26.1 million tonnes."

1.48. The Committee understood that earlier in October, 1960 the estimates for movement of raw materials for the Steel Plants were worked out on the ratio of 2.57 tonnes of raw materials for every tonne of finished product. They, therefore, enquired the reasons for adopting the revised formula of 3 to 3.2 million tonnes of raw materials per tonne of finished products. The representative of the Ministry of Railways attributed this change to two main facts viz. (i) change in consumption rates due to change in the quality of iron ore being supplied to steel plants and (ii) change in the direction of movement of iron ore. The Chairman, Railway Board, however, stated that it was difficult for the Railway Board to explain this aspect. The Ministry of Iron and Steel had made periodical studies of those problems and had established the working norms. The Secretary, Department of Iron and Steel, explained that the working ratios were revised on the basis of working results. He agreed to examine the matter further in consultation with the Ministry of Railways and furnish a note.

1.49. Consequently, the Committee desired to be furnished with the following further information:

((1) What were the quantities of raw materials and finished products, for Steel Plants moved by rail during the Second Five Year Plan?

(2) What yardstick was adopted during the Second and Third Plans to estimate the traffic of raw materials and finished products to be moved by the Railways? If the yardstick was modified during the course of the Second and Third Plans, the modifications made and the reasons therefore?

(3) The quantities of raw materials and finished products actually moved by rail during the Third Plan period. How does this compare with the basis adopted for the yardstick.

(4) On what basis have the requirements for movement of raw materials and finished products for steel plants been estimated for the Fourth Five Year Plan period.

(5) What has been the actual experience in 1966-67 and 1967-68.

(6) Has the yardstick been modified in the light of experience? If so, in what respects?

1.50. The Committee regret that Government have not furnished the requisite information despite a reminder. The Committee are surprised that the Department of Iron and Steel have not been able to indicate any basis for the yardstick adopted by them to determine the traffic of raw materials and the finished products of Steel Plants required to be moved by the Railways during the Third Plan period. It appears that Government did not pay close attention to this vital matter while fixing initially or revising upward the targets for the movement of traffic by rail for the Steel Plants during the Plan period. The Committee suggest that Government should from now on review carefully yardsticks for the movement of raw materials and finished products by rail in the light of experience gathered in this behalf during the last ten years so as to have realistic targets and avoid a shortfall to the extent of more than 33 per cent which occurred due to unrealistic planning in the Third Plan.

(iii) *Traffic for General Goods*:

1.51. According to a note from the Ministry of Railways (Railway Board) the following commodities constituted the main parts of general goods traffic:

(1) Iron and Steel;

(2) Manganese Ore (for users other than steel plant and for export);

(3) Limestone (for users other than steel plants);

(4) Petroleum products;

(5) Foodgrains;

(6) Salt;

(7) Fertilisers;

(8) Jute and cotton (raw and manufactured);

(9) Tea;

(10) Paper;

(11) Sugar;

(12) Sugarcane; and

(13) Oil seeds.

1.52. At the time the Third Plan was formulated, the 'railway material' and 'iron ore for export' were also included within the category of 'general goods'. Subsequently, however, these commo-

dities were separated and independently shown in the freight traffic prospects.

1.53. The traffic targets fixed for the year 1965-66 in respect of general goods were as follows:

(In million tonnes)

	Estimate for Convention Committe. (Oct. '60)	Third Plan Estimates March '61)	January 1962 Estimates	Mid-term Appraisal (Nov. '63)	Actuals	Shortfall with reference to Plan Targets
(*a*) Iron Ore for Export	*a*	11·2	11·2	8·0	5·2	—6·0
(*b*) Other General Goods	*a*	76·7	86·8	87·9	78·2	+1·5
	92·5	87·9	98·0	95·9	83·4	—4·5

a Breakup not available.

1.54. It may be noted that in January, 1962, estimates, an increase of 10.2 million tonnes in the movement of General Goods was assumed. Explaining the position the Ministry of Railways have stated in a note:

> "The National Plan published in March, 1961, provided for substantial growth in foodgrains, fertilisers, vegetable and mineral oils, cotton and sugar, as well as in the production of cement, and the development of multi-purpose projects and additional housing. It was thereafter (in January, 1962) decided to increase the general goods traffic anticipations for the end of the Plan period, by 10.2 million tonnes: In agreement with the Planning Commission, a further allocation of Rs. 55.5 crores was made to meet this additional requirements (Rs. 45.5 crores for rolling stock and Rs. 10 crores for line capacity works.)"

1.55. The Committee desired to be apprised of the developments between March, 1961 and January, 1962 which had prompted the Ministry of Railways to put up the target of general goods' traffic. They asked whether the actual trend in traffic was kept in view at the time of revising the forecasts. They also desired to be furnished with the figures of anticipated general goods traffic and the actual materialisation during the years 1960-61, 1961-62 and 1962-63. The representative of the Ministry of Railways promised to furnish a note containing the detailed information desired by the Committee.

1.56. The Ministry of Railways have furnished a note which *inter-alia* states as follows:—

"The Third Plan published document (March 1961) envisaged a traffic target of 248.9 million tonnes in 1965-66 including general goods at 99.4 million tonnes (excluding iron ore for export, but including railway material, except coal).

This target of 99.4 million tonnes was based on an anticipated annual rate of increase of 4.1 per cent per annum over the base of 82.5 million tonnes actually carried in 1960-61.

A subsequent review showed a growth rate of 5 per cent per annum in this traffic during the 10-year period from 1951-52 to 1960-61. It was also estimated that a backlog existed to the extent of 5 million tonnes of general goods traffic, held up due to insufficient rail transport capacity, aggravated by the strike in July, 1960. It was considered that if this traffic had actually materialised, the base figure, as in 1960-61 would have been 87.5 million tonnes.

Taking the above two factors together, an increased rate of per cent per annum in general goods traffic was provided, over the base figure of 87.5 million tonnes, to arrive at the end of the Third Plan. This represented an increase of about 10 million tonnes over the original figure of 99.4 million tonnes.

While making this increase, the vital nature of general goods traffic to the economy of the country as a whole was fully borne in mind. The Third Plan provided for considerable development in the realm of industry and agriculture; it was considered that adequate rail transport must exist to move the general goods traffic required to feel this development."

1.57. The Committee cannot but feel unhappy at the manner in which the estimated target for the movement of general goods traffic was revised from 87.9 million tonnes, as envisaged in the original Third Plan estimates (March 1961), to 98 million tonnes in January, 1962. This was done on the assumption that the traffic which could have been carried by the Railways in 1960-61 should be assumed to be 87·5 million tonnes instead of the actual 82·5 million tonnes. The Committee consider that the Planning Commission could and should have exercised the necessary check to curb the persistent tendency of the Railway Board to overestimate traffic requirements. The Committee would like the Planning Commission and Government to

exercise caution in revising the targets upwards so as to avoid the recurrence of such cases of unrealistic planning which result in over-capitalisation.

(iv) *Traffic for Railway Materials*

1.58. The estimates of traffic for movement of Railway materials in the last year of the Plan were:

(In million tonnes)

	Convention Committee Estimates (Oct.' 60)	Third Plan Estimates (Mar.' 61)	January, 1962 Estimates	Mid-term Appraisal (Nov.' 63)	Actuals	Shortfall with reference to Plan targets
(*a*) Coal . .	22·4	22·3	22·3	24·0	20·3	—2·0
(*b*) Other Railway Material . .	21·3	22·9	22·9	22·9	20·7	—2·2

1.59. In evidence the Committee asked as to why the traffic for Railway materials was retained at the original estimated figure (22.9 million tonnes) when other traffic was lagging behind, the representative of the Ministry explained that Railway materials included material for the maintenance of track structure. The track renewal programme was not changed.

1.60. The Committee regret to observe that, even in the case of material required for their own use, the estimates prepared by the Railway Board were not precise.

II

PHYSICAL TARGETS AND ACHIEVEMENTS

The physical targets and achievements of some of the major items during the Third Five Year Plan are indicated below:

	Plan@ targets	Throw forward from Second Plan	Total	Achieve-ments	Throw forward to Fourth Plan
New Lines . .	1,920Km.	1,100Km.	3,020Km.	1,801Km.	1,219Km.
Electrification .	1,760Km.	..	1,770Km£	1,746Km.	24Km.
Doubling . .	2,560Km.	1,100Km.	3,660Km.	3,228Km.	432Km.
Locomotives .	1,764Nos.	92Nos.	2,022Nos.*	1,864Nos.	169Nos.
Wagons . .	1,17,144Nos.	19,309Nos.	1,36,453Nos.	1,44,789Nos.	Nil**
EMU Coaches .	1,022Nos.	..	1,022Nos.	661Nos.	361Nos

(a) New Lines

2.2. At the instance of the Committee the Ministry of Railways (Railway Board) have submitted a note explaining the reasons for the shortfall in the construction of New Lines and increase in expenditure; etc., which is at Appendix III. According to the note the original Plan provided an amount of Rs. 147 crores for construction of new Lines. Later on the provision was increased by Rs. 59 crores for the construction of two strategic lines in Assam. The total Plan allocation thus became Rs. 206 crores. Another Rs. 6 crores were spent due to increase in the cost of labour and material etc. 1801 Kms. of New Lines at cost of Rs. 162.49 crores were actually completed during the Third Plan.

@Figures are with reference to the original Plan targets and do not take into account the subsequent revision of targets.

£Revised.

*Includes 177 electric locos for the Electrification Project not included in the Plan target.

**8,336 wagons procured in excess of the Plan target after wiping out the throw forward from the Second Plan.

2.3. Annexure 'B' to the note furnished by the Ministry indicates the anticipated return of the New Lines constructed during the Second and Third Five Year Plans. The Committee note that out of the 19 New Lines (2,496 Kms.) undertaken* during the Third Plan at an estimated cost of Rs. 237.62 crores only five lines were expected to become remunerative in the 6th year after the opening of the line. Two more lines were expected to become remunerative in the 11th year. While information on the remunerativeness of three lines was not indicated in the note, the other nine lines are not expected to become remunerative even by the 11th year.

2.4. One of the lines (Guna-Maksi) estimated to cost Rs. 9·60 crores is not only unremunerative but is expected to run at a loss of 4 per cent even by the 11th year. The cost of these nine unremunerative lines was 60:6 per cent of the total cost of all the 19 New lines. In reply to a question as to when the new lines are expected to become remunerative assets for the Railways it has been stated in the note:

> "It is difficult to say with any precision when the unremunerative lines will actually become remunerative. As would be seen from Annexure 'B', some of the new lines were taken up for construction on considerations other than direct commercial return to the Railways."

2.5. The Committee, therefore, desired to be furnished with a note indicating the location of each of the nine lines, progress made in their construction, and action taken, if any, to slow down the construction work after it became clear in the Mid-term Appraisal that traffic would be less than anticipated. The note submitted by the Ministry of Railways is at Appendix IV. Among others, in the case of Hindumalkot-Sri Ganganagar Broad Gauge line sanctioned at an estimated cost of Rs. 1·01 crores it has been stated in the note:

> "Though not justified financially, the construction of this rail link was approved by the Planning Commission as a test case of "Shramdan" offered by the people of the area and the State Government. The line was sanctioned in 1961. For several years, however, *Shramadan* was not forthcoming for earthwork and for construction of service and residential buildings. The State Government are now doing the works for which *"Shramadan"* had been contemplated earlier. The State Government have also expressed their inability to arrange for *"Shramadan"* of skilled and unskilled labour required for the construction of service and

*Taken up for construction. All of them have, however, not been completed.

residential buildings but the State Government have now deposited with the Railway Rs. 1·47 lakhs collected by them from the Public towards the cost of skilled and unskilled labour for the purpose. The work is now in progress."

With regard to Guna-Maksi Rail Link which is expected to run at a loss even in the 11th year it has been stated:

"The main justification was to provide an alternative route for the movement of increased coal traffic from Central India coalfields to Ahmedabad and Saurashtra area in Western India. It was considered that the section from Bina to Bhopal on the Grand Trunk Route and Bhopal to Maksi on the Western Railway would not be able to bear the heavy traffic anticipated. It was also considered that the construction of this line would open up a new area in Madhya Pradesh at present lacking in rail communications. With the opening of a B.G. connection with Kandla Port, the B.G. route traffic moving from and to the Port from Central India is likely to develop on this line. Construction of the line is in progress. Due to paucity of funds progress on this line had to be slowed down from time to time to enable diversion of funds to more urgent works."

2.6. From the Ministry of Railway's note (at Appendix III) the Committee further note that among the lines deferred slowed down there are two lines namely, Jhund-Kandla and Mangalore-Hassan which were actually sanctioned in May and November, 1964 respectively *i.e.* long after the Mid-term Appraisal in November, 1963. The Committee, therefore, desired to be furnished with a note showing:

(a) whether while sanctioning these works the Ministry took into account the slow growth of traffic in the first three years of the Plan;

(b) what developments prompted the Ministry to slow them down subsequently; and

(c) whether any other new lines or line capacity works were sanctioned after November, 1963. If so, the expenditure incurred on those works.

2.7. The note submitted by the Ministry of Railways is at Appendix V. It has been stated *inter alia* in the note that the Mangalore-Hassan and Jhund-Kandla Projects were sanctioned to meet the

specific requirements of the Mangalore and Kandla Ports and had little to do with the general slowing down of the rate of growth of traffic on the Railways in the first three years of the Third Plan. It has been further clarified in the note that the Mangalore-Hassan Railway line was approved by the Planning Commission in September, 1961 along with the Development Plan of the Mangalore Port. The work was to be started in consultation with the Ministry of Transport. As a result of recent Cabinet decision, approving the Mangalore Port Project, the Railway Administration had since been advised to complete the work as early as possible. As regards the Jhund-Kandla line it has been stated, among other things, in the note:—

> "The work has never been slowed down. On the other hand within the limited funds made available efforts have been made to expedite the completion of this project. Also, according to the latest re-assessment of traffic the line is likely to be remunerative with the returns given below:—
>
> "1st year 7·09 per cent, 6th year 9·42 per cent, 11th year 11·76 per cent."

2.8. In the course of evidence, the Committee enquired as to what action was proposed to be taken by the Railway Board to ensure that only economic criteria were followed for construction of a new line or restoration of old lines. The Chairman, Railway Board stated: "Some lines have become un-economic because the estimates of traffic have gone away. So far as proposals for new lines are concerned, we resist and we have resisted successfully the proposal if we found that such lines would be unremunerative."

2.9. In another note submitted to the Committee subsequently (placed at Appendix I) following considerations are stated to determine the proposals for construction of New Lines:

(a) Lines required for heavy industrial, mineral, and other projects included in the Plan period. These were project oriented lines, specifically provided to enable the development of new resources in the country. Their financial implications, therefore, had to be adjudged on a long term basis;

(b) lines required for meeting Defence and strategic needs;

(c) lines required for the development of backward areas generally and to serve the economic, social and political needs of such areas. The cost/benefit ratio for such projects took into account the benefit to the area concerned, along with the likely financial return to the Railways;

(d) lines sponsored by the State Governments or other agencies for construction projects or to meet restricted or local needs;

(e) a limited number of lines required for purely operational purposes.

2.10. In this connection the Committee would like to invite the attention of the Ministry of Railways to the following observations made by the Committee on Transport Policy and Co-ordination in January, 1966 on which the Chairman of the Railway Board was represented:

> **". . . .there are several instances of decisions on new railway lines being taken on considerations other than commercial, such as, administrative need or general regional development.**
>
> **It is necessary to reconsider the approach to be followed in the construction of new railway lines in future. We are of the view that, generally, the Railways should provide for only those lines which are expected to yield, over a period of time, normal return on the investment involved in their construction. The lines which are expected to be unremunerative even after a few years of their opening should be taken up only in exceptional circumstances and in all such cases provision should be made to compensate the Railways for the losses involved."**

The Committee endorse the above recommendations made by the Committee on Transport Policy and Co-ordination and suggest that the Railways should not provide for any new lines unless it is expected to yield over a period of time a normal return on the investment involved in its construction. Where, in exceptional circumstances, the construction of an unremunerative line has to be taken up by the Railways, there should be specific provision for compensating the Railways against losses by whosoever sponsors the proposal, so that the general user of the Railways is not burdened with avoidable surcharge which results from such unremunerative capitalisation.

2.11. The Committee need hardly point out that in deciding on the construction of new lines Government should closely study the

economics of providing transport through road or rail, for it may well be that, in the light of modern development, road transport would prove to be cheaper and quicker.

(b) Line Capacity Works

2.12. A number of works including doubling of lines, extension of Yards, provision of additional loops and extension of loops and provision of crossing stations etc., were undertaken by the different Railways with a view to increasing the capacity of the existing lines and yards. The expenditure on these works was Rs. 319 crores (including expenditure on works thrown forward from the Second Plan) as against the Plan estimate of Rs. 183 crores. The Committee desired to know, in respect of each of the works costing above Rs. 5 lakhs completed during the Plan period, the additional traffic anticipated to be handled by 1965-66 after their completion and the actual traffic carried. The Ministry of Railways furnished detailed information in respect of 54 works costing over Rs. 30 lakhs each, their cost aggregating to about Rs. 104·26 crores. It is seen from this note that the traffic moved in 1965-66 was below the expected movement of traffic in most of the sections. In respect of 16 works (including 12 doubling works) the aggregate cost of which was Rs. 27·03 crores, the utilisation in 1965-66 was, in fact, less than the capacity available before the works were undertaken. In some of the other works the increase in traffic handled was marginal.

2.13. During evidence the Committee enquired the reasons for the poor utilisation of additional capacity created during the Plan period. They also enquired whether the doubling of lines could not be avoided in certain cases by adopting cheaper methods like extension of loops, improved signalling etc. The Chairman, Railway Board, stated that they always tried to find the cheapest way to meet the anticipated increase in traffic. In some cases, however, instead of adopting the cheaper method and making short-term arrangement, they took a bolder step, which proved cheaper in the long run.

2.14. Subsequently the Ministry of Railways submitted a note to the Committee explaining the basis on which the line capacity works were provided on the Railways during the Third Plan, the reasons for poor utilisation of the additional capacity generated by these works and the improvements effected in the method of forecasting traffic at different points and sections. It has been stated in the note:

> ".....it was decided in consultation with the Planning Commission, to carry out the rail transport programmes as

enlarged in January, 1962, "so that transport capacities should be adequate and even a little ahead of actual need at the beginning of the Fourth Plan.

Despite this, when the review of traffic anticipations in January, 1965, revealed a steep fall in the movement of certain commodities, a reduction in the development programmes of the Railways was considered essential, and was actually carried out. Schemes linked with specific projects were slowed down or deferred to the Fourth Plan. The procurement programme for rolling stock was also out back."

"With all that, however, surplus line capacity as well as rolling stock capacity did exist at the end of the Third Plan, and this fact has also been already brought out. The 16 works under reference in the present Question, as also some of the other works where the increase in the traffic handled was marginal, have to be viewed in this background. Brief Comments on the 16 works in question are given below: insufficient increases in the traffic handled in other cases being due to the overall shortfall in traffic materialisation."

2.15 It has been added in the note:

"Planning for rail transport capacity during the Third Plan was largely production oriented; production targets of various commodities were taken and developed into patterns of rail movement.

The position has since changed. The installed capacity in a number of industries in the country is not fully utilised for want of demand. The present planning of Rail transport is, therefore, demand-oriented and every effort is being made to scrutinise the demand projections available in respect of the major commodities. Among others, such demand projections have been/are being made by the Committee on Assessment of Coal Demand, the Joint Technical Group, the National Council for Applied Economic Research, the Marketing Organisation of the Indian Oil Corporation, and the Institute of Petroleum, etc.

Further, the Plans for expansion of capacity received from the other Ministries are being closely checked to see how far they are firm and whether resource allocation would be forthcoming for their implementation. In respect of

*Not reproduced.

the production of iron and steel, close liaison is being maintained with the Ministry of Iron and Steel as well as the Planning Commission to determine the status of all new blast furnaces individually, likely to be commissioned till 1970-71. The programme for new blast furnaces is being kept under constant review. Similarly, a factory by factory check for the expansion of cement production in the country has been made in consultation with the Cement Allocation and Co-ordinating Organisation and the Ministry for Industrial Development.

At a meeting with the Planning Commission, it has been decided to undertake quarterly reviews of all trends of development, as well as the traffic trends on the Railways. This is expected to enable necessary correctives being applied in time to see that rail transport planning remains as realistic as possible.

2.16. The Committee are not convinced by the explanation that efforts were made by the Railways to find the cheapest means to meet the anticipated increase in traffic. They regret to find that in the case of as many as 16 works including twelve works of doubling of tracks costing Rs. 27.03 crores, the capacity actually utilised in 1965-66 was less than the capacity available before the works were undertaken. The Committee strongly deprecate the tendency of the Railways to go in for works, including doubling of track, without critically examining their economics. The Committee would like the Railways to review the Works Programme, particularly for works to increase the capacity and doubling of track, in the light of experience gained during the Third Plan so as to minimise what would otherwise be infructuous expenditure.

2.17. The Committee note that the Ministry have now changed the methodology of planning from a production-oriented to a demand-oriented one, and also undertaken to scrutinise in detail the demand projections for rail traffic for major commodities. The Committee hope that, with this change in methodology, the traffic forecasts of the Railways would be more realistic than hitherto. The Committee suggest that the Railways should critically review the methodology of planning in the light of experience at intervals of a year or two.

(c) Locomotives

2.18. As against 2,033 locomotives (including 92 locomotives thrown forward from the Second Plan and 177 locomotives not included in the Plan under 'Rolling Stock' but accounted for in the

Electrification Project) Railways procured 1,864 locomotives during the Third Plan.

2.19. The Committee learnt from a note furnished by the Ministry of Railways that while the procurement of Broad Gauge steam and electric locos was less than the targets by 64 and 72 respectively the procurement of Broad Gauge main line Diesel Locos was more than the target by 74. The Ministry had decided during the Plan period to restrict the procurement of Broad Gauge steam locos (manufactured at Chittaranjan Locomotive Works) and hence the shortfall. Further it was pointed out in Para 17 of the Audit Report that out of the 373 Broad Gauge Diesel locomotives procured during the Third Plan 312 were imported at a cost of Rs. 36 crores.

2.20. The Committee enquired the reasons for curtailing the indigenous production of steam locomotives and increasing imports of diesel locomotives. They were informed that although there was a substantial increase in the number of diesel locomotives there had been no reduction in the number of steam locomotives during the Plan period. As against 5331 steam locomotives in 1951 there were 6619 on 31st March, 1966. In the case of diesel engines, as against 17 numbers in 1951 there were 520 engines on 31st March, 1966. The withness added that diesel locomotive was preferable to a steam engine both from the point of view of its economic working and transport capacity. The production of diesel and electric locomotives in the country had, however, to be slowed down mainly due to foreign exchange difficulties.

2.21. At another place in this Report, dealing with paras 16 and 17 of the Audit Report, the Committee have expressed their concern over the delay in developing indigenous capacity for manufacture of diesel and electric locomotives. The Committee desire that efforts should be directed towards establishing production of diesel and electric locomotives in the country at competitive cost so that imports of these locomotives are minimised.

2.22. The Railways have by now gathered sufficient experience of the working and economic returns flowing from dieselisation and electrification. The Committee would like the Railways to evolve a suitable set of economic criteria to decide the desirability of dieselisation or electrification of particular sections on the Railways in the light of traffic offering and traffic projections, so as to ensure the best utilisation of resources.

(d) Wagons

2.23. During the Third Five Year Plan, the Railways procured a total of 1,44,789 wagons against the initial target of 1,17,144 and throw forward of 19,309 wagons from the Second Plan.

2.24. The Committee desired to know as to why a propertionate reduction was not made in the procurement programme of wagons consequent on the slowing down of the construction of lines. The Chairman, Railway Board, explained that the requirement of wagons depended on factors like pattern of traffic, leads of traffic etc. During the period in question there had been an increase of about 22 per cent in the lead of foodgrains traffic besides other changes in the traffic pattern which increased the demand for wagons. He added:

> "merely because there was a drop of certain proportion of tonnage it did not necessarily mean that transport output or the transport effort was correspondingly reduced."

2.25. Elucidating further the witness stated that originally in March 1961 the wagon requirements were estimated at 1,36,000 which included 27,000 wagons on replacement account. Later on, as a result of a study conducted by the Planning Commission 10,000 additional wagons were sanctioned. Thus the number of additional wagons required came to about 1,19,000. After the Mid-term Appraisal a further assessment was made and it was found that even though the total tonnage dropped by 4 million, another 8,000 wagons were needed owing to a drop in the short lead traffic (12·5 million tonnes) and increase in the long-lead traffic (8·5 million tonnes). The turnround of the long lead traffic was greater than that of the short-lead traffic. The estimated requirements of additional wagons were therefore, revised to 1,27,000. On the replacement account the original Plan was for 21,000 wagons. Later on it was felt that traffic would come up and this estimate was raised to 28,000 wagons. Finally, against the estimated requirement of 1,47,000 wagons (i.e. 1,19,000 additional+28,000 for replacement) 1,44,000 (*i.e.* 1,25,000 for the Third Plan+19,000 thrown forward from Second Plan) were delivered.

2.26. In reply to a question the Committee were informed that in December, 1964 the wagon builders were asked to restrict their manufacturing targets of wagons to a lower figure than that ordered for. The Committee thereupon desired to be furnished with a copy of the letter sent by the Ministry to the wagon builders. They also desired to be furnished with copies of the relevant extracts from the proceedings of the meeting held with the wagon builders in

which they were stated to have been informed of the change in the wagon procurement programme.

2.27. The note, together with copies of the relevant documents, furnished by the Ministry of Railways is at Appendix VI.

2.27. The Committee note that the letter dated 2nd December, 1964, addressed by the Ministry of Railways to all wagon builders does not indicate any reduction in the programme of procurement of wagons. It only stipulates that the manufacturers should maintain their outturn during the year 1964-65 at the same level as in the previous year. The Committee are, therefore, inclined to conclude that even though it was clear to the Ministry of Railways at the time of the Midterm Appraisal, if not earlier, that traffic would be perceptibly less than anticipated, no serious attempt was made to curtail the programme of the procurement of wagons. The Committee propose to deal with this aspect in a subsequent Chapter.

(e) E.M.U. Coaches

2.28. As against the target of 694 A.C. E.M.U. Coaches planned for the Third Plan, the actual production was 477 units. The coaches were manufactured at the Integral Coach Factory, Perambur. The Ministry of Railways had explained to Audit that the shortfall was due to the attempts made to obtain the requirements of electric traction equipments from indigenous manufacturers, namely Heavy Electricals Ltd., Bhopal.

2.29. The Committee enquired the reasons for the delay in the supply of electric traction equipment by the Heavy Electricals Ltd., Bhopal. They also desired to be apprised of the cost of imports during the Plan period for the manufacture of EMU Coaches. In a note the Ministry of Railways have stated:—

> "M/s HEIL* (India) Ltd., Bhopal, have advised the following reasons for the delay in the supply of electric traction equipment for EMUs:
>
> (a) Delay in the supply of manufacturing information for transformers and rectifiers by their Consultants M/s. AEI/U.K. This information was furnished only in December, 1964.
>
> (b) For the bulk manufacture of the traction equipment, HELL had to design, manufacture and procure several tools. Owing to heavy booking on their tooling capacity it became necessary to place some orders on in-

*Heavy Electricals (India) Ltd., Bhopal.

digenous suppliers who did not make the supplies in time.

(c) Some components of the traction equipment had been ordered on M/s. AEI/UK, for import. The supply of these components was made by the firm quite late only in January, 1966."

"HELL have delivered uptil now 44 sets of equipment out of 133 sets ordered on them. They expect to supply another 26 sets by May, 1968 making a total of first 70 sets. A rate of outturn of 4 sets A/C 2 sets of DC EMU equipment per month have been largely established."

2.30. The Committee regret the delay that has occurred in arranging the supply of electric traction equipment from Heavy Electricals. The Committee stress that the Heavy Electricals should gear up their manufacturing and supply programme for electric traction equipment so that the programme for the manufacture of E.M.U. coaches does not suffer.

The Committee would like to point out that the suburban traffic on sections served by these E.M.U. Coaches has increased greatly during the Third Plan period. The problem has been accentuated by the fact that out of 694 E.M.U. (A.C.) coaches envisaged for Third Plan for suburban lines only 477 E.M.U. (A.C.) coaches were actually manufactured, resulting in a shortfall of 217 E.M.U. (A.C.) coaches. The Committee would like Government to pay special attention to the need for stepping up the manufacturing programme of E.M.U. coaches so that these can be pressed early into service to relieve overcrowding.

2.32. According to the note the costs of imports for the manufacture of AC EMU Coaches during each year of the Third Plan were as follows:

	Rs.
1961-62	28,44,000
1962-63	27,64,000
1963-64	36,44,000
1964-65	2,39,06,000
1965-66	50,13,000

"Regarding rapid rate of indigenisation HELL have confirmed that against the 1st order of 70 sets of AC EMU equipment import content for the 1st 12 sets was 64 per cent, on the next 21 sets was 40 per cent and on the last 37 sets was 26 per cent, thus a progressive increase in the indigenous content has been maintained."

2.33. The Committee stress that, while continuing efforts to reduce the import content of E.M.U. coaches, care should be taken to see that the cost of manufacture of these coaches in the country is competitive with imported coaches of comparable quality and performance.

III

SURPLUS CAPACITY

(a) Capital out-put ratio

A note supplied to the Committee by the Ministry of Railways indicated the following position of capital assets of the Railways:

	As on 31-3-61 (Rs. crores)	As on 31-3-66 (Rs. crores)
Track	527	1,039
Locomotives and spare boilers	131	282
Wagons	227	442
TOTAL	885	1,763
Total fixed assets (including other assets)	1,405	2,477
Total assets (including floating assets and investments)	1,521	2,680

The capital assets of the Railways had thus increased by 79 per cent during the Third Plan period.

3.2. The capital out-put ratio, which showed improvement in the first two Plans, however, deteriorated during the Third Plan as shown below:—

	Capital-at-charge per Billion net tonne Kilometres, adjusted to 1950-51 prices (Rs. crores)
1950-51	18·91
1955-56	14·85
1960-61	12·94
1965-66	14·00

3.3. In the course of his evidence before the Committee the Chairman, Railway Board, attributed the deterioration in the Capital out-put ratio to shortfall in materialisation of traffic. He stated:—

> "If we had another six million tonnes additional traffic we would have been quits."

The Committee pointed out that despite an increase in the capital outlay during the Plan the increase in traffic on the Railways was 50 per cent of what had been anticipated. Thus there has been an over-capitalisation on the part of the Railways with regard to resources and materials. The Chairman, Railway Board, reiterated his plea that goods traffic did not materialise because the money allotted for the development of various industries like cement, steel, coal, etc. was not utilised to the full extent. The Financial Commissioner, Railway Board, however, stated:—

> "In the sense in which you are meaning, over-capitalisation has taken place because we had created a certain capacity and that could not be utilised because the anticipated traffic did not materialise. In the figures some modification is needed because the amount invested will have to be scaled down when you take into account increase in price."

3.4. Subsequently in a note furnished at the instance of the Committee the Ministry of Railways have stated:—

> "The capital-at-charge per billion net tonne kms. moved/per billion traffic units (net tonne km. plus passenger km.) in 1938-39, 1950-51, 1960-61 and 1965-66 was as under:—

	Capital-at-charge equated to 1938-39 prices	
	Per billion net tonne Kms.	Per billion traffic units
	(Crores of Rs.)	
1938-39	21·92	12·22
1950-51	17·03	6·79
1955-56	13·44	6 57
1960-61	11·06	5·87
1965-66	10·75*	5·90

*Revised.

> It will be seen that there has been no deterioration in 1965-66, at the end of Third Plan, in terms of equated capital adjusted to 1938-39 prices.
>
> Two special considerations to be borne in mind are (1) that the amount spent on capital account in any year includes

money spent on works in progress, and (2) that the full return on capital invested on works like new lines, electrification, doubling, etc., will not accrue immediately they are commissioned but only when their substantial traffic potential is more or less fully utilised by the development of traffic."

"Apart from the fact that capital-at-charge includes the cost of works in progress and the fact that new lines, electrification, doubling, etc., are fully remunerative only when their full traffic potential are realised, physical line capacity cannot be tailored to suit annual, or sometimes even the quinquennial traffic growth requirements, but has to be interms of long-term trends of trffic growth, and it is possible that at a given point or on certain sections capacity may well be ahead of demand. At the end of the Third Plan, rail capacity was slightly ahead of demand on the broad gauge in respect of flows of programmed traffic like coal, ores, raw materials for steel plants and steel plant traffic."

3.5. According to the Audit Report the capital expenditure incurred during the Third Plan was Rs. 1,140 crores against the capital outlay of Rs. 820 crores provided in the Third Plan based on capacity target of 249 million tonnes. In a note, the Ministry of Railways stated that the investment, after making allowance for specific additions to programmes and investment on works slowed down or deferred comes to Rs. 1,013:5 crores only. If a further allowance is made for 31 per cent increase in labour and material costs the effective investment should be reckoned at only 888.38 crores, that is, Rs. 68.38 crores more than the amount provided in the Plan. The Committee, therefore, enquired as to how the available capacity at the end of the Plan period was much less than 240 million tonnes even though the capital invested was more than what was provided for in the Plan. A note submitted by the Ministry of Railways is at Appendix VIII. It has been stated *inter alia* in the noted:

"The outlay on the Railways' Third Five-Year Plan was originally envisaged at Rs. 1,325 crores. This expenditure was considered necessary for meeting a traffic requirement of 249 million tonnes of freight.

At the time this plan was developed (March, 1961), however, detailed information in respect of field-wise production of coal and its distribution was not available. The information in respect of iron ore movement was similarly incomplete.

Rail transport requirements for coal and iron ore movements were, therefore, re-assessed when detailed data became available. At the same time, provision was made for an additional short-lead movement of raw coal to washeries (5.1. million tonnes), for additional 10 million tonnes of miscellaneous goods traffic, and for strategic lines in Assam."

"It will be seen that within the above-mentioned additional provision, an amount of Rs. 120 crores was identified as "additional allotment for works (including electrification) and rolling stock for movement of coal from the different fields and for short-lead movement of raw coal to washeries (5.1 million tonnes)."

"It has been already separately stated that freight capacity of around 225 million tonnes existed at the end of the Third Plan. This estimate was, however, based on wagon availability, and was not related to line capacity. The available line capacity, especially in the coal and steel belt, was in excess of this figure. On certain other selected sections also, where coal traffic did not materialise as anticipated, some extra capacity did exist."

3.6. The Committee find from the note furnished by the Ministry of Railways that while the capital-at-charge per billion net tonne kilometre adjusted to 1950-51 prices showed an improvement during the First and Second Plan periods, the ratio deteriorated during the Third Plan period. In a subsequent note, however, the Ministry have stated that, adjusted to 1938-39 prices, there had been no deterioration in the capital out-put ratio in 1965-66. The Committee desire that the discrepancies between the two sets of figures may be rectified and the correct position of the capital out-put ratio supplied to them.

3.7. The Committee desire to draw the pointed attention of Government to the fact that the capital assets on the Railways have increased from Rs. 1,521 crores at the commencement of the Third Plan to Rs. 2,680 crores at the end of the Plan, representing an increase of 76 per cent. The Committee would like to point out in this connection that the liability of the Railways on account of Dividend to General Revenues has increased from Rs. 55.86 crores in 1960-61 to Rs. 103.78 crores in 1965-66. It is, therefore, of the utmost importance that the Railways should clearly bear in mind the financial implications of increasing capital assets through borrowing from the general exchequer so that they apply strict financial cannons in deciding on any scheme for additional outlay.

3.8. The Minister for Railways in his Budget speech for 1968-69 has *inter-alia* stated that. "In the Second Plan period the average annual expenditure on capital account rose to Rs. 110 crores and in the Third Plan period it rose to about Rs. 228 crores, the peak having been Rs. 275 crores reached in the year 1964-65....As soon as indications appeared about two years ago of a definite slowing down in the rate of increase of traffic, capital expenditure was suitably curtailed from the peak of Rs. 275 crores touched in 1964-65 to Rs. 161 crores in 1966-67 and Rs. 150 crores in the current year, and this inspite of increase in prices and costs."

3.9. The capital expenditure on the Railways during each year of the Third Five Year Plan was as follows:—

	crores
1961-62	145
1962-63	215
1963-64	260
1964-65	275
1965-66	245
	1·140

3.10. The Committee are not able to appreciate why the Railways did not curtail the capital outlay or at least stabilise it at the level of investment reached in 1962-63 (namely Rs. 215 crores) for the remaining three years of the Plan when it was abundantly clear that the traffic for Railways would be markedly less than was originally envisaged. The Committee cannot help pointing out that if the Railways had been more realistic and critical in the matter of capital expenditure in 1963-64, it should have been possible not only to save heavy capital investment but also to avoid adverse repercussions on the general economy which have resulted from a steep curtailment in the level of capital outlay of Railways from Rs. 275 crores in 1964-65 to Rs. 150 crores in 1967-68.

(b) Wagons and Locomotives

3.11. The Third Plan provided for the procurement of 1,17,144 wagons to create an additional capacity of 93 million tonnes (to take the total capacity to 249 million tonnes from the 156 million tonnes moved in the last year of the Second Plan). The average number of wagons for an additional capacity of 1 million tonnes was thus 1,260. The actual procurement was 1,25,480 wagons (after wiping out the throw forward of 19,309 wagons from Second Plan), that is, 8,336 wagons more than the number required for a capacity of 249 million

tonnes. The capacity available at the end of the Third Plan should thus have been of the order of 255 million tonnes in terms of wagons. Similarly, the procurement target of 2,033 locomotives was fixed so as to take the traffic capacity to 249 million tonnes giving an average of 22 locomotives for an additional capacity of 1 million tonnes. The shortfall in procurement was 169 of which shunters accounted for 50. Thus the short procurement could at best have reduced the capacity to about 240 million tonnes in terms of locomotives.

3.12. In the White Paper on the interim Railway Budget for 1967-68 presented to the Parliament in March, 1967, the Ministry stated that the available rail capacity at the end of the Third Plan was limited to about 230 million tonnes. In a note furnished to the Committee the Ministry stated that the capacity at the end of the Plan period was 225 million tonnes in terms of wagons and 215 million tonnes in terms of locomotives.

3.13. On being asked to clarify the position, the Chairman, Railway Board, stated in evidence, that the number of wagons needed depended on the lead of traffic and the turn round of wagons. He confirmed that the capacity at the end of the Third Five Year Plan was 225 million tonnes in the terms of wagons and 215 million tonnes in terms of locomotives.

3.14. Explaining the manner in which requirements of Wagons and locomotives were calculated with reference to traffic forecasts, the Ministry of Railways have stated in a note:

Basis of Calculations:

> For each major commodity, a turnround time was adopted, based on the actual and anticipated turnrounds, and allowing for a certain factor of efficiency. Thus, for wagons other than specific movements like raw material and coal for steel plants and iron ore for export, it was assumed that the turnround would be 9.5 days on the broad gauge and 6.5 days on the metre gauge, except for BFRs* (used for despatches of finished products from steel plants and other purposes) for which a turnround of 18 days was adopted. A turnround of 3·2 days was assumed for railway materials, on both the broad and metre gauges. The turnrounds of various raw materials for steel plants, as well as coal, were determined on the basis of the lead of movement involved, and individually calculated running as well as terminal timings. They varied for each commodity and for each steel plant separately.

*Bogie Flat Rails.

An allowance at 3 per cent of bare requirements was made for POH** and running repairs to wagons. Credit was also taken in the initial planning for the back-loading of coal empties to the extent of 20 per cent of additional general goods traffic, in assessing the wagons to be provided for general goods traffic. No provision was made for wagons for new lines as these were assumed to be included in the total traffic provision during the Third Plan."

* * * * *

"An average of 88 wagons on the broad gauge and 90 on the metre gauge, were thus calculated to require one goods locomotive in use. The total locomotive requirements having been thus worked out, an allowance of 5 per cent for spares was allowed both for broad gauge and metre gauge. The proportion for under and awaiting repairs in Workshops and running sheds was fixed at 15 per cent for steam locomotives and 10 per cent for diesel and electric locomotives."

3.15. The Committee are disturbed to find that although the Railways procured 8336 wagons more than the number provided in the Plan to create a capacity of 249 million tonnes, the actual capacity generated at the end of the Plan period in terms of wagons was stated to be only 225 million tonnes i.e. 24 million tonnes less than that anticipated. This shows that either the assessment of capacity at the end of the Plan is incorrect or the estimation of physical requirements to achieve the envisaged Third Plan target of rail capacity was defective. As for the plea regarding the turnround of wagons the Committee find that the Third Plan envisaged that the turnround of wagons would come down to 9.5 days for B.G. wagons and 6.5 days for M.G. wagons. From the statistics published in the Railway Board's Annual Reports, it is, however, seen that the turnround i.e. intervening period between two loadings) had actually increased. The figures are as follows:—

	B.G.	M.G.
1960-61	11.2 days	7.2 days
1965-66	11.8 days	8.4 days

The average lead of traffic (the distance over which the wagons move) in these two years was as follows:

	B.G.	M.G.
1960-61	572 Kms.	316 Kms.
1965-66	556 Kms.	365 Kms.

**Periodical Overhauls.

Thus, on Broad Gauge (which accounts for 80 per cent of the originating goods traffic) the turn-round of wagons had increased despite the reduction in the average lead of traffic.

Apparently, the turn-round of wagons has increased because of an increase in their number. Being surplus to requirements a large number of wagons are lying idle or are under-used and the intervening period between two loadings has increased. The Committee desire that the Ministry of Railways should make a reappraisal of their wagon requirements in the light of these facts.

(c) Utilisation of Capacity

(i) *General*:

3.16. With the capacity available for rail movement, the Committee desired to know as to, within what period the Railways were able to meet the demands of customers for supply of wagons. They asked as to in how many cases the demands for supply of wagons were not met within a week of registration. The reply given by the Ministry of Railways is at Appendix VIII. It has been stated *inter alia* in the note:

> "Supply of wagons for movement of coal from Collieries, raw materials to Steel Plants and finished products from Steel Plants imported foodgrains and fertilisers from ports, cement from cement factories and petroleum products from refineries and petroleum installations, is made in accordance with demands submitted from day to day for implementation within periods ranging from 24 hours to 72 hours. These demands are entitled to a high order of priority for supply of wagons and are normally implemented in full on the scheduled loading dates except in those cases where the demands have been received for restricted destinations or in excess of movement capacities *via* difficult routes such as transhipment points. It will be observed from the attached statement that these commodities at present account for approximately 64·2 per cent of the total loading on the broad gauge and 26·2 per cent on the metre gauge.
>
> Demands for movement of other commodities are implemented on the basis of indents which can be implemented on any day convenient to the Railways and which remain valid until implemented or cancelled by the indentor. These demands are normally implemented within 2 to 3 days of the dates of registration."

3.17. According to the note the indents outstanding at the end of November 1967 for free destinations (excluding special type stock) were as follows:—

Railway	Broad Gauge		Metre Gauge	
	Indents o/s for less than a week	Indents o/s for more than a week	Indents o/s for less than a week	Indents o/s for more than a week
Central	1959	26	113	9
Eastern	496	..	..	..
Northern	2324	197	1414	..
North Eastern	..	..	691	..
Northeast Frontier	91	..	478	..
Southern	628	363	771	..
South Central	351	..	796	..
South Eastern	147	..	..	..
Western	1547	3302	3486	3144
TOTAL	7543	3888	7749	3153

3.18. Explaining the position of outstanding indents on the Western Railway it has been added:

"It will be observed from the above table that indents detained for more than a week were mostly on the Western Railway which was unable to arrange their prompt clearance for the following reasons:—

(a) Approximately 50 per cent of the indents outstanding on the broad gauge consisted of hay for Jogeshwari station on the Bombay Division necessitating regulated supply of wagons according to the releasing capacity of this station.

(b) The remaining indents on the broad gauge were mainly for non-zonal salt, stone and bhoosa, which could have been cleared, without delay, had the consignors not insisted upon loading in conventional wagons which were required for movement of priority traffic in the same loading areas.

(c) Preferential movement of imported foodgrains and fertilizers from Kandla, Bhavnagar and Navlakhi ports, to distant consuming areas which should normally have received their supplies of imported foodgrains and fertilizers from the Bombay and Calcutta Ports whose grain

handling capacities were not fully utilised for various reasons.

(d) Preferential movement of petroleum products from the Kandla Port to petroleum installations in Hissar and Shakurbasti, which should have obtained their supplies from the Koyali and Barauni Refineries, had the production at these two Refineries been maintained at the planned level."

3.19. The Committee note that the only Railway which has a sizeable number of indents outstanding for more than a week is the Western Railway. In view of the fact that the number of wagons, locomotives etc. on the Railways as a whole is in excess of the traffic load, the Committee consider it should be possible to take effective remedial measures to bring down the indents outstanding for more than a week on the Western Railway. The Committee would like to be informed of the measures taken to improve the position on the Western Railway.

3.20. Now that the Railways have a surplus capacity and are looking for traffic, the Committee feel that it should be possible to meet the consumers' requirements of wagons in less than a week of the registration of the demand.

(ii) *Oil Tank Wagons*

3.21. At the instance of the Committee the Ministry of Railways furnished a note indicating the utilisation of oil tank wagons during the Third Five Year Plan, the effect of the construction of the pipeline and the steps taken by the Railways to put the surplus oil tank wagons to alternative uses. The note indicated the utilisation of oil tank wagons during each year of the Third Plan as under:—

Year	Fleet	Loading	D.A. Idling in terms of tanks	%age Fleet (As compared to previous year)	increase in Ldg.	%age of Idling to fleet
BROAD GAUGE						
1961-62	5419	143269	76	..	..	1·4
1962-63	5991	148650	84	10·5	3·8	1·4
1963-64	6829	168632	171	13·9	13·4	2·5
1964-65	7645	176736	146	11·9	4·8	1·9
1965 66	8556	209117	141	11·9	18·4	1·6
METRE GAUGE						
1961-62	2567	80730	87	..	..	3·4
1962-63	3247	86765	234	26·5	7·5	7·2
1963-64	4086	97630	211	25·8	12·5	5·2
1964-65	4230	99736	104	3·5	2·2	2·5
1965 66	4179	98815	82	—1·2	—0·9	1·9

3.22. As regards the wagons having been rendered surplus it has been stated in the note:

> "The only product pipeline commissioned during the Third Five Year Plan was the 426 Kms. Gauhati-Siliguri pipeline, commissioned in November, 1964. The main effect of this pipeline on the tank wagons utilisation was to curtail the load of M.G. tank wagons loaded in this area because a part of the traffic which was being offered at Gauhati before the commissioning of pipeline was offered at New Jalpaiguri (Siliguri pipeline terminal) after the pipeline was commissioned. Except for the product locally dissipated in Siliguri pipeline terminal area, it made to major difference in the quantum of traffic carried. The saving in tank wagons owing to this factor had been assessed at about 200 tank wagons, reckoning a saving of 4 to 5 days in turn-round on a loading of about 40 tank wagons per day after allowing for the terminal detention to tanks as a result of opening a new base.
>
> In order to absorb this surplus fleet immediate steps were taken to stop movement of B.G. tank wagons to dual-gauge-points like Varanasi, Lucknow, Allahabad, Bareilly and Moradabad which were few by M.G. Tank wagons only. Even Shakurbasti which was longer by about 240 Kms. on M.G. as compared to the combined MG-cum-BG route *via* Garhara was fed by all M.G. route by offering some freight concession to M/s. I.O.C."

3.23. The Committee enquired as to when the scheme for construction of pipeline between Gauhati and Siliguri was finalised by the Government and whether the Ministry of Railways were not consulted. They also desired to know as to why more M.G. oil tanks wagons were added to the fleet during the years 1962-63 and 1963-64 keeping in view the construction of the pipeline. A note furnished by the Ministry of Railways is at Appendix IX. It has been stated in the note:

> "It will thus be seen that there was considerable urgency for additional Metre Gauge tank wagons right upto the time of finalisation of the 1962-63 RSP. This was because no decision had been taken for a product pipeline between Gauhati and Siliguri. The proposal for undertaking a Techno-Economic Study of such a project was first referred to the Railways only in July, 1961, by which time the provision of additional MG tank wagons right upto 1962-63 had already been made. As mentioned earlier, such a project was objected to by the Railways in view of the invest-

ments already planned for. The decision to construct the pipeline was taken only in October, 1962. In the meantime, however, taking into consideration the number of tank wagons already provided upto 1962-63 and also the impact of the product pipeline in the possible event of its materialisation, no Metre Gauge tank wagons were provided on additional account in the 1963-64 RSP which was finalised in March 1962. Further, in June 1962, it was decided to cancel provision of 75 Metre Gauge tank wagons (out of the 300 provided for 1962-63 programme) orders for which had not yet been placed. It was also decided that the availability of Metre Gauge tank wagons would be kept in view at the time of considering additional tanks for transport of vegetable oil and molasses."

3.24. The Committee are not satisfied with this explanation. As stated in the note furnished by the Ministry the number of M.G. oil tank wagons on the Railways on the 1st April, 1961 to 1964 were as under:

1-4-1961	..	**2,567**
1-4-1962	..	**3,247**
1-4-1963	..	**4,086**
1-4-1964	..	**4,230**

This clearly shows that about one thousand Metre Gauge wagons were added after 1st April, 1962, even though the Ministry of Railways became aware of the proposal for the construction of the pipeline between Gauhati and Siliguri. Had the Ministry curtailed their orders for oil tank wagons expenditure on the procurement of wagons in excess of requirements would have been avoided.

3.25. The Committee were informed that steps had been taken to absorb the surplus Metre Gauge Oil Tank Wagons by moving traffic meant for points in Northern India by all Metre Gauge Route instead of the shorter Metre Gauge—Broad Gauge route by offering some freight concessions to the Indian Oil Corporation. They, therefore, enquired about the loss suffered by the Railways due to the concession offered to the Indian Oil Corporation and how it compared with the cost involved in idling the surplus wagons.

In reply, the Ministry have stated:

"It may be mentioned that the question of idling of Metre Gauge tank wagons did not arise, as the Broad Gauge fleet

would not have been capable of meeting the entire POL* demands had the Metre Gauge fleet been allowed to idle, there would have been a considerable shortfall against demands for loading of POL products and the gap would have had to be bridged by road. Under the circumstances, cost involved in idling of the surplus Metre Gauge tank wagons would be hypothetical and of academic interest."

3.26. The Committee would like Government to examine the question of relative economics of hauling POL by the longer route on Metre Gauge *vis-a-vis* the shorter route on Broad Gauge so as to adopt the most economic path consistent with operational requirements.

3.27. Explaining the reasons for the general deterioration in the ratio of loading to fleet both on the Metre Gauge and Broad Gauge Oil tank wagons it has been stated *inter alia* in the note:

"It will be observed from the foregoing that factors beyond the control of the Railways led to deterioration in utilisation. The Railways, however, took all possible steps to minimise the impact of the above factors and were able to achieve better results in 1966-67 when the transitional period was over and the refineries overcame their teething troubles. The all MG movement to Shakurbasti was discontinued in August, 1966 and loading to Shakurbasti was permitted by BG route only. After that the MG loading from Barauni to Shakurbasti has been undertaken only when tank wagons are transferred from Barauni to Kandla or to arrange rescue despatches on *ad hoc* basis, requested by the Ministry of Petroleum & Chemicals because of the difficulties in product availability.".

"There is no surplus of MG tank wagons as such expect for the normal idling during the slack season, The daily average idling of MG tankwagons during 1966-67 and 1967-68 is given below:—

1966-67	88 tank/wagons per day.
1967-68	216 tank/wagons per day. (upto November

The exact figures of idling in December, 1967 and January, 1968 are not yet available. However, the demands have picked up during the busy season and the over-all figure of idling for 1967-68 is expected to be less than the figure upto November, 1967."

"On the B.G. also, there is no surplus stock of tank wagons, expect for the normal idling during the slack season. The

*Petrol, Oil and Lubricants.

daily average idling of BG tankwagons is given below:—

1966-67	133
1967-68	203 (upto November)

The figure of idling for the whole year 1967-68 is expected to be less than upto November, as demands have already picked up and the loading is likely to be sustained at a high level during the busy season."

3.28. The Committee can hardly appreciate the plea that "factors beyond the control of the Railways led to deterioration" in the utilisation of oil tank wagons. In their opinion, the decrease in the ratio of loading to fleet was mainly due to the acquisition of oil tank wagons in excess of actual traffic requirements. The Committee hope that the existing oil tank wagons will be utilised to full capacity and further acquisition of these units will be made only after thorough scrutiny of the needs of traffic.

3.29. The Committee feel that Government should very carefully examine the pattern of traffic which has resulted from the development of the Petroleum industry in the country. Government should delimit at the planning stage the most economic and efficient means that they want to follow for speeding up transport of POL traffic as the Railways should be given a clear picture of the pattern and extent of POL traffic that they will be required to handle so that they can gear up their operating plans including manufacture of oil tank wagons in accordance with these requirements.

(iii) *Box Wagons*

3.30. As against the original target of 51,302 Box Wagons (all Broad Gauge), 58,635 Wagons were procured during the Third Five Year Plan. The Coal and Ore traffic, for which these wagons were meant was considerably less than anticipated. The Committee, therefore, enquired whether it was not possible to curtail the procurement of Box Wagons keeping in view the actual materialisation of traffic. In the Note (Appendix X) furnished by the Ministry of Railways it has been stated that:

"Against the revised target of 59175 BOX wagons the actual procurement was 58635 BOX wagons The wagon procurement was cut-back in January, 1965, and again in September, 1965; the effect on the production of BOX wagons

be clear from the following yearly figures of actual production, which show a sharp decline:

1964-65	15520 BOX wagons (in terms of four-wheelers)	
1965-66	10987	Do.
1966-67	3122	Do.

3.31. Explaining generally the reasons for the deterioration in the efficiency index for the utilisation of B. G. wagons it has been added in the note:

"The economic recession caused a shortfall in materialisation of traffic, particularly to and from Steel Plants, coal and export ore. Wagons, including Box wagons, procured for these categories of traffic, were, therefore, rendered surplus to demands during the last two years of the Third Plan. In spite of the cut-back in wagon procurement programmes Railway capacity remained somewhat ahead of demands. this factor contributed to a deterioration in the figure of the not tonne kms. per wagon.

Finally, it needs to be emphasised that rail transport capacity cannot be built to a linear increase, closely parallel to actual requirements at all times. Rail transport capacity develops in 'Blocks' which may be a little behind or little ahead of actual needs. Since the actual anticipated traffic did not come about, the Railways ended with a surplus capacity at the end of the Third Plan. Further while it may be possible to maintain higher levels of efficiency on the Railway system by deliberately maintaining capacity below requirement and thus ensure more intensive utilization of Railway assets, this would cause pent up traffic demands, leading to adverse effects on the economy as a whole and serious public complaints."

3.32. While there should be no objection to rail capacity being somewhat ahead of the demand, the Committee feel that there should be a realistic appraisal of traffic requirements from year to year so that the programme for the manufacture of Box wagons and other rolling stock is tailored to requirements. The Committee consider that, had a more realistic appraisal been made about the requirements of box wagons in the light of traffic offering for coal and ore, it should have been possible to curtail to a larger extent the orders for the production of box wagons.

IV

FINANCIAL RESULTS

On the basis of the anticipated increase in traffic the Ministry of Railways had submitted to the Railway Convention Committee, 1960, that the Gross Receipts of the Railways during the Plan period would be Rs. 2,701 crores at the then prevailing rates and fares and the working expenses, including works to be met from Revenue, would be Rs. 1,953 crores. The Convention Committee 1960 recommended (approved by Parliament in December, 1960) the contributions to the Depreciation Reserve Fund at Rs. 350 crores and payments to General Revenues at 4·25 per cent. per annum of the Capital-at-charge. The net surplus as per these estimates was placed at Rs. 11 crores to be credited to the Development Fund. The anticipated expenditure on works to be met from Development Fund was Rs. 115 crores and the Ministry submitted to the Convention Committee, 1960 that, apart from taking recourse to emporary loans from General Revenues, the position in regard to re-adjustment of freights and fares would require careful consideration at the appropriate time.

4.2. The contribution to the Depreciation Reserve Fund was revised to Rs. 380 crores in 1963-64 and the rates of dividend to General Revenue to 4·5 per cent. per annum in 1963-64 and 5·75 per cent per annum in 1964-65 on fresh capital provided after 31st March, 1964. The fares and freights had undergone revision during the Plan period; while increase in costs resulted in increase in the Working Expenses. With these changes the actual surplus amounted to Rs. 147 crores which was credited to Development Fund. The details are as below:—

(Amount in crores of rupees)

Particulars	Anticipated in 1960	In the Budgets	Actuals during 1961-66	Percentage increase over estimates of 1960
1	2	3	4	5
1. Earnings . . .	2,763*	3,029	3,099	12

*Includes an estimated Rs. 62 crores being the effect of merging Passenger Fare Tax.

1	2	3	4	5
2. Working Expenses [see sub-para (c)]	1,953	2,023	2,075	6
3. Appropriation to Depreciation Reserve Fund	350	380	380	..
4. Appropriation to Pension Fund	..	31	23	..
5. Net Revenue [1-(2+3+4)]	460	595	621	35
6. Payments to General Revenues	449	472	474	6
7. Net surplus transferred to Development Fund (5—6)	11	123	147	..

4.3. The average ratio of net revenue to Capital-at-charge compared with the previous two Plans, is as below: —

	Return before payments to General Revenues	Return after payments to General Revenues
First Plan	5·4%	1·5%
Second Plan	5·1%	1·4%
Third Plan	5·9%	1·6%

(a) Earnings

4.4. The larger earnings than anticipated (instead of less revenue corresponding to less traffic moved) were mainly due to (i) major changes in the goods tariff made in the last four years of the Plan, and (ii) two increases in passenger fares, mainly for the non-suburban traffic, made from 1st July, 1962 and 1st April, 1965 and larger passenger traffic than anticipated. The break-up of the gross earnings is as follows:—

(In crores of rupees)

Source of receipts	Anticipated in 1960	Estimated in the Budgets	Actuals
1. Goods earnings	1,836	1,906	1,927
2. Passener earnings	747	890	924
3. Other coaching earnings	129	161	170
4. Sundry other earnings (including suspense and miscellaneous receipts)	51	72	78
TOTAL	2,763	3,029	3,099

The gross traffic receipts of the Railways in the last year of the Second Plan (1960-61) were Rs. 456·80 crores. The receipts in the last year of the Third Plan (1965-66) were Rs. 755·57 crores, representing an increase of Rs. 276·77 crores, or 60 per cent. Of this increase about Rs. 100 crores (or 22 per cent were attributable to increase in fares and freights and the balance *i.e.*, 38 per cent was due to additional traffic.

(b) Working Expenses

4.5. The actual working expenses of Rs. 2,075 crores was made up of expenditure on works met from Revenue (Rs. 53 crores), miscellaneous expenditure including subsidy to Branch Lines (Rs. 22 crores) and Ordinary Working Expenses (Rs. 2,000 crores).

The break-up of the Ordinary Working Expenses, as compared with those in the First and Second Five Year Plans, is as follows:—

(Amount in crores of rupees)

Particulars	I Plan		II Plan		III Plan	
	Expenditure	Percentage to total Expenditure	Expenditure	Percentage to total Expenditure	Expenditure	Percentage to total Expenditure
1. Staff (Administration, Operating & Labour Welfare)	379	37·7	497	36·1	703	35·1
2. Repairs and Maintenance	346	34·5	462	33·5	633	31·7
3. Fuel	124	12·4	249	18·1	424	21·2
4. Miscellaneous	153	15·4	169	12·3	240	12·0
TOTAL	1,002		1,377		2,000	
(*a*) Traffic Receipts (in crores of rupees)	1,439		1,997		3,094	
(*b*) Percentage of Ordinary Working Expenses to Traffic Receipts	70%		69%		65%	
(*c*) Goods Traffic carried (in million tonnes originating)	521		721		927	
(*d*) Passengers originating (in millions)	6,104		7,295		9,404	

4.6. As per the explanation of the Ministry of Railways incorporated in Audit Report the increase in the Ordinary Working Expenses was due to increase in the prices of coal and freight thereon, increase in wage bills due to appointment of additional staff for the improved maintenance of track considered necessary to ensure speed and maximum safety, increase in the rate of various allowances to the staff, more expenditure on repairs to Rolling Stock, both on periodical overhauls and other running repairs, and increased expenditure on restoration of damage to track, bridges etc., by natural calamities.

4.7. In a note furnished at the instance of the Committee, the Ministry of Railways indicated that the *per capita* cost of the employees rose by 31 per cent during the Plan period; the all-in-cost of coal by by 14·8 per cent; the price of diesel oil by 34·2 per cent. The Ministry had also explained that the price increases and the additional traffic account for the increase in working expenses and, in fact, the economies of scale have reduced the percentage of working expenses to traffic receipts from 69 per cent in the Second Plan to 65 per cent in the Third Plan.

The Committee asked whether keeping in view the economies of scale, a 24 per cent increase in working expenses due to additional traffic was justified to carry additional 33 per cent goods and 24 per cent passenger traffic. The note furnished by the Ministry of Railways states *inter-alia*:—

> "During this period significant economies of scale have been realised (as indicated by the statistics given below) and had it not been for these economies it would not have been possible to achieve this result. The number of staff per million train kilometres during 1965-66 was only 2,880 as compared to 2,908 in 1960-61. Per million gross tonne kilometres, the number of staff decreased from 4·41 in 1960-61 to 3·71 in 1965-66. The utilisation of rolling stock and track also showed considerable improvement and helped to reduce expenses. Net tonne kilometre moved per engine hour, which stood at 4·170 (Board gauge) and 1766 (Metre Gauge) in 1960-61, improved to 4·446 (Broad Gauge) and 2,177 (Metre Gauge) in 1965-66. The net train load also improved from 656 tonnes in 1960-61 to 725 tonnes in 1965-66 on the Broad Gauge and from 298 tonnes in 1960-61 to 347 tonnes in 1965-66 on the Metre Gauge. The average wagon load during the run also improved from 18.5 in 1960-61 to 18.6 in 1965-66 on the

Broad Gauge, and from 10·4 to 11·5 on the Metre Gauge. The increased utilisation of running track is indicated by the net tonne kilometres moved per annum per thousand running track kilometres which increased from 2,189 million in 1960-61 to 2,556 million in 1965-66, on the Broad Gauge, and from 537 million in 1960-61 to 738 million in 1965-66 on the Metre Gauge. The overall operating-*cum*-efficiency index computed by taking averages of 16 selected items covering the different facets of the railway working generally internationally accepted as indices for judging the efficiency of the various fields of railway working, also indicates an improvement from 115·1 in 1960-61 (base year 1938-39) to 11·9·9 in 1965-66."

4.8. According to Audit the working expenses in the year of the Third Plan (1965-66) were Rs. 485.85 crores compared to 313.15 crores in the last year of the Second Plan (1960-61), that is, an increase of 55 per cent over the Plan period. If 31 per cent increase in working expenses is attributed to higher prices and labour costs, the increase in expenses attributable to additional traffic was 24 per cent.

4.9. In the opinion of the Committee, an increase of 55 per cent in the working expenses of the Railways during the Third Plan period is not a matter to be treated lightly.

The fact that the Railways have been able to meet their obligations by increasing freights and fares repeatedly during the last four years of the Third Plan should not make them oblivious to the fact that it is saddling the general economy with heavy surcharges. Besides, the Railways should clearly grasp the fact that if the rates continue to rise at the present rate, it is conceivable that an appreciable portion of traffic may get diverted to roadways which would only further aggravate the financial position of the Railways. The Committee consider that the best means of augmenting earnings is by improving the competitiveness and quality of service so as to attract more traffic. The Railways should also simultaneously take effective measures to arrest the rising expenses on working so as to take full advantage of the economies of scale and the improvements in rolling stock, track which have been effected at such heavy capital cost during the Third Plan.

(i) *Expenditure on Staff*

4.10. During the course of evidence the Committee drew attention of the Ministry to the increase in the number of railway staff, which had reached the figure of 1·3 million. The Chairman, Railway

Board, informed the Committee that as soon as it became clear that traffic was not going to materialise, the recruitment programme was curtailed severely. A ban had been imposed on the recruitment of certain categories of staff. At the same time surplus staff in certain categories was being retained for other jobs where there were deficiencies. He added that the staff strength of the Railway Service Commission and the Railway Board had also been curtailed.

4.11. It was pointed out that during their on-the-spot study visits to Calcutta and Madras the Study Groups of the Public Accounts Committee had noticed that a few hundred men were being kept surplus to requirements at both the places. The Committee, therefore, enquired as to what action was proposed to be taken to deal with the surplus staff. The Chairman, Railway Board, stated that retrenchment was difficult but they had reduced further recruitment. He added:

> "I would assure the Committee that we have come with a very heavy hand and we have reduced recruitment considerably."

4.12. The Committee are not convinced by the explanation, (economy in expenditure in staff). In August, 1967, the Committee had asked the Ministry of Railways to furnish the percentage of expenditure on staff employed in the Railway Board and Headquarters offices of the Zonal Railways to the overall expenditure on staff over the period covered by the three Plans. They were informed that the relevant statistics were being collected. In the course of evidence (December, 1967) the Committee were informed that the study would be completed in another four week's time. In January, 1968, it was stated:

> **"No study has been made so far on the point raised by the Public Accounts Committee. However, a quick analysis has since been undertaken and a report will be submitted to the Committee as early as possible."**

The Committee regret to observe that the information is still awaited. In the absence of the particulars called for, the Committee are not in a position to appreciate the economies stated to have been effected in the expenditure on staff.

4.13. In this connection, the Committee would also like to invite attention to the following recommendation of the Estimates Committee, made in para 11 of their 10th Report (Fourth Lok Sabha):

> **"The Committee feel deeply concerned to note that roughly 63 per cent of the working expenses of the Railways is on**

staff cost and 37 per cent on materials and equipments. The Committee cannot too strongly stress the need for reduction of the high expenditure on administration."

While endorsing the views of the Estimates Committee, the Committee stress that the Railway Board should itself set a high example of economic and efficient running by reducing its own strength to the minimum. The Railway Board should simultaneously take up the question of fixing the strength of the Zonal and the Divisional Offices of the Railways at a level consistent with the requirements so as to achieve the utmost economy. The Committee would like to be informed of the action taken to effect economy and to absorb gainfully the staff which is rendered surplus due to reorganisation of the Railways and other economy measures.

(ii) *Expenditure on fuel:*

4.14. As indicated in the table at page 55 the proportion of expenditure on fuel (Coal, diesel oil and electricity) to the total working expenses had risen from 12.4 per cent during the First Plan period to 18.1 per cent during the Second Plan and to 21.2 per cent during the Third Plan period. In a note, the Ministry of Railways have stated considerable increase had occurred in the coal bill of the Railways which increased progressively from Rs. 66.72 crores in 1960-61 to Rs. 84.49 crores in 1965-66 (an increase of 26.6 per cent) though the traffic moved on steam traction itself declined from 248.94 billion gross tonne Kms. to 221.91 billion gross tonne Kms. (a decrease of 10·9 per cent). Admittedly, the all-in-cost of coal for the Railways had increased by 14.8 per cent during the Plan period Even then, the coal bill for 1965-66 (duly adjusted to the traffic level and the price level of 1960-61) comes to Rs. 82.62 crores representing an increase of Rs. 15.90 crores or 23.9 per cent in real terms

4.15. The data furnished by the Ministry of Railways further shows that the consumption of coal in physical terms had also steadily increased. The quantum of coal consumed per unit of traffic hauled (i.e. per thousand gross tonne Kms.) in the last year of the Second Plan and during Third Plan was as follows:—

1960-61	..	59·4 Kg. per unit
1961-62	..	61·1 Kg. per unit
1962-63	..	63·6 Kg. per unit
1963-64	..	66·9 Kg. per unit
1964-65	..	70·4 Kg. per unit
1965-66	..	71·8 Kg. per unit

The coal consumption figures for the shunting services have also a similar increase.

4.16. The Committee enquired the reasons for the substantial increase in the rate at which coal was consumed, for steam traction purposes. They also desired to know the steps proposed to be taken to improve the position. A note furnished by the Ministry of Railways is at Appendix XI. It has been stated that the increase in coal consumption was mainly due to a reduction in the supply of superior grade coals. The note adds:—

> "The Railway Board are fully alive to the need for achieving utmost economy in coal consumption. Recently, a meeting of the Fuel Officers of the Railways was convened to explore the possibilities of achieving further economies in coal consumption by intensifying the control measures."

4.17. The Committee are perturbed to find that the performance in regard to Coal consumption has deteriorated in both monetary and physical terms. The Committee feel that if the Railways had put to full use technological developments and their own expertise in fuel economy it should have been possible to reduce the coal bill. The Committee stress that the Railways should pay urgent attention to fuel economy and implement economy measures with determination and vigour to arrest the rising trend in Coal bill and to achieve maximum economy consistent with efficiency.

(c) *Loss incurred on the Southern Railway*

4.18. According to the Audit Report, of the three Railways working on loss, namely North Eastern, Northeast Frontier and Southern Railways the financial working of the Southern Railway deteriorated considerably during the Plan period. The net loss incurred on this Railway increased from 1·2 crores in 1960-61 to Rs. 6.4 crores in 1965-66. The loss in 1966-67 is expected to increase further to Rs. 10.82 crores according to the Ministry of Railways. Explaining the considerable increase in loss the Ministry of Railways have stated that the apparent deterioration in the financial position of the Southern Railway was not due to decrease in efficiency but due to heavy burden of depreciation and higher dividend rates. On being asked further as to how allocation of contribution to Depreciation Reserve Fund and payment of dividend to General Revenues had affected adversely only the Southern Railway, the Ministry of Railways have explained in a note:

> "During the period 1960 to 1966, the extent of increase in the capital-at-charge of the Southern Railway was higher

than on Indian Railways excluding Southern Railway. The higher level of capital expenditure on the Southern Railway was mainly due to the Line Capacity Works undertaken on this Railway during the Third Plan period *e.g.* doubling on North-east, North-west and South-west lines, conversion of track to broad gauge around Vijaywada etc. This resulted in a higher increase in the contribution to the Depreciation Reserve Fund and Dividend to General Revenues booked against the Southern Railway than in the case of other railways."

4.19. In another note the Committee have been informed of the steps proposed to be taken by the Ministry of Railways to attract more traffic on areas covered by the Southern Railway.

4.20. The Committee desire that special attention should be directtowards improving the financial position of the Southern Railway by effecting economy, improving efficiency and by attracting more traffic. They would watch the result of the working of this Railway in subsequent Audit Reports.

(d) *Unremunerative Branch Lines*

4.21. At the instance of the Committee the Ministry of Railways submitted a comprehensive note on unremunerative railway lines, which is at Appendix XII. According to the note, pursuant to the recommendations of the Committee on Transport Policy and Coordination (January 1966) a preliminary review of the branch lines was conducted in 1967 which showed that heavy losses were incurred by the Railways in the case of 63 branch lines. Consequently it was decided that "a comprehensive review of each of the unremunerative lines of the various railways may be conducted and the decision to close the line or adopt measures to improve its working, may be taken on the merits of each case." In the course of his speech on the Railway Budget for 1967-68, the Minister for Railways also referred to the problem of unremunerative branch lines and made the following observations:—

"After a careful but quick study to work out the relative cost to the economy of alternative forms of transport, the unremunerative branch lines should be closed down wherever it is found that they are not justified in terms of their cost to the economy. The meagre traffic that such branch lines may be carrying could be handed over to

road transport. In the past, State Governments have objected to most proposals of this nature for no weightier reason than that popular local sentiment has been against such proposals. While we will continue to give the utmost consideration to the views of State Governments as hithertofore, it is to be hoped that the sound principle of providing transport at the lowest cost and to the maximum advantage of the economy would outweigh other less weighty considerations."

4.22. A detailed review was therefore undertaken by the Ministry of Railways which indicated that there are 71 uneconomic branch lines on the Indian Government Railways. Of these, 11 are Broad Gauge, 26 Metre Gauge and 34 Narrow Gauge. Their break-up according to the Railway Zone in which they are situated is given below:—

Western Railway	..	31
Northern Railway	..	8
Southern Railway	..	14
South Eastern Railway	..	6
Eastern Railway	..	4
Northeast Frontier Railway	..	4
North Eastern Railway	..	2
Central Railway	..	2
Total:	..	71

4.23. Annexure 'I' to the note furnished by the Ministry (Appendix XII) shows in respect of each of the uneconomic branch lines, its length, date of opening, capital cost, amount and percentage of profit/loss, etc. The total annual loss on these lines works out to about Rs. 6.69 crores, including interest on capital. It has been stated in the note:

"In view of the continued losses resulting from the operation of these unremunerative lines, a review of each of these lines was ordered and is in progress, so that it may be determined which particular branch line may be closed down without detriment to public interest and what steps may be taken to improve the working results of the lines to be retained. The review of 31 lines of the Western Railway is being carried out by the Railway itself. The

remaining 40 lines have been reviewed in the Board's office on the basis of data obtained from the Railways."

"In the case of 14 lines out of the 40 reviewed in the Board's office, it was found that road transport could, without difficulty and without detriment to the economy of the area, replace rail transport..... The concerned State Government have been requested to confirm that there would no difficulty in making arrangements for such additions to road transport as may be necessary to fill the gap in transport likely to be created by the closure of these branch lines."

4.24. The Committee agree that the sound principle of providing transport at the lowest cost and to the maximum advantage of the economy should outweigh all other considerations in deciding upon the retention of unremunerative lines. In view of the growing difficult financial position of the Railways it is desirable that an early decision should be taken about the operation of those lines on which the Railways have been persistently losing heavily. The Committee also consider that in the case of marginal lines the Railways should intensify their efforts to attract more traffic so that these can be made to pay their way.

V

MANUFACTURING OPERATIONS

Para 16, page 20—Chittaranjan Locomotive Works—Manufacture of Electric Locomotives and components.

The Ministry of Railways decided in March, 1961 to adopt the design of a foreign firm for A.C. freight Broad Gauge electric locomotives and entered into an agreement with the firm in January, 1963 for the supply of 10 complete locomotives at a cost of Rs. 96 lakhs and also for rendering technical assistance for the indigenous manufacture of mechanical parts and assembly of these locomotives in India. An order for the supply of 32 sets of electrical and other equipment (for fitting them into mechanical parts to be manufactured in India) at a cost of Rs. 2.08 crores was also placed on the firm. The supplies which were to be made by October, 1963 were completed by the firm only in July, 1965. The production was consequently delayed and the first locomotive scheduled for completion in November, 1962 could be commissioned only a year later. Audit was informed that the question of levying liquidated damages for the delays in supply was under consideration.

5.2. At the instance of the Committee the Ministry of Railways have furnished a note stating that the "Director General, India Supply Mission, London had since advised Railway Board on 4th August, 1967 that an amount of 6,75,000 DM has already been recovered from the firm as liquidated damages on account of delayed supply of the main equipment. The amount of liquidated damages on account of delay in supply of spares is yet to be advised by the DG/ISM as it has not so far been finalised. Suitable amount has, however, been withheld by ISM/London, pending settlement of this issue."

5.3. The Committee may be informed of the final settlement reached with the firm in this case.

5.4. The same firm had offered earlier in January, 1960 and January, 1961 technical assistance in the indigenous manufacture of the electrical equipment also and stated that the Railways could expect to be in a position of obtaining after a very short period,

between 90 to 100 per cent of the electrical equipment from indigenous sources. The Ministry of Railways accepted this offer in March, 1961 and a collaboration agreement was signed in November, 1962. This agreement, operative for 8 years upto November, 1970, provided for the grant of manufacturing rights and giving technical assistance for the indigenous production of 13 specified items, covering about 60 per cent of the total cost of electrical equipment fitted in an electric locomotive. The remaining 40 per cent of the equipment was also expected to be developed indigenously. It was anticipated by the Ministry of Railways (October, 1962) that cent per cent indigenous production could be established within a period of about five to six years, from the date of signing the agreement with the firm. The agreement also provided that Government should buy their requirements of the 13 specified items, manufactured by the firm, as long as they are not manufactured indigenously at 'normal commercial prices covering the actual cost of production including normal overhead charges and a profit ordinarily not exceeding 10 per cent but in no case exceeding 15 per cent."

5.5. According to Audit, there had, however, been delays in the development of indigenous manufacture of the electrical equipments. At the time of execution of the agreement it was expected that the Heavy Electricals, Bhopal (HEIL) would undertake the manufacture of all the 13 specified items covered by the agreement and reach the target of full indigenous production by the end of 1965. However, immediately after the execution of the Agreement, it was decided in November, 1962 that the HEIL would undertake manufacture of only two items, namely, transformers and traction motors and would start deliveries from 1964-65 onwards. After a series of discussions with the HEIL during November, 1962 to January, 1964 it was finally decided by the Ministry of Railways in June, 1964 that the manufacture of transformers alone should be entrusted to the HEIL and that traction motors should be manufactured in Chittaranjan Locomotive Works in which some spare capacity was expected due to the tapering of production of steam locomotives. According to the original anticipations, the indigenous manufacture of these items transformers and traction motors were expected to commence from April, 1965 and July, 1966 respectively. While the first transformer (with 50 per cent imported components) was produced in December, 1966, traction motors (with 73 per cent imported components) were expected to be produced only by March, 1967.

5.6. As regards the remaining 11 items, for the manufacture of which the firm was to give technical assistance, 7 items were expected to be manufactured by the indigenous trade to specifications

developed by the Railways. The manufacture of the other 4 items was expected to be developed in Chittaranjan Locomotive Works by July, 1966 to October, 1967.

5.7. According to Audit, at the time of finalising of the agreement, it was expected that the cost of purchase of the 13 specified items from the foreign firm would initially work out to Rs 2·41 lakhs per locomotive (estimated total cost of the electric locomotive being about Rs. 10 lakhs) and gradually come down to a small fraction of this figure. Due to delayed development of indigenous manufacture, however, equipment worth Rs. 3.21 crores were imported from the firm upto the end of March, 1966, by which time 61 locomotives were manufactured.

5.8. By the end of the Third Plan the indigenous content (electrical and mechanical parts) of the electric locomotives manufactured reached a level of 38 to 40 per cent. According to the present anticipations, the proportion is likely to reach 71 per cent by 1970-71 (when the Collaboration Agreement for the manufacture of electrical components is due to lapse) and components etc.. of specified nature of about 29 per cent would still be required to be imported.

5.9. The Committee desired to be informed about the services rendered by the foreign collaborators till the end of June, 1964. They also enquired as to what assistance was expected to be rendered by the firm in the manufacture of the seven items of equipment since taken up by the trade. The Ministry of Railways (Railway Board) have stated in a note that according to the Heavy Electricals, Bhopal till the end of June, 1964 the foreign firm had supplied "negative airmail prints and reference drawings and product drawings, standards and material specifications, test documents, detailed of type tests, inspection sheets, manufacturing instructions, machine tool layout, tool lift and tool drawings.

5.10. It has been added "So far as the seven items which are now taken up by the trade to specifications developed by the Railways are concerned no assistance is now expected to be rendered by the firm. The alternative designs for all equipment developed with the trade have been developed independently and have no relation to the corresponding Group designs or the Agreement. However, in developing these designs, advantage was taken of the experience gained on the performance of the electrical equipment to Group's designs fitted in the imported FT locomotives and also the general industrial potential in the country that had developed since the signing of the Agreement. The alternative designs which were considered later on could not have been developed without the

initial information regarding the designs and know-how of the Collaborating firm."

5.11. On being asked as to the circumstances under which it was decided to curtail the scope of work initially planned to be entrusted to the Heavy Electricals Ltd., the representative of the Railway Board stated in evidence that initially the Heavy Electricals had indicated that all the seven items would be produced by them but later on it was found that these items had been produced by the trade independently or in collaboration with some of their own collaborators. It was, therefore, felt that these items could be supplied by the trade.

5.12. The Committee are concerned to note that although agreement with the firm for technical assistance was executed more than two years after the offer was made no attempt seems to have been made during this period to tap indigenous sources and capacity for the manufacture of the equipment. It is surprising that soon after the agreement was signed it became known that the seven items could be produced by the trade independently.

5.13. In reply to a question about the delay in the manufacture of transformers, the Chairman, Heavy Electricals, admitted that there was "certain amount of initial delay in finalising the specification for transformers. The size had to be changed and from the time information was received from the collaborators in Europe the time taken for the production of transformers was reasonable." He added that 17 transformers had been produced so far.

5.14. Explaining the development of all the items of electrical equipment the Member, Mechanical, Railway Board stated that the traction motor was originally targetted for production in July, 1966 and it was expected that its production would be progressively increased during 1966-67. In fact a traction motor prototype had already been manufactured and it was under test.

5.15. He added that there was some initial delay because the design of the traction motor had to be developed according to the revised rating which had been offered by a Japanese firm. This had to be developed by the collaborators according to the requirements of axle load. There was also some delay on account of the tight position of foreign exchange which delayed the import of boring machines and testing equipment. He assured the Committee that within the next few months full production would be achieved.

5.16. The other four items, which were to be produced at Chittaranjan Locomotive Works were mostly developed in the year 1966 and it was hoped that all the items would be produced by 1967-68. The other seven items were being produced by the trade and they were getting full supplies.

5.17. In reply to a question the witness informed the Committee that all the 13 items would be indigenously produced before the expiry of the Collaboration Agreement in 1970.

5.18. From a note furnished at the instance of the Committee (Appendix XIII), the Committee note that from the 199th locomotive which may be turned out in November, 1968, all the thirteen items would be indigenous. The note further indicates that—

> "the locomotives produced at Chittaranjan Locomotive Works will still continue to have some important content consisting of basic raw materials like copper etc. and finished products like insulating materials which are not yet available from the indigenous industry."

According to the table annexed to the note (Annexure II) the imported content of the locomtives had been as follows:—

Year	No. of locos turned out	Percentage of imported content
1963-64	2	56 to 58
1964-65	25	
1965-66	32	46
1966-67	57	40 (45% at post devaluation rate)

NOTE: For the production in 1967-68 it has been estimeted that the cost per loco would be Rs. 15·72 lakhs and the import content about Rs. 7·57 lakhs *i. e.* 48% of post-devaluation rates. If devaluation effect is ignared the import content would be about 37% only.

5.19. The Committee cannot help feeling that the original anticipation by the Ministry of Railways that cent per cent indigenous production could be established within a period of 5 to 6 years from the date of signing of the Agreement with the firm has proved unrealistic. While the Committee would like the Railways to accelerate the programme for the indigenous manufacture of components

and parts required for electric locomotives, they stress that care should be taken to ensure that their quality and price do not compare unfavourably with the imported product.

5.20. There was also delay in the development of capacity for the manufacture of electric locomotives. In January, 1961, the Ministry of Railways planned the production capacity of 6 locomotives per month by April, 1963, but in the Project Report prepared in December, 1961, it was anticipated that a period of 2½ years from the date the facilities were created and made available would be required to attain that level, which was actually attained only in March, 1966. Against the anticipated production of 100 electric locomotives during the Third Plan, the actual production came to 61. Meanwhile, to meet the requirement of the Third Plan partially, 85 electric locomotives at a cost of Rs. 8.4 crores were imported. While the requirements of goods services were thus met, bulk of the passenger services on the electrified sections continue to run on steam/diesel traction.

5.21. Explaining the reasons for the shortfall in output the Ministry of Railways have stated in a note:

> "The original plan to manufacture 100 locomotives by the end of the Third Plan had to be reviewed and revised as the work progressed to take into account the delays in supply of imported equipments and recession in the development of indigenous items. In consideration of these unforseeable delays, the target was, in the first instance, revised to 91 locomotives at the A.C. Rolling Stock Committee 3rd meeting held in March 1965 and this was subsequently again revised to 72 at the Fourth meeting of the same Committee held in Delhi in July, 1965. The actual production of 61 locos by March, 1966 fell short of this target by only 11 locos. The main reason for this was the belated receipt of some of the imported components, *viz.*, Excitrons, cables, gears, etc. and the stress laid on reducing foreign exchange and *inter alia* incorporating maximum number of indigenous components. In addition to these 61 new locos, 2 imported locomotives which were damaged by an explosion during transit were also reconditioned at CLW which involved more or less full labour and time as for building a new loco. Thus there was a net drop of 9 locos in the production target of 72 locos as fixed finally in July, 1965. This shortfall in production may not be considered heavy or unjustified viewed in the context of the numerous difficulties encountered

in establishing the manufacture of these locomotives which has been an entirely new venture for the Indian Railways and which entailed development of sophisticated electrical equipment."

"The production capacity of the CLW was built up to 6 locomotives per month by March, 1966 and while CLW have since been trying to maintain the production at this level it has not been possible in all the months due to various difficulties connected with the receipt of imported and indigenous equipments and with the initial problems of coordinating and fitting the indigenous equipments in the overall design of the locos. In spite of these difficulties the actual production in 1966-67 has been 57 locos. The actual production in six out of the twelve months of the year did reach the target of 6."

5.22. The Committee note that it has been possible to establish capacity for the manufacture of 6 electric locomotives per month only in March, 1966 as against the original target of April, 1963 envisaged by the Railways. Now that the production of electric locomotives has been fairly well established, the Committee would like the Railways to plan the manufacturing programme to match their operational requirements.

5.23. In para 17 of their Forty-Fourth Report, the Estimates Committee (Third Lok Sabha) had recommended that:

"Every effort should be made to increase the output of A.C. locomotives in Chittaranjan Locomotive Works to meet the demand to the maximum extent possible. The Committee would, in fact, suggest that as steam locomotives are on the way out all over the world, it would but be appropriate the conversion of Chittaranjan Locomotive Works to the manufacture of electric locomotives (both Broad Gauge and Metre Gauge) is drawn up and implemented to make India self-sufficient in electric traction."

In their reply the Ministry of Railways stated in July 1964:

"In the Fourth Five Year Plan it is proposed to reduce progressively the production of steam locomotives and increase the production of electric locomotives. According to the present estimation the C.L.W. is likely to cease production of steam locomotives by the end of 1969-70 or so. All the electric locomotives required during the Fourth Five Year Plan are likely to be produced in C.L.W."

The Committee desire that, in accordance with the assurance given to the Estimates Committee, the production of steam locomotives should be curtailed at the Chittaranjan Locomotive Works and they should switch over to the production of electric and diesel locomotives.

Para 17, page 22—Diesel Locomotive Works Manufacture of Diesel Locomotives.

5.24. In order to develop the capacity for indigenous manufacture of Broad Gauge diesel locomotives, the Ministry of Railways decided in June, 1961 to set up the Diesel Locomotive Works at Varanasi at an estimated cost of Rs. 19.57 crores. Arrangements for technical collaboration with a foreign firm and their associates were finalised in February, 1962. The Project Report received from the collaborators in June, 1962 envisaged commencement of production in December, 1963 and attainment of the full-rated annual production of 150 locomotives by June-July, 1967. The anticipated production during the Third Plan period was 83 locomotives. It was anticipated that the indigenous content of the locomotives would be progressively increased upto about 90 per cent in the later part of the Fourth Plan and the balance 10 per cent representing only some specialised items would still be imported.

5.25. The Diesel Locomotive Works, however, produced only 54 B.G. diesel locomotives during the Third Plan period. (During this period the Ministry had imported 312 B.G. locomotives at a cost of about Rs. 36 crores). The Ministry decided in January, 1966 that the out-turn in the last quarter of 1965-66 should be restricted to 4 locomotives per month because of the uncertain foreign exchange position required for the import of components and raw materials. It was also decided that the production from April, 1966 would be 5 locomotives per month, that is, 60 locomotives during 1966-67. The Ministry, however, stated in February, 1967 that according to the present anticipations the full-rated output of 150 locomotives per annum would be attained towards the end of 1968-69. It was also stated that necessary foreign exchange had been provided for the production upto the middle of 1968-69 and arrangements for subsequent years were under consideration. It may be mentioned that according to an earlier assessment made by the Ministry in May, 1965, the full-rated output could be expected to be reached only by 1970-71 on the basis of production of 95 locomotives in the year 1966-67 to be stepped up gradually in the subsequent years.

5.26. As regards the indigenous content (which is expected to reach a level of 90 per cent in the later part of the Fourth Plan) the level attained by August, 1966 was of the order of 29 per cent.

5.27. Efforts to develop the manufacture of certain major components in the public sector undertakings had not been quite successful so far as indicated below and the shortfall had, therefore, to be met mainly by imports.

(i) The Heavy Electricals, Bhopal, undertook in July, 1962 to supply a good portion of the traction equipment, including traction motors, generators and control equipment, required for the locomotives constituting 30 per cent of the total cost of a locomotive and a letter of intent was issued to them in September, 1962 for the supply of 120 sets of complete traction equipment during 1964-65 and 1965-66. It was, however, subsequently found in November, 1962 that only traction motors would be manufactured in Bhopal of which 60 sets were expected to be delivered by March, 1966. Actually, no deliveries had been made till March 1966. The actual requirement of traction equipment obtained by imports for the 54 locomotives produced upto March, 1966, is estimated to have cost 4·48 million dollars.

The Ministry of Railways explained to Audit in February, 1967 that the deliveries could not be adhered to by the Heavy Electricals, Bhopal (HEIL) for several reasons, namely, unavoidably long time required for finalising the design of the electrical equipment, considerable delay in the procurement of imported machinery and raw materials and delays on the part of HEIL's suppliers in supplying tools and components according to schedule.

(ii) The Heavy Engineering Corporation, Ranchi, informed the Ministry of Railways in July, 1962 that they could manufacture crankshafts and later, in July, 1964, stated that they had sufficient capacity for producing heavy and medium size crankshafts to meet the entire demand of the Diesel Locomotive Works. As the forging technology of Heavy Engineering Corporation had not been found suitable to the needs of the Diesel Locomotive Works, it was decided in August, 1965 that the requirements would be imported. The actual requirement obtained by imports for the 54 locomotives is estimated to have cost 0·43 million dollars.

The Ministry of Railways explained to Audit in February, 1967 that, only recently, the Heavy Engineering Corporation had finalised all the technical details preliminary to the manufacture of the requisite type of crankshafts and indicated that the first prototype would be delivered in 1969-70.

(iii) Wheels and axles required by Diesel Locomotive Works were expected to be supplied by Durgapur Steel Plant and orders

were placed for 315 axles and 630 wheels in December, 1963 and 964 axles and 1928 wheels and 31 axles were supplied till March, 1966. As the supplies were not sufficient, orders for 25 loco sets (a set comprising 6 axles and 12 wheels) at a cost of Rs. 5 lakhs had been placed on a Japanese firm in March, 1966. This was followed by further orders placed on the same firm in June and October, 1966 aggregating to wheel sets for 145 locomotives and axle sets for 70 locomotives.

5.28. The Committee desired to be informed of the reasons for the short fall in the output of locomotives at the Diesel Locomotive Works. The Ministry of Railways have furnished a note which is at Appendix XIV. It has been stated that the actual production in the Third Plan was 66 locomotives including 12 locomotives assembled from knocked down condition against the revised anticipated production in the Third Plan of 83 locomotives. Explaining the reasons for the shortfall it has been stated—

> "The actual shortfall in production was, therefore, (seventeen) locomotives. This was almost entirely due to the delays and deficiencies in the receipt of imported components, the receipt of components in mis-matched order as well as mis-despatch of consignments. One of the fain factors responsible for the delay in the receipts was the dock strikes in New York in January-February 1964 and January-Feruary, 1965."

5.29. The present rate of production is stated in the note to be of the order of 7 B. G. mainline diesel locomotives per month as achieved in September, October, November and December, 1967. In addition to this, it has been mentioned that D.L.W. has also turned out 13 B.G. diesel electric shunters received in semi-knocked down condition from July, 1967 onwards.

5.30. As regards the slow rate of progress in developing indigenous manufacturing capacity it has been explained in the note:

> "A certain rate of indigenisation had been initially estimated at the time of setting up the project. However, in the course of actual manufacture of the locomotives and the progressive setting up of facilities and detailed investigation into the indigenous capacities available and required to be developed, a more realistic pattern of indigenisation was evolved. This pattern was based on the anticipation that the full requirement of traction equipment (which constitutes about 30 per cent of the total

cost of the locomotive) would be supplied by HEIL, Bhopal and that the indigenous industry in the public and private sectors would be in a position to supply components and raw materials strictly according to the requisite design and manufacturing specifications It was, therefore, anticipated that about 90 per cent indigenisation would be achieved by the end of the Fourth Five Year Plan. The initial rate of indigenisation was expected to be slow, whereas in the subsequent years the rate would be fairly rapid.

The actual rate of indigenisation has been as follows:—

1963-64	Assembly of 12 knocked down locos.	—2% indigenous.
1964-65	Regular production of locos	—17% ,,
1965-66	Do.	—25% ,,
1966-67	Do.	—31·5% ,,
1967-68	1st Quarter production	—33% indigenous
	2nd Quarter production	—47·6 ,,
	3rd Quarter production	48% ,,

With the fitting of the traction equipment received from HEIL, Bhopal, in all the locomotives to be turned out the indigenous content is expected to go up to 80 per cent from the beginning of 1968-69. This level of indigenisation is, however, not likely to go up further during the remaining years of the 4th Plan as the number of items, the indigenous capacities for which have either been developed outside D.L.W. or are in the process of being so developed, are not likely to be available freely in sufficient quantities before the end of the Fourth Plan. These items approximating about 10 per cent of the cost would, however, be available fairly soon thereafter and their application to regular production of locomotives in D.L.W. would more or less complete the achieving of 90 per cent indigenisation as originally estimated."

5.31. In evidence, the Committee asked as to how much foreign exchange could have been saved if the Heavy Electricals, Bhopal, supplied traction motors according to schedule. The Member, Mechanical, Railway Board, stated that the Diesel Locomotive Works had established full production earlier than the time (5 to 6 years) sti-

pulated in the Collaboration agreement and the import of traction motors could not be avoided. He added—

> "Whatever money has been spent on the purchase of traction motors cannot be logged against the delay in the production of traction motors. Certain amount of imported components even when production is developed fully in the country will continue to be there. Raw material and special equipment not developed in trade will continue to be obtained from abroad till it is procured indigenously"

5.32. Asked about the reasons for importing Crank-shafts which the Heavy Engineering Corporation had promised to supply, the witness stated that the Heavy Engineering Corporation had agreed in—July, 1962 to supply crank-shafts. In February, 1963, however, the Corporation stated that they would be able to supply only the forgings and would not be able to machine the equipment till 1967. As a result of subsequent discussions and negotiations the Heavy Engineering Corporation assured the supplies in batches commencing from the year 1969-70. He added that the scheme had since been approved by the Government and since it was a highly specialised equipment requiring sophisticated know how they might go in for collaboration. The acting Chairman of the Heavy Engineering Corporation stated that it was only in November, 1967 that the Railways had approved in principle the press forging technology which the Corporation proposed to adopt for the manufacture of the crank-shafts. The Corporation would now enter into a collaboration agreement and that it might not be possible to deliver the first batch before the middle of 1971. He added that 10 crank shafts were being imported from the foreign firm for being tested by the D.L.W. After the Diesel Locomotive Works gave their final approval the Corporation would take about 3½ years to manufacture and supply the crankshafts. In reply to another question the witness explained that in the beginning the Corporation proposed to adopt 'slab forging process' and they hoped to supply the equipment in 1965. Later on this method was not approved by the Diesel Locomotive Works and it was only in November 1967 that the Works had approved in principle the process of 'press forgings.'

5.33. The Committee enquired the reasons for the failure on the part of Durgapur Steel Plant to supply the wheels and axles, the Secretary, Department of Iron and Steel, explained that the first order placed in 1963 was accepted by the Steel Plant by mistake due to lack of experience, and the enthusiasm on the part of engineers to help the Railways in establishing indigenous production. He

added that their equipment was not intended for this kind of work. He expressed the hope that this order would certainly be executed even though there had been great delay which was largely due to their inexperience and ignorance. About the second order placed in 1965 the witness stated that they had at no stage accepted the order in their books. They had also informed the Railways that production of axles was beyond their capacity.

The difficulties were technical in nature, particularly about the quality of the metal and machining. An expert advice was being sought and it might be possible to effect improvements in the wheel and axle plant.

5.34. In their 32nd Report P.A.C. (3rd Lok Sabha) had suggested that 'efforts should be made to accelerate the tempo of production to achieve the targets laid down by the Railway Board for the Third Five Year Plan, viz., 95 locomotives in all including 12 knocked down locomotives." In their Memorandum the Ministry of Railways stated that "the observations of the Committee regarding the out-turn of locomotives and the indigenous content of the product are noted, every effort will continue to be directed towards these objectives."

5.35. The Committee are disappointed to find that only 54 locomotives were produced during the Third Plan besides the assembly of 12 knocked down locomotives against the Plan target of 95 locomotives.

5.36. The Committee are not happy that the production target of the Diesel Locomotive Works should have suffered "due to delays and deficiencies in the receipt of imported components, the receipt of components in mis-matched order as well as mis-despatch of consignments."

The Committee expect the Ministry to take remedial measures to ensure that the availability of components matches the production programme.

5.37. The Committee are not impressed with the leisurely manner in which the Public Undertakings, particularly the Heavy Electricals, Bhopal and the Heavy Engineering Corporation have proceeded in developing indigenous manufacture of traction motors and crank shafts respectively.

The Committee consider that the Heavy Electricals and the Heavy Engineering Corporation should accelerate their programme for indigenous manufacture of these vital components and parts so as fully to meet the production requirements of the Diesel Locomotive Works.

5.38. The Committee are distressed that the wheel and axles plant which was set up at Durgapur specifically to cater to Railway requirements has not been able to supply the requisite number of wheels and axles, even though the first order was placed as long ago as December, 1963, and that it has refused to accept the second order for wheels and axles.

5.39. The Committee stress that every effort should be made by the Ministry of Steel, in conjunction with the Ministry of Railways to identify the shortcomings quantitative and qualitative in the existing process of manufacture of wheels and axles so that all such defects are remedied and the manufacturing programme is geared to meet in full the requirements of the Railways at a reasonable price.

5.40. The Committee consider that there should be a firm commitment for the supply of components and other vital parts by Public Undertakings as by private concerns so that the schedule for manufacturing programme is firmly adhered to.

VI

CONCLUSION

6.1. In the earlier chapters of this Report, the Committee have examined and commented upon the different aspects of their Third Five Year Programme of the Railways. From the facts placed before them they are constrained to conclude that the planning of rail transport during the Third Plan period was unrealistic in that it was not closely related to actual requirements. Against an estimated increase of 93 million tonnes in the level of goods traffic during the Third Plan period, the actual increase was only of 47 million tonnes, representing a shortfall of about 50 per cent. On the other hand, the financial outlay for the Third Plan turned out to be Rs. 1,686 crores, representing an increase of 27 per cent over the investment of Rs. 1,325 crores contemplated in the Plan.

6.2. The Committee feel that from the very outset goods traffic was over-estimated as it was not linked directly with demand but based on hopes and assumptions of production in different sectors reaching certain levels. Subsequently, even when it was evident that the traffic would not materialise to the extent anticipated, no serious effort was made to slow down the tempo of capital expenditure. All this resulted in heavy capital expenditure being incurred to create rail transport capacity far in excess of requirements. Several new lines were constructed which were not expected to be remunerative even after 11 years of their opening to traffic. In the case of 16 line capacity works, which included 12 works of doubling of tracks Rs. 27.03 crores were spent but the actual capacity utilised at the end of the Plan period was less than the capacity in existence and available before the works were undertaken. Similarly, 8336 wagons were procured in excess of the target indicated in the Plan, even though the rail traffic generated was far less than envisaged.

6.3. The Committee need hardly point out that both the Ministry of Railways and the Planning Commission failed to take timely measures to curtail the investment programme in the light of actual traffic offering despite the clear stipulation in the Third Five Year Plan that the estimates of traffic would be subject to constant review in the light of actual trends. This underlines the need for reviewing critically the methodology as well as the machinery, for planning in the Railway Board to ensure that investment in this key sector conforms to the actual trends based on requirements and that

the built in machinery for review and correction of imbalances is put to use without delay.

6.4. With all this heavy investment the capital-at-charge of the Railways increased from Rs. 1521 crores to Rs. 2680 crores, representing an increase of 76 per cent during the Third Five Year Plan period. The overcapitalisation of the Railways during the period has not only affected their financial working but unnecessarily distorted the budget and burdened the tax payer. It has also disturbed the entire pattern of investment and development of the economy in that scarce resources including valuable foreign exchange were blocked in rail programmes which could otherwise have been put to more productive use.

NEW DELHI;
12*th March*, 1968.
22*nd Phalguna*, 1889 (*Saka*).

M. R. MASANI,
Chairman,
Public Accounts Committee.

APPENDICES

APPENDIX I

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

(Ref. Para No. 1026 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11-12-1967 in connection with the Report (Railways) 1967—Paras 1 to 5, 16 &17

Point No. 1

Please furnish a note indicating:

(i) in what manner were the physical requirements such as the number of lines to be constructed, line capacity works to be undertaken, and locomotives, wagons etc. to be procured determined with reference to the traffic forecasts;

(ii) whether the traffic forecasts were reviewed in the light of the actual trends in traffic from year to year during the Third Five Year Plan period; and, if so;

(iii) what steps were taken by the Railway Board to curtail the plan programmes in the light of these reviews of traffic forecasts.

Reply: (i)

The physical requirements were derived from the anticipations of traffic. All planning being for incremental traffic, the actual traffic moved at the end of the Second Plan was taken as the base; this was deducted from the projected traffic requirements as at the end of the Third Plan, to arrive at the incremental level of traffic to be additionally catered for during the Third Plan. In terms of freight, the actual movement at the end of the Second Plan was 156.2 million tonnes (adopted as 156.5 million tonnes in the published Plan Document); this was expected to rise to 248.9 million tonnes in 1965-66, anticipated at the time of finalisation of the Third Plan in 1961. The physical programme in respect of freight traffic thus had to cater for an increase of 92.4 million tonnes during the Plan period.

In respect of passenger traffic, a flat rate of increase of 3 per cent per annum was adopted for other than suburban traffic.

(A) *Wagon Requirements*:

The incremental traffic was further broken down into major commodities, including coal, iron ore, raw materials and finished products and other general goods traffic. Traffic that could be moved in general purpose wagons was segregated from that for which special type of rolling stock was found necessary. The requirements were further distributed between the various gauges.

Basis of Calculations: For each major commodity, a turnround time was adopted, based on the actual and anticipated turnrounds, and allowing for certain factor of efficiency. Thus, for wagons other than specific movements like raw material and coal for steel plants and iron ore for export, it was assumed that the turnround would be 9.5 days on the broad gauge and 6.5 days on the metre gauge, except for PFRs (used for despatches of finished products from steel plants and other purposes) for which a turnround of 18 days was adopted. A turnround of 3.2 days was assumed for railway materials. A turnround of 3.2 days was assumed for railway materials, on both the broad and metre gauges. The turnrounds of various raw materials for steel plants, as well as coal, were determined on the basis of the lead of movement involved, and individually calculated running as well as terminated timings. These varied for each commodity and for each steel plant separately.

An allowance at 3 per cent of bare requirements was made for POH and running repairs to wagons. Credit was also taken in the initial planning for the back-loading of coal empties to the extent of 20 per cent of additional general goods traffic, in assessing the wagons to be provided for general goods traffic. No provision was made for wagons for new lines as these were assumed to be included in the total traffic provision during the Third Plan.

Locomotive Requirements: The following formula was adopted for assessing the requirements of locomotives for carrying traffic between fixed points, *e.g.*, raw materials for steel plants:

Locomotive requirements for other traffic were based on a pragmatic relationship between locomotives and wagons, according to the following formula.

$$\text{No. of wagons per goods engine in use daily.} = \frac{\text{Engine miles per day per goods engine in use.} \times \text{Average goods train load in terms of 4-wheeler wagons.}}{\text{Wagon miles per wagon day.}}$$

The resulting figure was corrected for assisted, light engine miles, and shunting miles required.

The following norms were thus developed:

	Broad Gauge	Metre Gauge
Engine miles per engine day	100	90
Average load of train	50	42
Wagon miles per wagon day	51	38

An average of 88 wagons on the broad gauge and 90 on the metre gauge, were thus calculated to require one goods locomotive in use. The total locomotive requirements having been thus workd out, an allowance of 5 per cent for spares was allowed both for broad gauge and metre gauge. The proportion for under and awaiting repairs in Workshops and running sheds was fixed at 15 per cent for steam locomotives and 10 per cent for diesel and electric locomotives.

Coaching Vehicles: In working out the requirements of coaching stock for non-suburban traffic, an increase of 15 per cent in the seating capacity of passenger coaches on broad gauge and metre gauge, and 10 per cent on narrow gauge, was provided for. In respect of other coaching vehicles, an increase of 15 per cent was provided in respect of non-passenger carrying vehicles such as parcel vans, luggage vans, and motor vans, and 10 per cent in respect of passenger coaches for special requirements including those for military traffic. A separate provision was made for suburban traffic, in terms of electrical multiple unit stock, on the basis of the feasibility of introducing extra train services during the peak periods to relieve overcrowding.

(B) *Rolling Stock requirements on replacement Account*

The above requirements were calculated on additional account, against the incremental traffic anticipated to accrue during the Third Plan. In addition, provision was also made for the normal replacement of over-age stock, on the following lines.

Wagons: All wagons upto the age of 45 years at the end of the Third Plan were to be retained in service and, in addition, the same number of wagons over 45 years of age as retained in 1960-61, would continue to be retained in service, unreplaced at the end of the Third Plan.

Locomotives: All steam locomotives upto the age of 45 years at the end of the Third Plan were to be retained in service. In addition, the same number of locomotives over 45 years of age as on 31st March, 1956, which was also the number planned for retention on 31st March, 1961, would continue in service upto 31st March, 1966.

Coaching Vehicles: Coaching vehicles upto the age of 37 years on the broad gauge, 40 years on the metre gauge, and 45 years on the narrow gauge, would be retained in service during the Third Plan.

(C) *Line Capacity Works*

The requirements of line capacity were determined for each major section separately. These were developed from the broad stream of certain commodities, including coal, iron ore, and raw materials for steel plants, for which specific information in respect of the broad distribution pattern could be obtained (although the coal distribution pattern for the Third Plan was received much later, after the Third Plan had already been developed). For the other traffic, a rate of growth on different sections was projected, based on indices of growth over the same sections in the past.

On to these projections, the individual Railways were asked to superimpose their own knowledge of the local conditions, to arrive at the final traffic estimates for different sections.

Having arrived at the requirements of capacity, the most economic means of developing additional capacity were considered. These included extension of loops, additional crossing stations and loops, and signalling and interlocking works, Centralised Traffic Control and doubling of lines. They also included consideration of improved means of traction, *e.g.*, electrification and dieselisation for sections which were expected to carry traffic above a certain level. The adequacy of yard and terminal facilities was also similarly examined.

(D) *New Lines*

The following considerations broadly determined the proposals to be taken up for new lines during the Third Plan:

(a) lines required for heavy industrial, mineral, and other Projects included in the Plan period. These were project-oriented lines, specifically provided to enable the development of new resources in the country. Their financial implications, therefore, had to be adjudged on a long term basis;

(b) lines required for meeting Defence and strategic needs;

(c) lines required for the development of backward areas generally and to serve the economic, social and political needs of such areas. The cost/benefit ratio for such projects took into account the benefit to the area concerned, along with the likely financial return to the Railways;

(d) lines sponsored by the State Governments or other agencies for construction projects or to meet restricted or local needs;

(e) a limited number of lines required for purely operational purposes.

Reply: Point 1 (*ii*)

A total of six traffic projections were made for the Third Plan traffic, between October, 1960 and January, 1965. The last two reviews were in the form of annual plans for 1964-65 and 1965-66, when it was realised that the actual traffic, especially in respect of coal and steel plants traffic, was likely to be appreciably less than that previously anticipated. The enclosed statement (Annexure 'A') indicates the traffic projections made at various times, in juxtaposition with the freight traffic actually carried.

As already stated in reply to Question No. 1 (e) of the original P.A.C. Questionnaire, yearly breakdown of freight traffic anticipations against the target of 248.9 million tonnes was not developed, as this target was over-taken by the revised target of 264 million tonnes developed in January, 1962. The enclosed statement at Annexure 'A', therefore, offers a comparison between the yearly anticipations of traffic according to the January, 1962, and the mid-Plan Appraisal forecasts, with the actual traffic materialisation. In respect of the last two years of the Third Plan, the comparison would be between the Annual Plan forecasts and the actuals. The breakdown adopted by the Convention Committee was a very early estimate (October, 1960), and has not been taken into account.

It will be noticed from the enclosed statement that the actual traffic was close to anticipations in the first two years of the Third Plan. It fell short to a modest extent in 1963-64. For the remaining two years of 1964-65 and 1965-66, the shortfall in relation to the annual plans, was 14.2 million tonnes in 1964-65, and 4.9 million tonnes in 1965-66. As already stated in reply to the main Questionnaire, these shortfalls occurred due to the rapidly developing economic recession in the country and could not have been foreseen.

Reply: Point 1 (*iii*)

Reply to the original Question No. 3 from the P.A.C. indicates the re-phasing and curtailment in the physical programme on the

Railways, consequent upon traffic materialisation falling short of anticipation. Attention is also invited to the reply already given to Question No. 4, which brings out the investment actually made in the Railways' Third Plan, on constant prices as in 1950-51 and 1960-61.

The above mentioned curtailment of the Railways' physical programme was, however, made in the background of the following policy statement, reproduced from "The Third Plan Mid-term Appraisal", published by the Planning Commission:

"*Trends in traffic*: The development programme for Railways in the Third Plan was drawn up in relation to a total traffic of 245 million tons estimated to materialise in 1965-66. The present programme provides for capacities adequate for carrying 260 million tons. Owing to shortfall anticipated in the production of steel, coal and cement industry, originating traffic in the last year of the Third Plan is now reckoning at about 240 million tons. However, since the traffic will be growing steadily over the remaining period of the Plan, originating traffic on the Railways during the last quarter of the year 1965-66 is expected to correspond to a higher annual rate than the estimate of 241 million tons for the year as a whole. It is proposed to carry out the rail transport programmes as enlarged so that transport capacities should be adequate and even a little ahead of actual need at the beginning of the Fourth Plan".

In addition, due weight had been given to other consequences of too heavy a cut in the Railways Development Programme. Certain production capacities for the manufacture of rolling stock, both in the public and private sectors, had been developed; precipitate cuts in excess of those actually enforced, were likely to cause serious dislocation in all the manufacturing units, with adverse repercussions on the economy as a whole.

Third Plan Traffic Anticipations Actuals and the Reviews Undertaken

ANNEXURE 'A'

(In million tonnes)

As per earlier Planning—January 1962				As per Mid Plan Appraisal—August/November 1963					
1961-62		1962-63		1963-64		1964-65		1965-66	
Anticipation	Actual	Anticipation	Actual	Anticipation	Actual	Anticipation	Actual	Anticipation	Actual
162·8	161·5	178·1	178·7	191·6	191·1	214·0	193·8	245·2	203·1

Date	*Plan Reviews*	Freight Traffic Target (million tonnes)
1. October 1960	Convention Committee	238·8
2. March 1961	Third Five Year Plan Book	248·8
3. January 1962	Review of General Goods and Coal for Washeries	264
4. August/November 1963	Mid-Plan Appraisal	245
In view of uncertainties in traffic forecasts only Annual Plan Reviews were carried out for the years 1964-65 and 1965-66.		
5. December 1963	Annual Plan for 1964-65 (Forecast for 1964-65)	212
6. January 1965	Annual Plan 1965-66	208
	Actual traffic 1965-66	203·1

APPENDIX II

(Ref. Para 1.39 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11-12-1967 in connection with the Audit Report (Railways) 1967—Paras 1 to 5, 16 and 17.

Point No. 5:

It was stated that the traffic forecast for movement of coal was based on the recommendations of the Working Group on Coal. A note giving the details of the composition of this Working Group of Coal, its terms of reference and its recommendations together with Planning Commission/Government's decision thereon may be furnished.

Reply:

At the meeting of the Planning Commission held on 19th August, 1961, it was decided to set up a small group consisting of the following, to draw up a fully coordinated programme for the production of coal and its transport to consuming centres:—

Composition:

1. Shri N. C. Srivastava, Adviser Planning Commission.	Planning Commission	Convener
2. Shri Chhedilal	Min. of Mines & Fuel	Members
3. Shri A. B. Guha	Do.	
4. Shri Jagjit Singh	Railway Board	
5. Shri P. R. Pusalkar (Later R. Srinivasan)	Do.	
6. Representatives of Ministries of Steel & H.I.		
7. Representatives of Ministries of Commerce & Industry		
8. Representatives of Ministries of Irrigation and Power		
9. Director (Transport)	Planning Commission	
10. Director (Minerals)	Do.	

Terms of Reference:

The terms of reference of the working group were as follows:—

(i) To study in detail the fieldwise production programme and ascertain yearwise how much coal and in what grades would be produced from each field:

(ii) to collect information about the destinations to which coal will be sent; and

(iii) on the basis of the above two, to draw up a coordinated programme for the movement of coal.

The Working Group submitted two reports to the Planning Commission, first in April, 1962 and the second in August, 1962. In the first report, the Working Group indicated the quantities of coal which the Ministry of Mines & Fuel expected to produce from the Bengal and Bihar and outlying fields in the year 1965-66 and had recommended the doubling of several railway lines and substantial increase in rolling stock. In the second Report, the Working Group assessed the production, compared to the transport availability for the years 1962-63 to 1965-66.

The main recommendations of the Working Group concerning the Railways embodied in the two reports are summarised as follows:—

Recommendations of the working group.

First Report.

(i) The estimated demand for coal in the last year of the Third Plan is likely to be of the order of one hundred one millilon tons, instead of 97 million tons which was the target of production of coal approved in the Third Plan.

(ii) The target of production of 32.33 million tons in the outlaying fields was accepted but, for Bengal-Bihar fields, it was recommended at 69 millions tons. A targer of 72.45 million tons was suggested as the annual rate to be aimed at, for the last quarter of the last year of the Plan. The total production anticipated was thus 101 million tons: 69 from Bengal-Bihar and 32 million tons from the outlying fields.

(iii) Production and rail capacity should be developed on the basis of an annual rate of production of 104 million tons of coal, to be achieved during the quarter January—March, 1966. The Railway Ministry, on the above basis, would need 8,200 wagons (in terms of 4-wheelers) (consisting of about 3,200 BOX wagons and 160 brake-vans) over and above the target previously approved, costing Rs. 27 crores (Rs. 20 crores in foreign exchange for import of diesel locomotives and wagon components). The Railway Ministry should be given immediate clearance for this additional programme.

(iv) Additional line capacity works involving doubling of 526 miles of lines, over and aboves the mileage already included in the

Plan, was considered necessary to cater to the additional movement of coal of 375 wagons per day, over the then current level. The additional cost of these works was calculated at Rs. 65 crores (Rs. 10 crores in foreign exchange). The overall additional investment being recommended was thus Rs. 92 crores (Rs. 30 crores foreign exchange) for rolling stock and line capacity works. These works were considered necessary and, it was stated, they could not be postponed for long.

This recommendation was based on the assumption that 60% of coal movement, including movement to the steel plants, would take place in full BOX rakes, for which bunkering facilities at collieries for loading, and dumps at suitable places, would have to be provided. Special officers should be appointed by the Department of Mines & Fuel to draw up a programme for their provision.

(v) The Working Group was of the view that the estimates of demand, the progress in production and transport facilities for coal in the Third Plan, should be reviewed on an annual basis.

Second Report.

(i) The shortfall in coal loading by collieries in the outlaying fields, and in respect of wagons for other consumers from Bengal-Bihar fields, should be avoided as far as possible, and the Ministry of Mines and Fuel and N.C.D.C. should try to see that production in the public sector, and in the outlying fields in particular, was according to schedule.

(ii) It was considered necessary to tie up closely the requirements of coal movements in various directions with the wagon availability in these directions on a year to year basis, depending upon the line capacities likely to be available in each direction from year to year.

(iii) The estimate of wagon availability for users other than steel plants was worked out on the assumption of a turn round of 9 days from 1963-64, necessitating provision of [illegible] loading and unloading arrangements in respect of BOX wagons by collieries and consumers, and provision of more [illegible].

(iv) The production estimate for the year 1965-66 was fixed at about 98 million tons against the earlier estimate of 101 million tons. Though the actual production, it was stated, might be even less than 98 million tons, the Working Group recommended that the Railways

be authorised to undertake the additional line capacity works estimated to cost Rs. 65 crores, which the Group had recommended in its earlier report. This would enable the Railways to provide capacity in advance for the requirements of coal traffic likely to arise in the early part of the Fourth Plan.

The recommendations of the Working Group were accepted by the Railways and the Planning Commission in respect of the rail transport plan, and the Railways were authorised to go ahead with the above works.

APPENDIX III

(Ref. Para 2.2 of the Report)

Information for P.A.C. on paras 1 to 5 *of Audit Report (Railways)* 1967.

Question No. 11

The target for new lines for the Third Plan was 1920 kms. but the physical achievement was 1801 kms.; the actual expenditure being Rs. 212 crores as against the estimated expenditure of Rs. 147 crores.

(a) What are the reasons for the shortfall of 119 kms. in construction of new lines and the increase in expenditure of 65 crores?

(b) What were the new lines constructed during the Third Plan period?

(c) Was there any change in the Plan schemes for new lines during the Third Plan period? If so, the salient features thereof together with the reasons therefor?

(d) What was the anticipated remunerativeness of the new lines and the actual earnings during Second and Third Five Year Plans?

(e) When are these new lines expected to become remunerative assets for the Railways?

(f) What are the schemes for construction of new lines in the Fourth Plan?

(g) Have these schemes been reviewed in the light of experiences gained in the Third Plan? If so, what are the schemes for new lines which are being dropped/modified and what will be the saving as a result thereof?

Reply 11(a) & (c):

The Railway's original Third Five Year Plan provided an amount of Rs. 147 crores for construction of new railway lines. Later the provision was increased by Rs. 59 crores for the construction of two strategic lines in Assam, namely, the B. G. line from Siliguri to Jogighopa (265 KMs) and the extension of the metre gauge line Rangapara North—North Lakhimpur line to Murkongselek MG line

(327 KMs). Thus the total plan allocation for new lines in the Third Plan became Rs. 206 crores. The balance Rs. 6 crores out of the increase in expenditure was due to increase in the labour cost and the materials cost etc. of various projects.

Of the new lines which were already under construction at the end of Second Plan, about 1100 KMs., were left over for completion in the Third Plan. Construction of about 2,500 KMs. of new railway lines was approved as the final target (original target was 1920 KMs.) in Third Plan. Thus in all about 3,600 KMs. of new lines were taken up for construction in the Third Plan.

1801 KMs. were completed and opened to traffic during the Third Plan and about 1800 KMs. were under construction when the Third Plan period ended.

Reply 11 (b):

A statement showing new lines completed and opened to traffic during the Third Plan, is attached as Annexure 'A'.

Reply 11 (d):

The new lines taken up for construction in the Second and Third Plans indicating the return expected at the time they were sanctioned are shown in Annexure 'B'.

Reply 11 (e):

It is difficult to say with any precision when the unremunerative lines will actually become remunerative. As would be seen from Annexure 'B', some of the new lines were taken up for construction on considerations other than direct commercial return to the Railways.

Reply 11 (f) & (g):

For the Fourth Plan, an outlay of Rs. 161 crores has been tentatively allocated for construction of new railway lines, including 1800 KMs. of new lines carried over from the Third Plan. The details of new lines (1800 KMs) carried over from Third Plan may be seen at Annexure 'C'. The details of new lines to be taken up in the Fourth Plan are still to be finalised. However, the following two new railway lines have been approved for construction in the Fourth Plan:—

1. *Pokaran-Jaisalmer* (MG, 105 KMs., Cost Rs. 3.2 crores)

The construction of this line has been approved by the Emergency Committee of the Cabinet as a Strategic line and was taken up in June, 1966. The line is expected to be completed and opened for traffic in December 1967.

2. *Kathua-Jammu* (BG, 80 KMs. approximate cost Rs. 10 crores).

This line has been approved by the Cabinet as a special case. For a period of twenty years or till the line becomes remunerative, the Railways will not be liable to pay dividend to the General Revenues and the losses, if any, on its working will be borne by the Railways and any profits will be credited to the General Revenues. The Final Location Survey for this line has been sanctioned in May, 1967 and the Survey work is in progress.

Besides these two lines it is proposed to take up the construction of a rail link from Cuttack to Paradeep (87 KMs.) at an estimated cost of about Rs. 10 crores in the Fourth Plan. While finalising the proposals for new lines in the Fourth Plan the experience gained in the Third Plan will be taken into account.

ANNEXURE 'A'

New Lines completed and opened to traffic during the third Five Year Plan

S. No.	Name of New Lines	Gauge	Length (In Kms)	Estimated Cost (Rs. in crores)	Date of opening
1	2	3	4	5	6
	I. SECOND PLAN WORKS COMPLETED DURING THE THIRD PLAN				
1	Bakhtiarpur-Rajgir	BG	53·84	2·56	1-4-62
2	Barsat-Hasnabad	BG	53·06	2·56	9-2-62
3	Bonhmunda-Nowagaon-Purnapani	BG	27·71	2·65	19-6-62
4	Robertsganj-Garhwa Road	BG	21·34	163·27	19-10-63
5	Rangapara North-North Lakhimpur-Murkongselek	MG	327·93	30·38	1-7-65
6	Baruidanl-Karonji	BG	85·10	6·91	1-10-62
7	Karonji-Jaynagar	BG	13·90	0·89	1-10-62
8	Barbaspur-Korea Coalfields	BG	16·57	1·96	20-1-65
9	Champa-Korba Extension	BG	16·67	1·72	Dec. 65
10	Sambalpur-Titlagarh	BG	182·00	14·59	15-4-63
11	Bimlagarh-Kiriburu	BG	41·23	5·94	16-4-63
12	Hatia-Nawagaon	BG	136·45	13·91	26-1-64
	TOTAL		1117·73	175·41	
	II. THIRD PLAN WORKS COMPLETED DURING THE THIRD PLAN				
1	Dava Pavel-Uran-Apta	BG	69·92	3·84	31-1-66
2	Bandra-Unner Stage I	BG	29·0	2·35	18-12-65
3	Mathurapur-Kathua	BG	8·69	2·37	20-1-66
4	Kalesar-Dharmanagar	MG	31·36	2·30	1-4-64
5	Bhatinda to Jogbani	BG	265·0	32·50	2-6-65
6	Manuadihi-Virudhunagar	MG	66·61	2·31	25-5-64
7	Jhajha-Hanumanagar	MG	213·00	11·41	14-11-65
	TOTAL		683·58	57·08	
	GRAND TOTAL (I+II)		1801·31		

ANNEXURE 'B'

New Lines undertaken during the Second Five Year Plan

S. No.	Name of the New line	Gauge	Length KMs.	Latest cost in crores of Rupees	Percentage of anticipated return in	
					6th year	11th year
1	2	3	4	5	6	
	Second Plan					
1	Barasat-Hasnabai	BG	53·8	2·56	..	3·97%
2	Bakhtiarpur-Rajgir	BG	53·0	2·56	1·51%	2·72%
3	Chandrapura-Muri-Ranchi	BG	143·3	13·37	42·73%	42·86%
4	Tildanga-Farakka	BG	5·79	0·63	11·52%	..
5	Khejuriaghat-Malda	BG	37·03	3·68	..	..
6	Robertsgani-Garhwa Road	BG	163·27	21·34	4·68	8·09%
7	Kumedpur-Barsoi	MG	25·0	1·00	Not available.	
8	Bondamunda-Dumaro	BG	67·0	7·17	7·99%	13·9%
9	Bhilai-Dhalli Rajhara	BG	85·0	4·38	11·50%	17·2%
10	Barabil-Panposh Gorge	BG	9·3	1·08	25·0%	..
11	Noamundi-Banspani	BG	28·05	2·29	8·53%	..
12	Bhilai-Deorjhal	BG	19·05	0·78	42·5%	..
13	(a) Bauridand-Karonji	BG	85·1	6·91	4·82%	..

	(*b*) Kiromni-Jainagar	G	13·9	0·89	..	..
14	Barbaspur-Korba Coalfields	BG	14·9	1·96	3·9%	..
15	Champa-Korba Extension	BG	16·7	1·60 Rly. 0·44 Dep.	8·7%	..
16	Karanpura-Ramgarh Coalfields	BG	19·0	1·67 Rly. 1·29 Dep.	Above 5%	..
17	Sambalpur-Talcher	BG	102·0	14·59	13·8%	..
18	Bimlagarh-Kiriburu	BG	41·25	5·94	6·03%	..
19	Rangapara North-North Lakhimpur-Murkongselek	MG	327·9	30·38	(—) 1·55%	(—) 1·03%
20	Ledo-Lekhapani	MG	8·05	0·92	Not available.	
21	Hatia-Nawagaon	BG	136·35	13·91	24·98%	25·02%

New Lines undertaken during the Third Five Year Plan

Third Plan

1	Diva-Panvel-Uran	BG	54·22	3·05	(—) 2·14%	..
2	Panvel-Apta	BG	15·70	0·79	Not available.	
3	Butibori-Umrer	BG	43·10	2·35	Do.	
4	Madhopur-Kathua	BG	8·69	2·37	0·03%	0·06%
5	Hindumalkot-Sriganganagar	BG	27·56	1·01	2·15%	4·98%
6	Singrauli-Obra	LG	56·47	11·41	9·75%	16·24%
7	Singrauli-Katni	BG	254·21	34·37	3·05%	5·38%
8	Delhi Avoiding Lines	BG	17·67	6·24	6·76%	..
9	Ghaziabad-Tughlakabad including second Yamuna Bridge	BG	54·31	5·99	18·4%	..

1	2	3	4	5	6	
10	Kalkaligh t-Dharamnagar	MG	31·36	2·30	(—) 1·7%	..
11	BG l ne from Sil uri to Jog ghop	BG	265·	·2·50	Not available	
12	Manamadurai-Virudhunagar	MG	66·6	2·31	5·2%	7·3%
13	Bangalore-Salem	MG	229·3	8·50	5·54%	6·94%
14	Mangalore-Hass n	MG	21 ·8	23·73	1·17%	·26%
15	Rail Link t Haldia Port	BG	·9·7	8·8	18· 5%	18·52%
16	Ud ipur-Himmatnagar	G	215·0	11·41	4·79%	6·46%
17	G.na-Mak i	BG	93·3	9·60	(—) 4·23%	(—) 3·95%
18	Jhu d-Kandla	BG	230·8	14·53	9·42%	11·76%
19	Kottavalasa-Bailadilla	B ·	450·0	56·28	3·78%	

ANNEXURE 'C'

Third Plan New Lines—Carried over into the Fourth Plan

Serial No.	Name of Project	Gauge	Length (in Kms)	Estimated cost (Rs. lakhs)	Date of Sanction	Target date for Completion
1	2	3	4	5		7
1	Ghaziabad-Tughlakabad including second Yamuna Bridge	BG	54·30	599·00	12-5-58	Opened on 15-11-66.
2	Delhi Avoiding Lines and connected traffic facilities	BG	17·67	624·00	22-1-62	December, 1968.
3	Hanumalkot-Sriganganagar	BG	27·56	101·00	27-7-61	Not yet fixed. Six months after the earthwork is completed by State Government.
4	Obra-Singrauli	BG	56·47	1141·00	21-12-61	Not yet fixed. Depends on progress of NCDC's sidings.
5	Singrauli-Katni	B	254·26	2437·00	22-12-62	March, 1970 (tentative).
6	Bangalore-Salem	MG	229·33	850·00	15-2-62	Not yet fixed. Likely to be ready by June, 68
7	Mangalore-Hassan	MG	212·82	2373·00	2-11-64	Not yet fixed. Depends on completion of Mangalore Port Project.
8	Rail link to Haldia	BG	6·70	888·00	31-1-63	Not yet fixed. Depends on completion of the Port.

1	2	3	4	5	6	7
9	Jhund-Kandla	BG	230·84	1453·00	14-5-64	October, 1967.
1	Guna-Maksi	BG	193·35	960·00	2-3-62	October, 1967.
11	Kottavalasa-Bailadilla	BG	150·00	5625·00	16-1-61	January, 1967. The line has since been opened for departmental train working, and will be opened for goods traffic as soon as adequate quantity of iron ore traffic is offered.
			1796·00	17054·00		

APPENDIX IV

(*Ref.* Para No. 2.5 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11th December, 1967 in connection with the Audit Report (Rlys.) 1967—Paras 1 to 5, 16 & 17.

Point No. 6:

Out of 19 new lines included in the construction programme for the Third Five Year Plan, 9 lines were not expected to become remunerative even after eleven years of their opening to traffic. Please furnish a note indicating the location of each of the nine unremunerative lines and the reasons for undertaking their construction. Please indicate the progress made in constructing these lines and action taken, if any, to slow down the construction work after it became clear in Mid-term Appraisal that traffic would be preceptibly less than anticipated.

Reply.—The following nine lines were taken up for construction during Third Five Year Plan. The location and the justification for each are indicated below.

It may be stated that in respect of four lines, *viz.* Diva-Panvel-Uran, Panvel-Apta, Kalkalighat-Dharmanagar and Kottavalasa-Bailadilla, the return in the 11th year was not worked out and it would not therefore be correct to say that they were known to be unremunerative even in the 11th year from the date of opening.

CENTRAL RAILWAY

1. *Diva-Panvel-Uran (in Maharashtra State)*
   (BG, 54.22 Kms., Cost Rs. 3.05 crores).

2. *Panvel-Apta (in Maharashtra State)*
   (BG, 15.70 Kms., Cost Rs. 0.79 crores)

The main justification accepted by the Planning Commission for these lines serving the same area was to provide Railway communication to the Indian Navy Establishment at Karnijia Bunder near Uran. The line will open up that portion of the Konkan region lying South of the existing Central Railway main lines from Bombay to Kalyan and in the Thana and Colaba Districts of the Bombay State

(now Maharashtra) where communications were very unsatisfactory and afford additional facilities for exploiting the forest products and mineral resources in the area and developing the salt trade along the west coast. It will also assist in the industrial utilisation of electric power which will be made available in the area by the Koyna Hydro Electric Scheme of the Maharashtra State. Both the State and the Central Governments have planned to set up major industries there with substantial outlay and of primary importance to the economy of the country in this area, including the basic Chemical Plant of the Hindustan Organic Chemicals Ltd., a Government of India undertaking. It will also help in developing a part of the area upto Panvel as a suburb of Bombay, to help relieve congestion in the city.

The work on the Diva-Panvel-Uran line was sanctioned in May, 1961. The Diva-Panvel section was opened to traffic on 28th December, 1964 and the Panvel-Uran section on 31st January, 1966. The Panvel-Apta line was opened for traffic on 9th April, 1966.

NORTH-EAST FRONTIER RAILWAY

3. *Kalkalighat-Dharmanagar (in Assam and Tripura States):*
(MG, 21.34 Kms., Cost Rs. 2.3 crores).

With the partition of the country in 1947, Tripura Union Territory was almost completely cut off from the rest of India being surrounded on three sides by East Pakistan and on the northern end by the Cachar District of Assam which was also not connected by any road or railway system. The railway stations of the surrounding districts of East Bengal were very close to some of the sub-divisional towns of Tripura. As a result of this partition, these railway stations came under Pakistan and Tripura's communication system with the rest of India became completely disrupted and for sometime there was no communication between this territory and the rest of India except by air. To provide rail communication facilities for the transport of goods, this rail link was sanctioned in March, 1961. The line was completed and opened to traffic on 1st April, 1964.

D.B.K. RAILWAY PROJECTS

4. *Bailadilla-Kottavalasa (in Andhra Pradesh, Orissa & M.P.)*
(BG, 450 Kms., Cost Rs. 56.28 crores).

The main justification is the export of 4 to 6 million tonnes of iron ore per annum to Japan, under an agreement entered into by the Government with the Japanese Steel Mills. The return of 3.78

per cent for the 6th year is based on the movement of 6 million tonnes of iron ore and some traffic in General goods. Inflation in the chargeable distance on the line is under examination, and the project is expected to be remunerative. The Ministry of Mines are contemplating the export of iron ore upto 15 million tonnes from Bailadilla area by 1975-76, a major portion of which can be moved on this line with very little extra investment. This line will then by fully remunerative. The line has since been completed and is ready for opening.

NORTHERN RAILWAY

5. *Madhopur-Kathua (in Punjab and Jammu & Kashmir States)*:

(*BG, 8.69 Kms., Cost Rs. 2.37 crores*).

Jammu was originally connected by rail to other parts of undivided India through Sialkot but this was cut off in 1947 with the partition on the country. The State Government have ever since been pressing for a rail link to Jammu. The problem of extending rail communications into the Jammu and Kashmir State was, therefore, engaging the attention of the Indian Railways and the Pathankot-Madhopur line (15.3 Km.) was completed and opened to traffic in November, 1955. The extension of the rail head from Madhopur to Kathua across the river Ravi into the State of Jammu & Kashmir was sanctioned in February, 1961, and opened to traffic on 20th January, 1966. This short extension should not be considered by itself but must be taken together with the Pathankot-Madhopur line. The total net earnings of the section Pathankot-Kathua in 1965-66 were about Rs. 8.30 lakhs or 3 per cent on the investment of Rs. 2.72 crores (including the cost of the bridge Rs. 2 crores). The return on the Pathankot-Madhopur line which was anticipated to yield a return of only 1.7 per cent is actually coming up to about 11 per cent.

NORTHERN RAILWAY

6. *Hindumalkot-Sriganganagar (in Rajasthan State)*:

(*BG, 27.56 Kms., Cost Rs. 1.01 crores*)

The purpose of the line was to connect the two main grain trading centres of Hindumalkot and Sriganganagar and to avoid the present transhipment at Bhatinda. Though not justified financially, the construction of this rail link was approved by the Planning Commission as a test case of "*Shramdan*" offered by the people of the area and the State Government. The line was sanctioned in

1961. For several years however, Shramdan was not forthcoming for earthwork and for construction of service and residential buildings. The State Government are now doing the works for which Shramdan had been contemplated earlier. The State Government have also expressed their inability to arrange for Shramdan of skilled and unskilled labour required for the construction of service and residential buildings but the State Government have now deposited with the Railway Rs. 1:47 lakhs collected by them from the public towards the cost of skilled and unskilled labour for the purpose. The work is now in progress.

NORTHERN RAILWAY

7. *Singrauli-Katni (in Madhya Pradesh State):*
(BG, 254.26 Kms., Cost Rs. 24.37 crores)

This project, as also the Singrauli-Obra line, was taken up in connection with the development of the Singrauli Coal fields by the N.C.D.C. The original forecast was that by the end of Third Plan, 2.5 million tonnes of coal per annum would be produced at Singrauli which would move over the Obra-Singrauli line to the Obra Thermal Power Station of U.P. Electricity Board. The further development of the mines to 10 million tonnes level was expected by the end of the Fourth Plan, by which time the Singrauli-Katni line was also scheduled for completion, so that this coal could move to western India. The N.C.D.C., however, could not progress their development plans as per schedule. The latest anticipated coal production is only 4·8 million tonnes per annum by the end of the Fourth Plan. When completed, the line will also facilitate the movement of coal from Bengal-Bihar coal fields to Central India and will avoid routing of this traffic *via* the already congested Allahabad-Manikpur-Katni line, which would otherwise have to be doubled. The work of this line has been slowed down as NCDC's programme of mines development was not progressed according to schedule. No fresh commitments are being made and the target date for opening has not yet been fixed. The position has been reviewed by the Economic Committee of Secretaries and it is proposed to make a reassessment of traffic on this line as suggested by them. Further work will be progressed depending on the results of the revised traffic assessment.

SOUTHERN RAILWAY

8. *Mangalore-Hassan (MG, 189:2 Kms.)* *(in Mysore State):*
Mangalore-Panambur (BG, 25:8 Kms.) *(Cost Rs. 23:74 crores)*

The main justification is to develop the hinterland for the proposed new Mangalore Port, and also export of about ½ million ton-

nes of iron ore per annum from the neighbouring MG areas. The work is in progress and is being phased so as to be ready in time for the commissioning of the Port. While the anticipated return for the 11th year is based on the movement of ½ million tonnes only through Mangalore Port, the line is capable of moving two million tonnes of iron ore. The area served by the Port is not yet fully explored for iron ore deposits but substantial deposits are stated to exist. With the decision of the Union Government to develop Mangalore as a major port, the traffic on this line is bound to grow fast as this is the only railway line serving the hinterland of Mangalore Port.

WESTERN RAILWAY

9. *Guna-Maksi Rail Link (in Madhya Pradesh)*

(*BG*, 193.3 *Kms.*, *Cost Rs.* 9.60 *crores*).

The main justification was to provide an alternative route for the movement of increased coal traffic from Central India coalfields to Ahmedabad and Saurashtra area in Western India. It was considered that the section from Bina to Bhopal on the Grand Trunk Route and Bhopal to Maksi on the Western Railway would not be able to bear the heavy traffic anticipated. It was also considered that the construction of this line would open up a new area in Madhya Pradesh at present lacking in rail communications. With the opening of a B.G. connection with Kandla Port, the B.G. route traffic moving from and to the port from Central India is likely to develop on this line. Construction of the line is in progress. Due to paucity of funds progress on this line had to be slowed down from time to time to enable diversion of funds to more urgent works.

APPENDIX V

(Ref. Para No. 2.7 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11th December, 1967 in connection with the Audit Report (Railways) 1967—Paras 1 to 5, 16 and 17.

Point No. 7.

Among the lines deferred or slowed down two lines namely Jhund-Kandla and Mangalore-Hassan were actually sanctioned in May, 1964 and November, 1964 respectievly, *i.e.* long after the Mid-term Appraisal in November, 1963.

(a) While sanctioning these works did the Ministry take into account the slow growth of traffic in the first three years of the Plan?

(b) What were the developments which prompted the Ministry to slow them down subsequently?

(c) What were the other New Lines and Line capacity works sanctioned after November, 1963? What was the expenditure on those works during the Plan period?

Reply.—Point 7(a) & (b).—A detailed note on the construction of Mangalore-Hassan and Jhund-Kandla Projects is attached as Annexure I.

Point 7(c).

New Lines.—No other new line pertaining to the Third Plan was sanctioned after November, 1963.

Line Capacity Works.—The information is furnished in the attached statement (Annexure II).

ANNEXURE I

(Enclosure to reply to Point No. 7(a) & (b)).

Ref. Para 7(a) & (b):

The Mangalore-Hassan and Jhund-Kandla Project were sanctioned to meet the specific requirements of the Mangalore and Kandla Ports and had little to do with the general slowing down of the rate of growth of traffic on the Railways in the first three years of the III Plan. The circumstances leading to the sanction of these two projects are indicated below:—

Mangalore-Hassan

For the III Plan, since the Ministry of Transport was keen on the development of Mangalore as a major port, the Planning Commission approved of the construction of the railway line and the development of the Mangalore Port as one composite scheme. Also while giving their formal approval in September, 1961 the Planning Commission had stated that since the Mangalore-Hassan line was needed for the development of Mangalore Port this Ministry should consult the Ministry of Transport while drawing up the schedule of construction for the new line. Accordingly, the Ministry of Transport were contacted and in November, 1961 we were advised that the port would be ready in about 6 years time from then. That Ministry also desired that the line should be ready in about 4 years from then. The Planning Commission were accordingly approached for their approval for the actual construction of the line. In March, 1962 the Planning Commission advised the Ministry of Railways that the field work should be coordinated to the phasing of the port project. Final location survey for the line was therefore sanctioned on 21st April, 1962. In August, 1963 the Ministry of Transport indicated that they were going ahead with the port project with speed. They also wanted a BG link from the existing Mangalore Station to the new site of the port at Panambur for the movement of the construction materials to the port. This link was therefore sanctioned (as part of the Mangalore-Hassan line) on 24th October, 1963. Construction of Mangalore-Hassan line proper was sanctioned on 2nd November, 1964 at an estimated cost of Rs. 23.74 crores. The line was taken up as an MG Project as the hinterland is served by the existing MG net work.

2. It will, therefore, be seen from the foregoing that though the line was found to be unremunerative it was sanctioned mainly for providing a rail connection to Mangalore port which was being developed as a major port, and it has all along been emphasised that the link should be ready in time for the commissioning of the port, as desired by the Planning Commission.

3. Till August, 1963 the indication given by the Ministry of Transport was that they were going ahead with the port project. But later it became known that the port project had not been sanctioned and hence the Southern Railway was advised to go slow with the Railway project and to synchronise its completion with the completion of the port project.

4. In a recent meeting the Cabinet have approved of the Mangalore port project. Hence, the Railway Administration has been advised to complete the work as early as possible keeping in view the progress of the port project. The expenditure during the Third Plan on this link was Rs. 2.71 crores.

Jhund-Kandla

5. With the loss of Karachi due to the partition of the country, Kandla was developed as a major port to avoid the congestion in the docks at Bombay. With this development, the striking of oil in Cambay and the movement of imported food grains, pressure began to develop on the existing Metre gauge route to Kandla *via* Rajkot-Viramgam and the various transhipment points started becoming serious bottlenecks in transport. In order to meet this contingency and to meet the increase in traffic envisaged in the Fourth Plan period and after examining various alternatives such as conversion|doubling of the existing MG line to Kandla *via* Rajkot-Viramgam it was decided to take up the construction of a new BG line from Jhund to Kandla and the project was included in the Third Five Year Plan. Construction of the Kandla-Malia section of this line was taken up in May, 1964 on the strength of an Urgency Certificate and the whole project was sanctioned at an estimated cost of Rs. 14.54 crores in October, 1964. The expenditure during Third Plan on this line was Rs. 1.20 crores.

6. The project is scheduled to be completed by December, 1969. The Jhund-Dharangadhara section is however expected to be completed early and is likely to be opened to traffic ahead of the rest of the line by February, 1968.

7. The work has never been slowed down. On the other hand within the limited funds made available efforts have been made to expedite the completion of this project. Also, according to the latest re-assessment of traffic the line is likely to be remunerative with the returns given below:—

1st year 7.09 per cent, 6th Year 9.42 per cent, 11th Year 11.76 per cent.

ANNEXURE II

Encl. to reply to Point No. 7(c)

Statement Showing important line capacity works including doubling sanctioned after November 1963 and expenditure incurred on these works during the Third Plan Period

(in lakhs of Rupees)

S. No.	Name of Work	Year of programme	Date of sanction	Sanctioned cost	Expenditure to end of March, 1966
1	2	3	4	5	6
	Central Railway			Rs.	Rs.
1	Balharshah—Expansion of yard .	1963-64	27-12-63	29·09	13·19
2	Itarasi—Goods yard remodelling, Ph. III	1963-64	18-11-64	37·20	23·59
3	Igatpuri—provision of new Up yard at	1963-64	27-3-65	30·09	13·08
4	New Katni Yard—additions and alterations etc.	1963-64	24-6-65	20·65	15·75
5	Doubling between Wadi and Shahbad (10·5 KM) . . .	1963-64	24-3-64	87·05	28·79
6	Doubling between Amla and Bursalee	1962-63	1-6-64	87·75	44·82
	Eastern Railway				
1	Asansol—Conversion of East yard into forward movement yard .	1963-64	18-12-63	27·52	26·34
2	Bandel—Azimganj—Barharwa section Provision of 5 crossing stations .	1963-64	8-4-64	24·57	11·41
3	Naihati—provision of fly over at .	1965-66	16-2-66	63·22	1·11
4	Extension of avoiding line between Mugma and Thaparnagar (5 KM)	1963-64	5-12-63	22·56	18·49
	Northern Railway				
	Kanpur (Juhi)—provision of separate departure yard adjacent to present classification yard . . .	1964-65	16-6-65	23·91	10·26
	North-eastern Railway				
1	Muzaffarpur—remodelling of yard .	1963-64	27-5-65	25·16	7·26
2	Kasganj—remodelling of yard .	1964-65	10-11-64	25·17	17·05
3	Barabanki—remodelling of yard .	1964-65	21-4-65	27·39	9·85

1	2	3	4	5	6
	North eastern Frontier Railway				
1	Lumding—provision of subsidiary yard	1962-63	5-12-63	74·92	42·07
2	Malda Town Yard—remodelling in connection with dealing 400 B.G. wagons at Khejuriaghat . .	1965-66	17-9-65	103·71	23·10
3	Increase in ferry capacity at Farakka—Line capacity works between Chamagram and New Jalpaiguri	1963-64	20-3-64	68·96	67·86
	Southern Railway				
1	Vijayawada—Additional facilities for down traffic (Phase II) . .	1963-64	23-7-64	71·74	48·49
2	Arkonam—yard remodelling . .	1965-66	29-6-65	42·07	12·72
3	Korukkupet—New Terminal for Madras area	1954-65	8-12-64	47·40	41·68
4	Doubling between Gudur and Gummidipundi	1965-66	1-10-65	505·95	31·00
5	Doubling between Kovvur and Rajahmundry including second bridge across Godavari river(7KMs)	1963-64	5:8-64	691·39	145·78
	South Eastern Railway				
1	Bhadrak—expansion of yard . .	1962-63	18-1-64	26·96	14·75
2	Puri—expansion of yard . .	1952-53	15-4-54	47·63	25·27
3	Bilaspur—expansion of yard . .	1963-64	24-12-63	90·94	90·94
4	Andal—provision of a fly over at for trains to Shalimar . . .	1954-55	24-11-64	50·99	4·02
5	Andra—yard remodelling along with extension of loops . . .	1954-65	2-12-64	32·18	7·49
6	Waltair yard to deal with passenger services	1954-65	29-7-65	29·10	12·08
7	Provision of office accommodation and staff quarters in connection with the proposed marshalling yard and exchange yard at Marapahari	1964-65	5-2-65	22·14	4·83
8	Provision of additional lines at Brajrajnagar	1962-63	29-5-64	21·20	21·20
9	Kharagpur—extension of loops .	1964-65	1-10-65	89·57	9·82
10	Doubling of Damodar bridge between Madhokonda and Damodar (3 KMs)	1963-64	24-12-64	142·99	36·1
11	Doubling between Bhojudih and Sudamdih (2 KMs) . . .	1963-64	5-1-66	63·31	2·33

1	2	3	4	5	6
	Western Railway				
1	Abu Road—additions and alterations to yard	1963-64	23-9-64	27·62	15·15
2	Abu Road—Sojat Road section—provision of simultaneous reception facilities at 8 stations and additional loops at 3 stations .	1963-64	27-12-63	23·30	10·34
3	Churchgate—Grant Road—Quadrupling the track between—Phase I	1965-66	22-7-65	70·59*	1·26

*Later revised to 65·26 on 22-8-66.

APPENDIX VI

(Ref. Para No. 2.26 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11th December, 1967 in connection with the Audit Report (Rlys.) 1967— Paras 1 to 5, 16 and 17.

Point No. 9:

The Committee were informed that in December 1964 the wagon builders were asked to restrict their manufacturing targets of wagons to a lower figure than that ordered for. A copy of the letter sent to the wagon builders to this effect may be furnished. In case, the warning or notice was given to the manufacturers at any meeting the relevant extracts from the proceedings of the meeting may be furnished.

Reply.—The following information is furnished as desired:

(i) Copy of Board's letter No. 64/RS(I)/951/8 dated 2nd December 1964 to all wagon Builders. (Annexure—I).

(ii) Extract from record notes of discussion held on 17th January, 1966 forenoon. (Annexure—II).

(iii) Extract of Railway Board's letter No. 66/RS(I)/951/2 dated 21st March, 1966 addressed to the Secretary Engineering Association of India, Bombay (Annexure—III).

(iv) Extract of Railway Board's letter No. 66/RS(I)/951/2 dated 28th March, 1966 addressed to the Chairman, Indian Engineering Association, Calcutta (Annexure—IV).

ANNEXURE I

BY AIR MAIL

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(Railway Board)

No. 64/RS(I)/951/8 *New Delhi, the 2nd December, 1964.*

To

(*All Wagon Builders*)

Dear Sirs,

SUB:—*Production of wagons during* 1964-65.

I am directed to state that the Railway Board have reviewed the requirements of wagons during the Wagon Building year July 1964 to June, 1965, and have decided that wagon production should be of the same level as in the previous Wagon Building Year. You are, therefore, requested to note that your out-turn during the year 1964-65 should be maintained at the same level as in the previous year. The Railway Board have taken/are taking action to arrange procurement of steel and free supply items on this basis. You may accordingly take suitable action to regulate your production and ensure that the wagon orders are executed in the sequence in which they were placed unless a different priority has been indicated to you by the Railway Board. This position has also been explained to you during the meeting held with you by the Railway Board in August, 1964.

Please acknowledge receipt.

Yours faithfully,
Sd./- R. RAJAGOPALAN,
Director, Wagon Production, Railway Board.

ANNEXURE II

Extract of record notes of discussion held on 17th January, 1966 forenoon.

* * * * * * *

"In view of the uncertain and tight position of the resources it was not possible to consider placement of further bulk orders for wagons at present and in the circumstances it appeared necessary for the wagon builders to reduce their production with immediate effect."

* * * * * * *

ANNEXURE III

Extract of Railway Board's letter No. 66/RS(I)/951/2 dated 21st March, 1966 addressed to the Secretary, Engineering Association of India, Bombay.

"The wagon building industry had as early as December, 1964 been advised to peg down their out-put at the level of production achieved during 1963-64 which was of the order of 25,000 wagons in terms of four wheeler units. The anticipated off-take of wagons during the year 1966-67 is likely to be of the order of 21,000 wagons in terms of four wheeler units which, in other words, means that the over-all reduction is only of the order of not more than 16 per cent."

ANNEXURE IV

Extract of Railway Board's letter No. 66/RS(I)/951/2 dated 28th March, 1966 addressed to the Chairman, Indian Engineering Association, Calcutta.

"It was explained that with the traffic expected to be generated during the Third Five Year Plan not having fully materialised, there is already a cushion of wagons which has resulted in the stabling of a number of wagons even at the present time when the traffic is at its usual seasonal peak. With this cushion and with the anticipated trend of the growth of traffic in the earlier orders of the Fourth Five Year Plan, the requirements of wagons during 1966-67 will necessarily be only at a level of 21000 wagons in terms of four wheelers. The financial resources placed at the disposal of the Railways for developmental work would also not permit of any upward revision of this number.

It was also brought out at this meeting that as early as December, 1964 the wagon building industry had been advised to keep their production at a level achieved during the year 1963-64, which was of the order of 25,000 wagons in terms of four wheeler units. The proposed off-take of approximately 21,000 wagons in terms of four wheeler units during 1966-67 would thus only be short of that figure by a percentage which is not more than 16 per cent."

APPENDIX VII

(Ref. Para No. 3.5 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11th December, 1967 in connection with the Audit Report (Rlys.) 1967—Paras 1 to 5, 16 and 17.

Point No. 18.

Having invested Rs. 68 crores more than the capital provided in the Plan (which was meant to bring up the capacity to a level of 249 million tonnes), please clarify how the available capacity at the end of the Plan period was much less than 249 million tonnes? Please clarify, in particular, whether it was due to incorrect determination of physical programmes required to build this capacity or due to inaccurate estimation of the cost of physical programme".

Reply.—The amount of Rs. 68 crores mentioned above presumably represents the difference between Rs. 888 crores, mentioned as the effective outlay during the Third Plan equated to the price levels of 1960-61 (*vide* reply to original Question No. 4 from the P.A.C.), and Rs. 820 crores, which was the capital constituent of the original plan of Rs. 1,325 crores against a traffic target of 249 million tonnes.

Attention, in this connection, is invited to the replies given to Questions No. 1(b), 2, and 9(a) of the original Questionnaire.

The outlay on the Railways' Third Five-Year Plan was originally envisaged at Rs. 1,325 crores. This expenditure was considered necessary for meeting a traffic requirement of 249 million tonnes of freight.

At the time this plan was developed (March, 1961), however, detailed information in respect of field-wise production of coal and its distribution was not available. The information in respect of iron ore movement was similarly incomplete.

Rail transport requirements for coal and iron ore movements were, therefore, re-assessed when detailed data became available. At the same time, provision was made for an additional short-lead movement of raw coal to washeries (5·1 million tonnes), for addi-

tional 10 million tonnes of miscellaneous goods traffic, and for strategic lines in Assam. Details of this additional outlay, as proposed, appear in reply to Question No. 2 and 9(a) of the original Questionnaire.

It will be seen that within the above mentioned additional provision, an amount of Rs. 120 crores was identified as "additional allotment for works (including electrification) and rolling stock for movement of coal from the different fields and for short-lead movement of raw coal to washeries (5·1 million tonnes)".

The breakdown of these Rs. 120 crores was as follows:

(Rs. in crores)

(*i*) Rolling Stock for adjustments made in the pattern of targetted traffic of 245 million tons (249 million metric tonnes) traffic targets within 245 million tons. (249 metric tonnes) . .	
(*ii*) Rolling Stock for increased coal movement from collieries to washeries	13
(*iii*) Line capacity works for handling the pattern of coal movement as indicated by Ministry of Steel, Mines and Fuel . .	66
(*iv*) Rephasing of electrification of Durgapur-Docks section and increased throwforward on electrification works from Second Plan	22
(*v*) Electrification of short contiguous sections on the South Eastern Railway etc.	6
(*vi*) Signalling	5
TOTAL . . .	120

It will be seen that items (i) and proportions of items (iii) and (vi) constituted additional outlay caused by the changed pattern of movement, based on the fresh and detailed information mentioned above. Within item (iii) was included doubling of 24 miles of track in the Eastern Railway coalfield area, for the additional movement of coal (5·1 million tonnes) from the collieries to the washeries. Excluding an investment of about Rs. 4 crores on this account, and Rs. 3 crores out of the total of Rs. 5 crores for signalling works, as being required for this additional traffic to the washeries, the balance of approximately Rs. 72 crores [66+8+5)—(4+3)=72] represented the investment made necessary by the changed pattern of movement within the target of 249 million tons.

It has been already separately stated that freight capacity of around 225 million tonnes existed at the end of the Third Plan. This estimate was, however, based on wagon availability, and was not related to line capacity. The available line capacity, especially in the coal and steel belt, was in excess of this figure. On certain other selected sections also, where coal traffic did not materialise as anticipated, some extra capacity did exist. The more important of such sections have been identified in reply to Supplementary Question No. 11.

APPENDIX VIII

(Ref. Para. No. 3.16 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee during December, 1967 in connection with the Audit Report (Railways) 1967—Paras 1 to 5, 16 and 17.

QUESTION:

Point No. 13.

Utilisation of Capacity

(i) *General:*

With the capacity available for rail movement, what is the period within which the Railways are able to meet the demand of the customers for supply of wagons?

In how many cases the demands are not met within a week of registration?

ANSWER:

Supply of wagons for movement of coal from Collieries, raw materials to Steel Plants and finished products from Steel Plants, imported foodgrains and fertilisers from ports, cement from cement factories, and petroleum products from refineries and petroleum installations, is made in accordance with demands submitted from day to day for implementation within periods ranging from 24 hours to 72 hours. These demands are entitled to a high order of priority for supply of wagons and are normally implemented in full on the scheduled loading dates except in those cases where the demands have been received for restricted destinations or in excess of movement capacities *via* difficult routes such as transhipment points. It will be observed from the attached statement that these commodities at present account for approximately 64·2 per cent of the total loading on the broad gauge and 26·2 per cent on the metre gauge.

2. Demands for movement of other commodities are implemented on the basis of indents which can be implemented on any day convenient to the Railways and which remain valid until implemented

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or cancelled by the indentor. These demands are normally implemented within 2 to 3 days of the dates of registration, as it will be observed from the table given below that the quantum of demands outstanding at the end of each month is equivalent to two days' loading of such commodities on the broad gauge and 3 days' on the metre gauge:

Month	Broad Gauge		Metre Gauge	
	Daily average loading	Indents o/s at the end of the month	Daily average loading	Indents o/s at the end of the month
Sept., 1967	6260	11036	4158	12248
Oct., 1967	6889	749	4344	10035
Nov., 1967	7300	13044	4615	11965

3. While most demands for supply of wagons are implemented within 2 to 3 days of their registration, there are, however, some cases of delay due to the following circumstances:—

(a) The supply of wagons has to be delayed because of temporary operational restrictions arising out of dislocations caused by hartals, gheraos, civil disturbances, labour strikes and accidents;

(b) The wagons required are of special type such as well wagons, acid tanks, etc., which are limited in number and for the supply of which special arrangements have to be made by the Railways;

(c) Bulk registration of indents in excess of daily loading and unloading capacities;

(d) Submission of demands in excess of movement capacities *via* transhipment points and routes saturated because of unplanned movements.

4. The quantum of demands not met within a week of registration will vary from railway to railway, and from month to month, according to the factors indicated in para 3 above. The break-down of indents outstanding at the end of November, 1967 for free destinations

(excluding special type stock) has been compiled and is given below:—

Railway	Broad Gauge		Metre Gauge	
	Indents o/s for less than a week.	Indents o/s for more than a week.	Indents o/s for less than a week.	Indents o/s for more than a week.
Central	1959	26	113	9
Eastern	496	..	..	..
Northern	2324	197	1414	..
North Eastern	..	..	691	..
Northeast Frontier	91	..	478	..
Southern	628	363	771	.
South Central	351	..	796	..
South Eastern	147	..	..	.
Western	1547	3302	3486	3144
TOTAL	7543	3888	7749	3153

5. It will be observed from the above table that indents detained for more than a week were mostly on the Western Railway which was unable to arrange their prompt clearance for the following reasons:—

(a) Approximately 50 per cent of the indents outstanding on the broad gauge consisted of hay for Jogeshwari station on the Bombay Division necessitating regulated supply of wagons according to the releasing capacity of this station.

(b) The remaining indents on the broad gauge were mainly for non-zonal salt, stone and bhoosa, which could have been cleared, without delay, had the consignors not insisted upon loading in conventional wagons which were required for movement of priority traffic in the same loading areas.

(c) Preferential movement of imported foodgrains and fertilisers from Kanddla, Bhavnagar and Navlakhi ports, to distant consuming areas which should normally have received their supplies of imported foodgrains and fertilisers from the Bombay and Calcutta Ports whose grain handling capacities were not fully utilised for various reasons

(d) Preferential movement of petroleum products from the Kandla Port to petroleum installations in Hissar and Shakurbasti, which should have obtained their supplies from the Koyali and Barauni Refineries, had the production at these two Refineries been maintained at the planned level.

Enclosure to Reply to Point 13(i).

Statement showing daily average (originating) loading of various Commodities during Sep. to november—67

(In terms of 4-wheelers)

	September		October		November		Average	
	B.G.	M.G.	B.G.	M.G.	B.G.	M.G.	B.G.	M.G.
(1) Coal	6404	86	7019	68	7670	84	7031	79
(2) Raw materials to Steel Plants	2062	5	1943	3	2138	4	2048	4
(3) Finished Products from Steel Plants	818	Nil	734	Nil	740	Nil	764	Nil
(4) Imported food grains and Fertilizers	914	480	922	500	863	575	866	518
(5) Cement	653	381	739	436	810	422	734	413
(6) P.O.L.	869	544	847	514	838	556	851	538
(7) Total of items (1—6)	11722	1496	12204	1521	13059	1641	12294	1552
(8) Other commodities	6260	4158	6889	4344	7300	4615	6851	4373
(9) Grand Total	17382	5654	19093	5865	20359	6256	19145	5925
(10) Percentage of items 7-9	65·2	26·4	63·9	25·9	64·1	26·2	64·2	26·2

APPENDIX IX

(Ref. Para No. 3.23 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11th December, 1967 in connection with the Audit Report (Railways) 1967—Paras 1 to 5, 16 and 17.

Point 13(ii).

Utilisation of Capacity:

Oil Tank wagons:

(a) When was the scheme for the construction of pipeline between Gauhati and Siliguri finalised by the Government? Was the Ministry of Railways consulted?

(b) 680 M.G. Oil Tank Wagons were added to the fleet in 1962-63 and another 839 in 1963-64. What was the total cost of these additions? Why were steps not taken to curtail the procurement of M.G. Tank Wagons keeping in view the construction of the pipeline?

(c) The Committee were informed that steps had been taken to absorb the surplus M.G. Oil Tank Wagons by moving traffic meant for points in Northern India by all M.G. route instead of the shorter MG—BG route by offering some freight concession offered to the Indian Oil Corporation? How does it compare with the cost involved in idling the surplus wagons?

(d) It is noted that the utilisation of Oil Tank Wagons on M.G. has considerably deteriorated. The loading in 1961-62 was 80,730 wagons with a fleet of 2,567. By 1965-66, the fleet had gone upto 4,179 whereas the loading had increased only to 98,815. The ratio of loading to fleet has decreased from 31.4 to 23.6.

What are the reasons for this deterioration?

What is the extent of surplus M.G. Tank Wagons now?

(e) It is noted that ratio of loading to fleet has decreased on B.G. also from 26.5 to 24·4. Please state the reasons thereof. What is the number of B.G. Oil Tank Wagons surplus to requirements?

Reply (a): The Ministry of Steel, Mines and Fuel proposed for the first time in July 1961, that the Indian Refinery Limited undertake a Techno-Economic Project Study for the construction of a pipeline from Noonmati to Siliguri. While offering their remarks on this proposal, the Railway Board did not agree to the idea of laying down the pipeline as they had already planned for the development of capacity for the movement of POL products from Gauhati Refinery. However, they had no objection to the proposal of a Techno-Economic Project Study being undertaken by the IRL. At later stages of development also, the Railway Board opposed the laying down of this particular pipeline and made it clear time and again that the railway capacity would be wasted for some time to come in case the pipeline under question is agreed to. However, finally, in October 1962, the Ministry of Steel, Mines and Fuel conveyed the approval of the President to this proposal to construct a pipeline from Gauhati to Siliguri.

Reply (b): 2. The number of Metre Gauge oil tank wagons on the Indian Railways on the 1st April of the years 1961 to 1964 was as under:—

1-4-1961	2567
1-4-1962	3247
1-4-1963	4086
1-4-1964	4230

It will thus be seen that the additional number of tanks added to the fleet in the years 1962-63 and 1963-64 was 839 and 144 respectively (and not 680 and 839 as stated by the P.A.C.). This also includes about 170 tanks upgraded from vegetable oil trade to POL trade. The cost of the new tanks added to the fleet during these 2 years is about Rs. 2·5 crores.

2.1. It is not correct to state that steps were not taken by the Railways to curtail procurement of MG tank wagons, keeping in view the construction of pipeline. The requirements of additional tank wagons for a particular year are planned two years in advance. The following provision of MG tank wagons had been made in various rolling stock programmes starting from 1960-61:—

1960-61	871 incl. 540 for Gauhati Refinery.
1961-62	242
1961-62 suppl.	350
1962-63	300

2.2. The programme for 1960-61 included a provision of 540 Metre Gauge tank wagons specifically for movement of POL products from the Gauhati Refinery to Barauni, which was then planned to be a storage depot for the Gauhati Refinery. A programme of a further 242 Metre Gauge tank wagons for 1961-62 was finalised on 7th June, 1960. As a result of the delay in delivery of tank wagons already ordered on private manufacturers and in view of the coming up of the Gauhati Refinery, it was felt that the tank wagons should be procured on a urgency basis and, therefore, an additional provision of 350 Metre Gauge tank wagons to be constructed in Railway Workshops was finalised on 13th May, 1961 for inclusion in 1961-62 Supplementary Programme. In the programme for the year 1962-63 which was finalised on 2nd June, 1961, another 300 MG tank wagons were provided for. In September 1961, it was also decided to convert 284 MG open four-wheeler wagons for carrying molasses and thereby release 176 bogie MG molasses tank wagons for POL traffic. These procurements (including the supplementary programme of 1961-62) were to be adjusted against future requirements of 1963-64 onwards.

2.3. It will thus be seen that there was considerable urgency for additional Metre Gauge tank wagons right upto the time of finalisation of the 1962-63 RSP. This was because no decision had been taken for a product pipeline between Gauhati and Siliguri. The proposal for undertaking a Techno-Economic Study of such a project was first referred to the Railways only in July, 1961, by which time, the provision of additional MG tank wagons right upto 1962-63 had already been made. As mentioned earlier, such a project was objected to by the Railways in view of the investments already planned for. The decision to construct the pipeline was taken only in October 1962. In the meantime, however, taking into consideration the number of tank wagons already provided upto 1962-63 and also the impact of the product pipeline in the possible event of its materialisation, no Metre Gauge tank wagons were provided on additional account in the 1963-64 RSP which was finalised in March 1962. Further, in June 1962, it was decided to cancel provision of 75 Metre Gauge tank wagons (out of the 300 provided for 1962-63 programme) orders for which had not yet been placed. It was also decided that the availability of Metre Gauge tank wagons would be kept in view at the time of considering additional tanks for transport of vegetable oil and molasses.

Reply (c): 3. It may be mentioned that the question of idling of MG tank wagons did not arise, as the Broad Gauge fleet would not

have been capable of meeting the entire POL demands. Had the MG fleets been allowed to idle, there would have been a considerable shortfall against demands for loading of POL products and the gap would have had to be bridged by road. Under the circumstances, cost involved in idling of the surplus Metre Gauge tank wagons would be hypothetical and of academic interest.

Reply (d): 4. The fleet strength quoted by the PAC is the fleet as on 1st April of the financial year referred to, whereas the more appropriate figure would be the average fleet available during the course of the entire year. The loading of 80,730 tank wagons during 1961-62 was obtained with a fleet, which was 2,567 on 1st April, 1961 and which progressively increased to 3,247 on 1st April, 1962. Taking the average availability of the fleet for the whole year, the correct position will be as under:—

Year	Average fleet	Loading		Trips per TW or Ratio	Turn-round
		Total	Per day		
1961-62 . .	2690	80,730	(221·0)	30·0	11·6
1962-63 . .	3619	86,765	(238·0)	24·0	15·2
1963-64 . .	4191	97,630	(267·0)	23·3	15·7
1964-65 . .	4203	99,736	(273·0)	23·7	15·4
1965-66 . .	4168	98,815	(270·0)	23·6	15·4
1966-67 . .	4183	102,332	(280·0)	24·4	15·0

4.1. The ratio of loading to fleet was affected in the year 1962-63 as compared to 1961-62 mainly as a result of the setting of the Gauhati Refinery in January 1962, to cater for which the tank wagon fleet had to be suddenly and substantially increased. Thereafter, the position has more or less stabilised. In judging the extent of utilisation of tank wagons after the setting up of Inland Refineries, however, the impact of several factors, such as a basic change in the pattern of movement of POL products, increased lead, uneconomical movements of tank wagons because of frequent changes in the pattern of movements not originally catered for, reduced scope for block loading owing to different products to one area moving from different sources, additional operational hazards involved in sorting out of tanks of different bases in the yards, frequent transfer of empty tanks from one base to another to meet the fluctuations in production, inadequate storage and handling facilities for dealing with the traffic of I.O.C. etc. have to be borne in mind. But for the Rail-

ways having taken this additional burden, very often due to factors not of their making or within their control, the functioning of the Refineries in the Public Sector would not have been as smooth as it is today. Also, other factors such as drought conditions, Indo-Pak hostilities in 1965 etc. affected the tank wagon utilisation.

4.2. A further elaboration of some of the important factors mentioned above is attempted in the following paragraphs:

(i) The average lead of tank wagons has increased leading to an increase in turn-round, as can be seen from the following figures:—

Year	Lead in KMs	Turn-round in days
1951-62 . . .	544	11·6
1962-63 . . .	556	15·2
1963-64 . .	572	15·7
1964-65 . . .	573	15·4
1965-66 . .	599	15·4

(ii) The coming up of the Gauhati-Siliguri pipeline in November 1964, resulted in a reduction of daily loading of about 40 tank wagons at Gauhati thus rendering about 200 (40 x 5 days turn-round between Gauhati and Siliguri) tank wagons surplus. Although the white oil products moving by the pipeline were again loaded from new Jalpaiguri, the scope for loading block rakes to different points was reduced as Black Oils were now loaded from Gauhati and White Oils from New Jalpaiguri. The piece-meal loading from the above two points resulted in increased turn-round and deterioration in utilisation of tank wagons.

(iii) The Barauni Refinery started production in August 1964 and gradually took over the areas (zones 12, 15, 16, 17 & 19) which were fed from Kandla. It was estimated that the complete take-over of zone 19 *i.e.* Shakurbasti would result in displacement of a loading of about 37 tank wagons per day at Kandla and would lead to a surplus of about 400 tank wagons. Due to this change in the movement pattern, the tank wagons which became surplus at Kandla were transferred to Barauni for feeding the above mentioned zones. Some dual gauge points like Lucknow, Bareilly, Allahabad etc., were reserved for feeding by MG route only from Barauni, as these points were at a shorter distance by the MG route. In case of Shakurbasti concession was given to M/s. Indian Oil Corporation to move the products by the longer all MG routes with a view to utilise the surplus tank wagons. This was also necessary to enable the newly

commissioned Refinery at Barauni to move out its products which could not have been moved in view of the limited availability of BG tank wagons.

This factor also reduced the scope for loading block rakes from Kandla as some of the products (SKO, ATM, HSD, F.O. etc.) continued to move from Kandla but motor spirit and L.D.O. started moving from Barauni.

(iv) The commissioning of the Koyali Refinery in November 1965 and the pipeline terminal at Ahmedabad in April 1966 further affected the movement pattern at Kandla and the scope for loading block rakes ex-Kandla was further reduced as some products which were earlier moving from Kandla to the MG areas in Gujarat and Rajasthan started moving from Sabarmati.

(v) The new Refinery at Barauni suffered from teething troubles in 1964-65 and curtailed its production and offers frequently resulting in idling of tank wagons and their transfer back to the original bases. This resulted in empty haulage of tank wagons and wastage of loading capacity. The refinery started loading MG tank wagons in December 1964 and tank wagons were transferred from North-east Frontier Railway and Kandla (Western Railway) for this purpose. But towards the end of the same month the Refinery curtailed its production due to some internal troubles and the tank wagons which were transferred from North-East Frontier and Western Railways had to be moved back.

(vi) Due to the commissioning of inland refineries and pipeline terminals, the important consuming centres started getting POL products from more than one point and it became difficult to organise loading according to the releasing capacity of the oil companies at the destination points. Bunched arrivals of the tank wagons resulted in detention on companies account leading to increase in turnround. For example, Shakurbasti which was getting all the products from Kandla, on the M.G. side started getting products from Kandla, Barauni and Sabarmati and sometimes the rakes from these points arrived on the same day. The creation of new loading points also resulted in cross-running of empties in some areas as the products were moving from two different points to the same area. The cross running of Sabarmati and Kandla based tank wagons in Gujarat area illustrates this point. The creation of new bases also led to operational difficulties like sorting of tank wagons for different bases in railway yards etc.

(vii) To enable the inland refineries to continue their production, out of zone and unplanned movements had to be undertaken by the railways. For example L.D.O. specials were loaded from Gauhati

to Kandla and Okha towards the end of 1964 and in the beginning of 1965 to enable the refinery to move out its surplus L.D.O. stocks.

(viii) Due to drought conditions in Rajasthan and other areas, tank wagons were diverted for carriage of water during the summer months and some *ad-hoc* movements like movement of power alcohol, imported soyabean oil had to be undertaken at short notice. This also affected the P.O.L. loading at Kandla.

(ix) The M.G. loading was also affected by the Pakistani aggression in September, 1965 as can be seen from the following figures:—

Month	1964	1965	1966
August	N.A.	8251	9029
September	8503	7411	9088
October	8826	7811	9147

The major loading points on Western and Northeast Frontier Railways were affected because of operational military movements which had to be given priority in September 1965.

4.3. It will be observed from the foregoing that factors beyond the control of the railways led to deterioration in utilisation. The Railways, however, took all possible steps to minimise the impact of the above factors and were able to achieve better results in 1966-67 when the transitional period was over and the refineries overcame their teething troubles. The all MG movement to Shakurbasti was discontinued in August 1966 and loading to Shakurbasti was permitted by BG route only. After that the MG loading from Barauni to Shakurbasti has been undertaken only when tank wagons are transferred from Barauni to Kandla or to arrange rescue despatches on *ad-hoc* basis, requested by the Ministry of Petroleum & Chemicals because of the difficulties in product availability.

4.4. There is no surplus of MG tank wagons as such, except for the normal idling during the slack season.

The daily average idling of MG tank wagons during 1966-67 and 1967-68 is given below:—

1966-67	88 tankwagons per day.
1967-68	216 tankwagons per day (upto November).

The exact figures of idling in December 1967 and January 1968 are not yet available. However, the demands have picked up during the busy season and the over-all figure of idling for 1967-68 is expected to be less than the figure upto November 1967.

Reply (c): 5. A fresh check of the figures furnished earlier has revealed that the tank wagon fleet given for every financial year was not the average fleet available during that financial year but the fleet as on 1st April of that financial year. The fleet also included tankwagons utilised for crude oil and for loading of by-products from the steel plants, whereas the loading figures given earlier did not include loading of these items. The revised figures excluding tankwagons based at steel plants, but including loading of crude oil from the oil fields are given below:

Year	Average Fleet	Loading	Daily Average Loaning	Trips per T/Ws	Turr-rourd
1961-62	5434	145,434	398	26·7	13·6
1962-63	6182	171,775	471	27·8	13·1
1963-64	6874	203,296	555	29·6	12·1
1964-65	7724	216,160	592	28·0	13·0
1965-66	8730	260,727	714	29·9	12·2
1966-67	9816	297,287	817	30·3	12·0

5.1. It will be seen from the above table that there has been an improvement in the utilisation of BG tankwagons. The deterioration in the year 1964-65 was due to the commissioning of the Barauni Refinery and the consequent changes in the movement pattern, requiring frequent transfer of tankwagons from Calcutta and Wadala and back to the original bases whenever the Refinery curtailed its production, due to periodical teething trouble, as requested by IOC and the Ministry of Petroleum & Chemicals.

5.2. On the B.G. also, there is no surplus stock of tankwagons, except for the normal idling during the slack season. The daily average idling of BG tankwagons is given below:—

1966-67	133
1967-68	208 (upto November)

5.3. The figure of idling for the whole year 1967-68 is expected to be less than upto November, as demands have already picked up and the loading is likely to be sustained at a high level during the busy season.

APPENDIX X

(Ref. Para No. 3.30 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11-12-1967 *in connection with the Audit Report (Rlys.)* 1967—*Paras* 1 *to* 5, 16 *and* 17.

13. *Utilisation of Capacity*:

(iii) *BOX Wagons*:

As against the original target for procurement of 51,302 BOX wagons, 58,635 were procured, while coal and ore traffic for which these wagons were meant, was considerably less than anticipated.

(a) Was it not possible to curtail the procurement of BOX wagons keeping in view the actual materialisation of traffic?

(b) What are the reasons for the deterioration in the efficiency index for the utilisation of Broad Gauge Wagons in the last two years of the Third Plan? Is it due to procurement of a large number of BOX wagons which could not be fully utilised?

Reply (a):

For the initial Plan target of 248.9 million tonnes the estimated requirement of wagons was 136453 in terms of four-wheelers, including 51302 BOX wagons in terms of four-wheelers. At the time of formulation of the Plan, information regarding the fieldwise production and distribution pattern of coal was not available. In respect of iron ore traffic also the data available at that time were not complete. All this information was made available only after the publication of the 'Third Five Year Plan' Book in March 1961. Moreover the freight traffic target of the Railways during the Third Five Year Plan was subsequently raised (January 1962) from 248.9 million tonnes, to include 5 million tonnes of additional coal for washeries and 10 million tonnes of general goods.

In the light of all these developments, it became necessary to reassess the requirements of wagons; and the total provision was accordingly raised from 136453 to 157227. The revised provision in-

cluded the procurement of 59175 BOX wagons in terms of four wheelers. As has already been explained in reply to question No. 2 of the original questionnaire received from the Public Accounts Committee the physical programme of the railways including the procurement of wagons, as developed for the traffic target of 264 million tonnes, was retained with the approval of the Planning Commission at the time of Mid-Plan Appraisal in November, 1963, even though there was a scaling down of the target to 245 million tonnes.

Against the revised target of 59175 BOX wagons the actual procurement was 58635 BOX wagons. The wagon procurement was cut-back in January, 1965, and again in September, 1965; the effect on the production of BOX wagons would be clear from the following yearly figures of actual production, which show a sharp decline:

1964-65	15520	BOX wagons (in terms of four-wheelers)
1965-66	10987	,, ,,
1966-67	3122	,, ,,

Reply (b):

Presumably the reference is to figures of net tonne kms. per wagon day which were furnished in reply to Question No. 17 of the original Questionnaire received from the Public Accounts Committee. A number of factors go into net tonne kms. per wagon day. These include empty haulage, changed patterns of movement, interruptions to movement of traffic and surplus wagon capacity. All these may and did, in fact, affect the figure of net tonne kms. per wagon day adversely in the later part of the Third Plan. This index should, therefore, be read together with a number of other indices of efficiency before forming a value judgment. For easy reference the Railway Ministry have developed a composite of 16 indices of operating performance, the variation for which is indicated below:

Year	Index
1950-51	100
1955-56	106·5
1960-61	116·5
1965-66	121·4

It will thus be seen that the Index shows a steady improvement all through the planned periods.

As explained in 13(iii)(a) above, procurement of wagons is based on traffic forecasts. These are based on the information furnished by various Ministries and taken into consideration trends in loading

obtaining at the time. Unfortunately, traffic forecasts did not materialise in 1964-65 as will be seen from the table below:—

Approximate tonnage loaded during 1964-65 *in addition to loadings in* 1963-64

	Targetted additional Traffic	Actual Additional Traffic
Coal for Steel Plants	1·5	—0·22
Coal for Washeries	3·5	—0·08
Coal for Public	4·5	—0·86
Coal for Railways		—0·23
TOTAL COAL	9·0	—1·39
Raw Material for Steel Plants	1·0	+0·31
Finished products from Steel Plants		—0·03
Iron ore for export	1·3	+0·32
Cement	6·0	+0·41
Other goods		+1·40
TOTAL	17·3	+1·02
Railway material	..	+1·72
GRAND TOTAL	17·3	+2·74

The economic recession caused a shortfall in materialisation of traffic, particularly to and from Steel Plants, coal and export ore. Wagons, including BOX wagons, procured for these categories of traffic were, therefore, rendered surplus to demands during the last 2 years of the Third Plan. In spite of the cut-back in wagons procurement programmes Railway capacity remained somewhat ahead of demands. This factor contributed to a deteriorations in the figure of the net tonne kms. per wagon day.

Operational in 1965-66 was also considerably affected by a number of adverse factors. These included very severe drought conditions in many parts of the country, floods, breaches to Railway tracks civil disturbances, strikes, bundhs, etc. In addition, in May, 1965, and September, 1965, urgent operational moves following Pakistani aggression severely affected normal operation.

As a result of two seasons of drought, there was also a considerable change in loading patterns. On the Broad Gauge, there was a marked drop in loading on the Northern Railway. This meant that loaded wagons reaching this Railway with traffic from other Railways, which used to be back-loaded, now had to return empty. The position was further aggravated by the large-scale imports of foodgrains

and fertilisers at the Madras Port for destinations in Bihar. This longer lead movement again entailed considerable empty haulage, as there was great urgency in reaching wagons for clearing these imports.

It will also be recalled that upto 1962-63, there was a constant cry for additional wagons for movement of coal. However, it was evident that the coal demands were highly inflated as there was a sharp decline in indents from February, 1963, resulting in the large-scale stabling of wagons, specially BOXs during certain seasons of the year.

In the past as much, if not more, coal was loaded during the slack months from June to November each year as in the previous busy season, as the Coal Industry took advantage of the easier availability of wagons. From 1964 this trend has been completely reversed. As a result of this change in the pattern of indenting, wagons are rendered surplus during the slack months but at the peak of the busy season coal programmes are in excess of the availability of wagons including BOX wagons.

It was anticipated that coal would be moved largely in rake loads for which purpose collieries and destination points were to equip themselves with facilities for handling BOX rakes. The Planning Commission had also evolved a scheme for coal dumps at centres of heavy coal consumption. With these steps it was envisaged that 70 per cent of coal would be moved in BOX wagons. As soon as transport availability outstripped coal demands, collieries and facilities for handling BOX rakes and the scheme for establishment of State coal dumps has been abandoned by State Governments. At present less than 50 per cent of coal is moving in BOX wagons.

Finally, it needs to be emphasized that rail transport capacity cannot be built to a linear increase, closely parallel to actual requirements at all times. Rail transport capacity develops in 'blocks' which may be a little behind or a little ahead of actual needs. Since the actual anticipated traffic did not come about, the Railways ended with a surplus capacity at the end of the Third Plan. Further while it may be possible to maintain higher levels of efficiency on the Railway system by deliberately maintaining capacity below requirement and thus would ensure more intensive utilisation of Railway assets, this would cause pent up traffic demands, leading to adverse effects on the economy as a whole and serious public complaints.

APPENDIX XI

(Ref. Para No. 4.16 of the Report)

Points arising out of evidence tendered before the P.A.C. during December 1967 in connection with the Audit Report (Railways) 1967—Paras 1 to 5, 16 and 17.

Point No. 14(ii):

The Committee note that the proportion of expenditure on fuel (coal, diesel oil and electricity) to the total working expenses had risen from 12.4 per cent during the First Plan period to 21.2 per cent during the Third Plan period. Further in 1960-61, the consumption of coal was 59.4 Kg. per unit of traffic hauled (*i.e.* per thousand gross tonne Kms.) but it went up to 71.8 Kg. per unit in 1965-66. What are the reasons for the substantial increase in the rate at which coal was consumed for steam traction purposes? What steps are proposed to be taken to improve the position.

Reply:

The figures of rate of consumption of coal *i.e.* 59.4 Kg/1000 GTK and 71.8 Kg/1000 GTK during the years 1960-61 and 1965-66 respectively, given in item 14(ii) have been computed by dividing the total coal consumption for locomotives purposes by the gross tonne kilometres hauled. Coal consumed for locomotive purposes include the consumption on passenger, goods, mixed, shunting, departmental and Miscellaneous services, but the gross tonne kilometres include only the work done on passenger, goods and mixed services. Because of progressive introduction of diesel and electric tractions for haulage of through goods traffic the gross tonne kilometres earned under steam goods had dropped. Although the total coal consumed under goods and proportion of mixed service had dropped, the reduction was not proportionate to the reduction in the gross tonne kilometres because of drop in average loads and speed hauled by steam traction. Coal consumed for shunting, departmental and miscellaneous services, for which no credit in terms of G.T.K. was taken in the above working, had increased with the increase in traffic.

In order to have a better appreciation, it will be necessary to review the specific coal consumption under each service. A statement showing the quantities of coal consumed, and the work done during

each year from 1960-61 to 1965-66 on passenger and proportion of Mixed, Goods and Proportion of Mixed and Shunting services is attached. Detailed comments are given below.

Passenger and Proportion of Mixed Service

The rate of coal consumption on this service increased from 54.8 Kg/1000 GTK in 1960-61 to 56.1 per cent in 1965-66, an increase of 2.4 per cent over 1960-61. This is mainly due to the reduction in supply of Selected grade coals from 26.6 per cent to the total supplies in 1960-61 to 13.1 per cent to the total supplies in 1965-66.

Goods and proportion of mixed Service

There has been increase of 8.9 Kg/1000 GTK on this service during 1965-66 as compared to the year 1960-61 which represents an increase of 20.6 per cent. This may be attributable to:

(i) reduction in the supply of superior grade coals and

(ii) Operation of mixed traction, electric, steam and diesel on the same sections.

The reduction in the supply of superior grade coals necessitated the use of lower grade coals which to some extent increased the rate of consumption on this service. With the operation of mixed tractions on the same sections, faster and heavier trains were hauled by diesel and electric locos while steam locos were relegated to slower and lighter trains. This could be seen from the table below:—

Year	Steam Traction			
	Average gross load of Goods trains in tonnes		Average speed of all Goods trains in Km./hr.	
	BG	MG	BG	MG
1960-61	1335	647	18·9	16·8
1961-62	1338	662	18·3	16·4
1962-63	1349	664	17·7	16.1
1963-64	1327	675	17·2	15·9
1964-65	1286	658	16·7	16·1
1965-66	1290	669	16·6	16·2

The coal utilisation efficiency as given by the figure of kgs. per 1000 GTK is not an absolute figure, but a relative one, which is influenced not only by changes in the consumption of coal but also by variations in the gross load and the kilometres run. While the coal

consumption is proportional to the kilometres run under constant conditions of load etc., the steam locomotive is particularly sensitive to part load working. Trials with varying load showed that coal consumption does not drop at the same rate as the load; in other words consumption rate does not reduce pro rata with the drop in load and *vice versa*. The decrease in average speed of goods trains in 1965-66 as compared to 1960-61 resulted in more unproductive engine hours on road with consequent increase in coal consumption rate.

Shunting Service

The rate of coal consumption kg/engine Km increased to 30.7 in 1965-66 from 27.4 in 1960-61 (12.0 per cent). This is attributable to use of heavier type engines on this service in recent years. Such locos are capable of dealing with more vehicles per engine hour. It is to be noted that while the originating freight traffic had increased by 30 per cent in 1965-66 over 1960-61, the shunting kilometre increased only by 16.8 per cent. This would indicate that the number of vehicles dealt with per shunting engine hour is comparatively higher, with consequent increase in rate of coal consumption per engine km.

Miscellaneous and Departmental Services:

Though the quantities of coal consumed on this service is available, in the absence of a unit of work done, specific consumption could not be computed. The quantity of coal consumed in miscellaneous and departmental services recorded an increase of 39.2 per cent and 21.2 per cent respectively in 1965-66, as compared to the year 1960-61.

Steps taken to achieve Fuel Economy

The Railway Board are fully alive to the need for achieving utmost economy in coal consumption. Recently, a meeting of the Fuel Officers of the Railways was convened to explore the possibilities of achieving further economies in coal consumption by intensifying the control measures. The salient points on which follow up action is being initiated are as follows:—

(i) Trip rations of coal are to be tightened up and *ad-hoc* cut of 5 per cent is being imposed immediately as a first step.

(ii) A close watch will be kept on the utilisation of steam locos so that the number of locos in use could be reduced to the minimum requirements.

(iii) Whenever heavier type of steam locos are to be employed on shunting services where such locos would be uneconо-

mical in fuel, the Railways have been asked as an experimental measure, to reduce the power developed by reducing the boiler pressure and cut off. This would enable the Railways to adjust the power developed on heavy goods locos employed on shunting purposes, to suit the actual needs.

(iv) Stricter control to be exercised on consumption of coal on miscellaneous services and accountal procedure to be streamlined to achieve economy.

Enclosure to Reply to Point No. 14(ii)

Statement showing quantity of Coal consumed in each Service during the year 1960-61 to 1965-66

Year	Quantity of coal consumed for loco purposes (in Million tonnes)	Traffic hauled by passenger & Goods services in terms of G.T.K. (Billion)	Rate of coal consumption per Kgs/ 1000 G.T.K. (Col. 2 ÷ Col. 3) + 1000	Percentage increase over year 1960-61 %	Passenger and Proportion of Mixed Service. Quantity of coal consumed in M. tonne.	G.T.K. hauled in Billions.	Rate of coal consumption kg/1000 G.T.K.	% increase over base year 1960-61 %
1	2	3	4	5	6	7	8	9
1960-61	14·80	248·94	59·4	Base	4·64	84·63	54·8	Base
1961-62	15·54	254·29	61·1	2·9	4·82	87·59	55 ·0	0·4%
1962-63	16·12	253·35	63·6	7·1	5·10	90·35	55·1	0·6
1963-64	16·15	241·39	66·9	12·6	5·24	92·56	56·6	3·3
1964-65	15·87	225·57	70·4	18·5	5·45	97·00	56·1	2·4
1965-66	15·93	221·91	71·8	20·9	5·63	100·27	56·1	2·4

Goods & Proportion of Mixed service				Shunting			Department Service		Miscellanecus Service		
Quantity consumed in mill. tonnes.	GTK hauled in Billions	Rate of Coal consumption kg/1000 GTK	Percentage increase over base year 1960-61	Quantity consumed in million tonnes.	Shunting kilometers in Billions	Rate of coal kg/Eng. km.	Percentage increase over the base year	Quantity of coal consumed in million tonnes.	Percentage increase over base year.	Quantity of coal consumed in million tonnes.	Percentage increase over the base year.
1	2	3	4	5	6	7	8	9	10	11	12
7·12	164·31	43·3	Base	1·99	72·71	27·4	Base	0·644	Base	0·410	Base
7·41	166·70	44·5	2·8	2·16	75·31	28·7	4·8	0·654	1·4	0·471	14·9
7·53	163·00	46·0	6·2	2·30	78·57	29·3	7·0	0·690	7·1	0·505	23·2
7·23	148·83	48·5	12·0	2·44	81·87	29·8	8·8	0·739	14·8	0·502	22·3
6·62	120·57	51·5	19·0	2·48	82·16	30·2	10·2	0·790	22·8	0·534	30·0
6·35	121·64	52·2	20·6	2·60	84·91	30·7	12·0	0·781	21·2	0·571	39·2

APPENDIX XII

(*Ref.* Para No. 4.21 of the Report)

Unremunerative Branch Lines

The working of branch lines is required to be reviewed by the Railway Administrations from time to time in terms of para 844 of the Indian Railway General Code Volume I, and action initiated for stimulating traffic and augmenting the earnings *inter alia* by—

(i) expeditious supply of wagons;

(ii) maintaining contacts with Trade Associations;

(iii) reducing the working expenses by keeping the minimum staff at the stations; and

(iv) expeditious clearance of 'Smalls' traffic, etc.

Following such reviews undertaken between 1961-62 and 1963-64, proposals were formulated for closing down some unremunerative branch lines. Not much headway could, however, be made to actually close the lines (except one line—Sanala-Amran Road on the Western Railway in October, 1965) because of representations from the public of the area and reluctance of the State Governments to support any move for closure of the branch lines.

2. The future policy on the subject took a more definite shape with the receipt in January 1966 of the report of the Committee on Transport Policy and Coordination. The Committee's recommendations, which have been accepted by Government, were as follows:—

(i) Having regard to the development of the transport system, it is essential to review from time to time the extent to which each branch line is serving the needs of an area and the combination of transport services which should be made available for its economic development. Suitable tests or criteria need to be evolved for considering a line uneconomic depending on the purposes it serves and the cost of providing alternative means of transport.

(ii) If alternative facilities have been or are capable of being developed to a point where the requirements for transport can be met substantively by means other than the railways at no higher cost to the economy, there should be no hesitation in giving up an existing branch line which is prov-

ing unremunerative and will not serve any object which cannot be met otherwise and at lesser cost.

(iii) Where road transport has to be expanded considerably to facilitate the discontinuance of unremunerative lines, the railways may consider, in consultation with State Governments, whether and in what form they could participate or assist in the growth of road transport services

(iv) In the light of these considerations, in the wider economic interests of the country, as much as of the railways as an enterprise, the financial working of branch lines and the transport needs and plans of areas served by them should be reviewed periodically.

(v) Suggestions concerning unremunerative branch lines would also apply generally to the light railways. As in the past, in future also, the general approach adopted has to be to consider each case on merits and to take over such lines as would justify conversion to broad gauge or metre gauge on the basis of the traffic handled by them and the prospects of traffic growth. In other cases, the lines might be dismantled and the services provided by them might be allowed to be replaced by road transport.

3. Pursuant to the above recommendations of the Committee on Transport Policy and Coordination, a fresh preliminary review of the working of the branch lines was conducted last year which showed that there were 63 such branch lines. In view of the heavy loss incurred in the operation of these branch lines, and also in view of the recommendations of the C.T.P.C., it was decided by the Board that a comprehensive review of each of the unremunerative lines of the various railways may be conducted and the decision to close the line or adopt measures to improve its working, may be taken on the merits of each case. In the course of his speech on the Railway Budget for 1967-68, the Minister for Railways also referred to the problem of unremunerative branch lines and made the following observations:—

"After a careful but quick study to work out the relative cost to the economy of alternative forms of transport, the unremunerative branch lines should be closed down wherever it is found that they are not justified in terms of their cost to the economy. The meagre traffic that such branch lines may be carrying could be handed over to road transport. In the past, State Governments have objected to most proposals of this nature for no weightier reason than

that popular local sentiment has been against such proposals. While we will continue to give the utmost consideration to the views of State Governments as hithertofore, it is to be hoped that the sound principle of providing transport at the lowest cost and to the maximum advantage of the economy would outweigh other less weighty considerations.***"

4. A detailed review of the unremunerative lines was thereafter taken up by the Railway Board and this brought out that the number of such lines on Southern Railway was 14 instead of 6 reported earlier (in the list of 63 lines). On our present recogning, there are 71 uneconomic branch lines on the Indian Government Railways. Of these, 11 are Broad Gauge, 26 Metre Gauge and 34 Narrow Gauge. Their break-up according to the Railway Zone in which they are situated is given below:—

Western Railway	....	31
Northern Railway	....	8
Southern Railway	....	14
South Eastern Rly.	....	6
Eastern Railway	....	4
North-East frontier Railway	....	4
North Eastern Rly.	....	2
Central Railway	....	2
	TOTAL	71

5. The statement marked Annexure 'I' shows in respect of each of the uneconomic branch lines, its length, date of opening, capital cost, amount and percentage of profit/loss, excluding interest on capital (*vide* columns 6 & 7) and including interest at the rate of 5½% (*vide* columns 9 and 10).

6. On a conservative basis, the total annual loss on all the uneconomic branch lines taken together works out to about Rs. 6.69 crores, including interest on capital.

7. In view of the continued losses resulting from the operation of these unremunerative lines, a review of each of these lines was ordered and is in progress, so that it may be determined which particular branch line may be closed down without detriment to public interest and what steps may be taken to improve the working results of the lines to be retained. The review of 31 lines of the Western Railway is being carried out by the Railway itself. The remaining 40 lines have been reviewed in the Board's office on the basis of data obtained from the Railways.

8. Various measures are taken by the Railways, from time to time, to minimize the losses. These include strict control on the number of staff provided and the number of trains run, prevention of ticketless travelling and other leakage of revenue, provision of cheap improvised goods sheds and approach roads, provision of better connections with main line trains, etc. Where a road runs parallel to the branch line and that is, in a significant measure, responsible for the line not yielding a satisfactory return, the availability of spare transport capacity by rail is brought to the notice of the State Transport Authority/Regional Transport Authority when they are considering proposals for issue of permits. It is only when such measures fail to produce results that the closure of the line is thought of.

9. In the case of 14 lines out of the 40 reviewed in the Board's office, it was found that road transport could, without difficulty and without detriment to the economy of the area, replace rail transport. A list of these 14 lines is attached as Annexure II. Detailed particulars in respect of these lines, such as kilometerage, capital cost, number and cost of road vehicles required to replace rail transport and the relative economics of rail/road transport are furnished in Annexure III. The concerned State Governments Bihar, Haryana, Madhya Pradesh, Madras, Mysore, Pondicherry, Punjab and Uttar Pradesh have been requested to confirm that there would be no difficulty in making arrangements for such additions to road transport as may be necessary to fill the gap in transport likely to be created by the closure of these branch lines. D.O. letters have also been written by the Minister for Railways to the Chief Ministers of these States.

10. A reply has been received from the Government of Pondicherry in regard to Peralam-Karaikkal line. The State Government have stated that the shortfall in earnings is due to reduction in the number of passenger train services on the section. They have stated that Karaikkal region has good potential for rail traffic in the future. They have in this connection referred to the oil exploration work being carried out by the Oil & Natural Gas Commission and have stated that in the event of this proving successful and with the successful completion of Five Year Plans, there would be considerable increase in both passenger and goods traffic. The State Government have requested that the proposal to close down the section should be dropped and additional passenger trains run on an experimental basis for at least a year. The remarks of the Southern Railway on the suggestion of the Government of Pondicherry have been called for.

11. Replies from the other State Governments are still awaited.

12. Even though Neral-Matheran is not among the fourteen lines referred to in para 9 above, it may be mentioned that a reply concerning that line has been received from the Chief Minister, Maharashtra. He has in effect agreed to its being closed but has requested that the Central Government bear a substantial part of the cost of building a road from Badlapur to Neral, to connect Neral to Bombay and of widening the railway embankment of this line to enable a 24 ft. wide road being built between Neral and Matheran. This is under examination.

ANNEXURE I

Statement showing unremunerative Branch Lines on Indian Railways

(Rupees in thousands)

Name of Line	Gauge	Length in KMs.	Date of opening	Capital cost	Amount of profit/loss (for the year 1965-66	Percentage of gain/ loss	Interest at 5·5% of capital cost.	Total loss including loss of interest (col. 6&8)	Percentage of loss (col. 9 over 5)
1	2	3	4	5	6	7	8	9	10
CENTRAL RAILWAY									
1. Gwalior—Shivpuri	N.G.	119·8	2-12-99	37,21	(+)1,85	(+)4·98	2,05	(—)20	(—)0·54
2. Neral-Matheran	N.G.	20	22-3-07	3,99	(—)1,30	(—)32·6	22	(—)1,52	(—)38·10
EASTERN RAILWAY									
1. Barasat-Hasanabad	B.G.	52·80	9-2-62	2,57,89	(—)13,72	(—)5·32	13,99	(—)27,71	(—)10·74
2. Rajgir-Bhukhti-yarpur	B.G.	53·00	8-2-62	2,73,85	(—)2,51	(—)0·92	15,06	(—)17,57	(—)6·42
3. Bhagalpur-Mandar Hill	B.G.	50·00	1-4-54	39,38	(+)1,31	(+)3·3	2,20	(—)89	(—)2·23
4. Shantipur-Nabadwipghat	N.G.	28·00	1899	8,60	(—)2,56	(—)30·01	47	(—)3,03	(—)35·25
NORTHERN RAILWAY									
1. Rohtak-Gohana	B.G.	31·88	29-12-58	32,43	(—)1,12	(—)3·46	1,78	(—)2,90	(—)8·94
2. Barhan-Etah	B.G.	58·78	18-10-59	127,85	(—)12,93	(—)10 11	7,03	(—)19,96	(—)15·61
3. Akbarpur-Tanda	B.G.	16·89	30-5-61	33,88	(—)1,07	(—)3·16	1,86	(—)2,93	(—)8·66
4. Bhildi-Raniwara	M.G.	70·17	10-5-58	159,72	(—)4,66	(—)2·91	8,78	(—)13,44	(—)8·41

1	2	3	4	5	6	7	8	9	10
5. Nawanshahar-Doaba-Rahon	B.G.	6·98	27-5-15	2,49	(—)1,33	(—)53·40	14	(—)1,47	(—)59·04
6. Pathankot-Joginder Nagar	M.G.	163·99	1-12-28 1-4-29	2,29,05	(—)7,83	(+)3·42	12,60	(—)4,77	(—)2·08
Pathankot-Nagrota Nigrot-Jogindernagar.									
Northern Railway—contd.									
7. Batala-Qadian	B.G.	19·44	20-2-28	8,00	(—)33	(—)4·14	44	(—)77	(—)9·62
8. Kalka-Simla	N.G.	96	9-11-03	2,70,74	(—)21,32	(—)8·98	14,89	(—)39,21	(—)14·48
NORTH EASTERN RAILWAY									
1. Mathura-Vrindaban	M.G.	13·00	26-8-89	7,26 (1962-63)	(—)1,02 1962-63	(—)14·01	40	(—)1,42	(—)19·51
2. Madhosing-Mirzapur Ghat Section Ghat Chilwan sec.	M.G.	11·67	1-3-09 25-10-1912	8,43	(—)2,42 (1961-62)	(—)16·8	46	(—)1,88	(—)22·3
NORTH EASTERN FONTIER RAILWAY									
1. Mariani-Jorhat-Neamati	M.G.	32·2	12-9-42	25,94	(—)4,91	(—)18·1	1,43	(—)6,34	(—)24·40
2. Lataguri-Ramshai	M.G.	9·00	11-6-93	2,84	(—)85	(—)29·7	16	(—)1,01	(—)35·56
3. Darjeeling-Himalayan	N.G.	87·48	20-1-13	1,11,19	(—)40,71	(—)36·6	6,11	(—)46,82	(—)41·90
4. Tezpur-Rangapara-North	M.G.	27	..	10,62	(—)6,54	(—)61·6	88	(—)7,12	(—)67·00

SOUTHERN RAILWAY

1. Sagara-Talaguppa .	M.G.	15·33	10-11-40	6,32	(—)143	(—)22·61	35	(—)1,78	(—)28·16
2. Nanjangud-Chamrajnagar.	M.G.	35.50	27-8-26	12,66	(—)446	(—)35,27	70	(—)516	(—)40,76
3. Mettupalayam-Ootacamund . .	M.G.	45·88	15-10-08	95,02	(—)26,17	(—)27·51	5,22	(—)31,39	(—)33·03
4. Shoranur-Nilambur	B.G.	66·79	15-4-54	1,12,05	(+)141	(+)1·26	6,16	(—)4,75	(—)4·24
5. Bangalore City-Bangarapet . .	N.G.	156·76	..	50,48	(—)13,59	(—)26·92	2,78	(—)16,37	(—)32·42
6. Madurai-Bodinayakarnur . . .	M.G.	90·12	25-7-54	89,90	(+)67 (1963-64)	(+)0·81	4,56	(—)3,89	(—)4·69
7. Chickgagur-Chitaldrug . .	M.G.	34	5-1-21	1500 (Assumed)	(+)136	(+)8·9	82	(+)54	(+)3·6
8. Mayavaram Tranquebar . .	M.G.	30	25-11-26	1500 (Assumed)	(—)129	(—)8·6	82	(—)211	(—)14·1
9. Peralam-Karaikal .	M.G.	24	14-3-98	1200 (Assumed)	(—)110	(—)9·2	66	(—)176	(—)14·7
10. Nidamangalam-Mannargudi .	M.G.	13	15-2-15	600 (Assumed)	(—)154	(—)25·6	33	(—)187	(—)13·1
11. Walaja Road-Ranipet	B.G.	6	17-4-99	400 (Assumed)	(—)29	(—)7·2	32	(—)61	(—)12·7
12. Villupuram-Pondichery	M.G.	38	15-12-79	1900 (Assumed)	(+)63	(+)3·3	104	(—)41	(—)2·2

1	2	3	4	5	6	7	8	9	10
Northern Railway—contd.									
13. Tirunelveli-Tiruchendur	M.G.	62	24-2-23	4000 (Assumed)	(+)234	(+)5·8	220	(+ 14	(+)0·35
14. Salem-Metrur Dam	B.G.	41	1929	4000 (Assumed)	(+)345	(+)8·5	220	(+)125	(+)3·1
SOUTH EASTERN RAILWAY (N.G. Section)									
1. Naupada-Gunupur	N.G.	89·60	1900 1929-31	7,50	(—)2,16	(—)28·82	41	(—)2,57	(—)34·32
2. Rupsa-Talband	N.G.	113·6	1905	24,81	(—)3,89	(—)15·69	136	(—)5,25	(—)21·16
3. Satpura Railways	N.G.	1007·32	1903-1916 1922-32	5,10,23	(—)2,21,46	(—)42·90	28,39	(—)2,49,85	(—)48·40
4. Purulia-Kotshila	N.G.	104·83	1907	90,99	(—)5,33	(—)5·86	5,00	(—)10,33	(—)11·36
5. Ranchi-Lohardaga	N.G.		6-10-13						
6. Dhamtari Branch	N.G.	88·92	17-12-1900	20,90	(+)60	(—)2·88	1,15	(—)55	(—)2·63
WESTERN RAILWAY									
1. Chhuchhapura-Tankhara	N.G.	38·00	15-3-23	41,23	(—)80 (1959-60)	(—)1,93	2,27	(—)3,07	(—)7·44
2. Kosamba-Umarpada	N.G.	61·96	1-5-12 1-7-29	21,49	(—)2,60	Do.	1,35	(—)3,95	(—)16·16
3. Jhagadia-Netrang	N.G.	30·56	1-3-32	10,00	(—)77 (1959-60)	(—)7·70	55	(—)1,32	(—)13·20
4. Cheranda-Motikoral	N.G.	18·51	10-11-21	8,34	(—)23	(—)2·79	46	(—)69	(—)8·29

5. Sama-Dahej	N.G.	39·29	1-3-30	8,51	(—)1,89 (1959-60)	(—)22·18	47	(—)2,36	(—)27·68
6. Godhra-Lunavada	N.G.	40·69	4-12-13	14,21	(—)1,41 (1959-60)	(—)9·94	78	(—)2,19	(—)15·44
7. Piplad-Deugadhbaria	N.G.	16·00	1-1-29	9,91	(—)78 (1959-60)	(—)7·71	54	(—)1,32	(—)13·21
8. Jorawarnagar-Sayla	N.G.	26·30	..	6,24	(—)1,19 (1959-60)	(—)19·00	34	(—)1,53	(—)24·50
9. Champaner-Shivaraipur	N.G.	49·14	24-1-11	21,11	(—)71 (1959-60)	(—)3·36	1,16	(—)1,87	(—)8·86
10. Dobhoi-Timba Road	N.G.	100·39	15-11-13 } 1-2-19 }	66,96	(—)3,84 (1959-60)	(—)5·73	3,68	(—)7·52	(—)11·23
11. Broach-Jambusar-Kavi	N.G.	73·39	2-11-14 } 1-8-29 }	15,89	—)46 (1959-60)	(—)2·86	87	(—)1,33	(—)8·36
12. Chota-Udaipur-Jambusar	N.G.	149·67	1-12-17	87,12	(— 11,21 (1959-60)	(—)12·84	4,79	(—)16,00	(—)18·34
13. Ankleshwar Rajpipla	N.G.	62·81	1-7-97 } 0-11-17 }	0,15	(—)2,37 (1959-60)	(—)11·75	1,11	(—)3,48	(—)17·25
14. Chandod-Malsar	N.G.	87·20	..	58,69	(—)6,16 1959-60)	(—)4·26	3,19	(—)9,35	(—)9·76
15. Nadiad-Pihij-Bhadran	N.G.	58·41	10-12-14 } 15-[illegible]-63 }	24,86	(—)4,88 (1959-60)	(—)19·63	1,37	(—)6,25	(—)25·13
16. Nadiad-Kapadvanj	N.G.	14·06	5-3-13	16,25	—)1,32 1959-60)	—)8·12	80	(— 2,21	(—)13·62
17. Billimora-Waghai	N.G.	62·77	23-7-14 } 1-11-29 }	24,56	(—)1,42 1959-60)	(—)5·79	1,35	(—)2,77	(—)11·29
18. Morvi-Ghantila	N.G.	4·87	1904-05 } 1933-34 }	7,2[illegible]	(—)2,17 (1959-60)	(—)32·90	39	(—)2,76	(—)38·40
19. Bhavnagar-Talaja-Mahuwa	N.G.	108·21	5-1-26 } 20-3-38 }	34,67	(—)8,04 (1959-60)	(—)23·49	1,91	(—)9,95	(—)28·99

1	2	3	4	5	6	7	8	9	10
20. Ujjain-Agar	N.G.	66·92	15-3-32	11,08	(—)1,18 (1959-60)	(—)10·62	61	(—)1,79	(—)16·12
21. Morvi-Tankara	N.G.	20·23	1894-95	3,21	(—)1,82 (1961-62)	(—)56·64	17	(—)1,99	(—)62·14
22. Kunkava-Derdi	M.G.	11·36	19-3-40	8,17	(—)1,26 (1961-62)	(—)15·43	45	(—)1,71	(—)20·95
23. Prachi-Road-Kodinar	M.G.	25·57	6-4-38	18,53	(—)1,56 (1961-62)	(—)8·44	1,02	(—)2,58	(—)13·94
24. Talala-Delvada	M.G.	70·84	2-4-18	40,01	(—)7,35 (1961-62)	(—)18·38	2,20	(—)9,55	(—)23·88
25. Hadmatia-Jodiya	M.G.	37·88	3-10-40	17,06	(—)57 (1961-62)	(—)3·32	91	(—)1,51	(—)8·82
26. Ningala-Gadnada-Swami Narayan	M.G.	14·81	1-1-29	10,62	(—)1,27 (1961-62)	(—)11·99	58	(—)1,85	(—)17·49
27. Than-Chotila	M.G.	20·07	15-5-26	14,35	(+)45 (1961-62)	(+)3·16	79	(—)34	(—)2·34
28. Botad-Jasdan	M.G.	53·67	15-9-39	7,28,70	(—)3,24 (1961-62)	(—)11·27	1,58	(—)4,82	(—)16·77
29. Fatehpur-Shekhawati Churu	M.G.	43·28	1-3-57	53,74	(+)1,87 (1961-62)	+)3·48	2,96	(—)1,09	(—)2·02
30. Sanganer Town Toda Raisingh	M.G.	105·57	1-1-50 30-3-54	1,32,60	(—)8,02 (1961-62)	(—)6,05	7,29	(—)15,31	(—)11·55
31. Gandhidham New Kandla	M.G.	11·89	17-9-56	74,75	(—)4,32 1961-62)	(—)5·78	4,11	(—)8,43	(—)11·28

ANNEXURE-II

Statement of branch lines in respect of which State Governments have been addressed regarding Closure.

Name of State	Name of Railway Zone	S. No.	Details of uneconomic Branch Lines			
			Name of Section	Gauge	Loss including interest (Rs. in thousands)	Return on Capital
Madras	Southern	1	Mettupalaiyam-Ootacamund	Metre	31,39	—33·03%
Madras	Southern	2	Mayuram-Tranquebar	Metre	2,11	—14·10%
Madras	Southern	3	Nidamangalam-Mannargudi	Metre	1,87	—31·1 %
Madras (Partly in Pondicherry State)	Southern	4	Peralam-Karaikkal	Metre	1,76	—14·7 %
Madhya Pradesh	Central	5	Gwalior Shivpuri	Narrow	20	— 0·54%
Punjab	Northern	6	Batala-Qadian	Broad	77	— 9·62%
Punjab	Northern	7	Nawashahr-Doaba-Rahon	Broad	1,47	—59·04%
Mysore	Southern	8	Bangalore-Bangarapet	Narrow	16,37	—32·42%
Bihar	Eastern	9	Bhagalpur-Mandar Hill	Broad	89	—2·23%
Haryana	Northern	10	Rohtak-Gohana	Broad	2,90	—8·94%
Uttar Pradesh	Northern	11	Akbarpur-Tanda	Broad	2,93	—8·66%
Uttar Pradesh	Northern	12	Barhan-Etah	Broad	1,996	—15·61%
Uttar Pradesh	North-Eastern	13	Madho Singh-Mirzapur Ghat	Metre	1,88	—22·30%
Uttar Pradesh	North-Eastern	14	Mathura-Vrindaban	Metre	1,42	—19·51%
				TOTAL	85,92	

ANNEXURE III

Uneconomic Branch Lines—Summary.

Name of Branch line and gauge	Bihar	Mysore	Madras				Madhya Pradesh
	Eastern Railway	Southern Railway	Southern Railway				Central Railway
	Bhagalpur-Mandar Hill	Bangalore-Bangarapet	Mettuppalaiyam-Ootacamund	Mayuram-Tranquebar	Peralam-Karaikkal (Partly in Pondicherry)	Nidamangalam-Mannargudi	Gwalior-Shivpuri
	B.G.	N.G.	M.G.	M.G.	M.G.	M.G.	N.G.
	1	2	3	4	5	6	7
Length in Kms.	50	157	46	30	24	13	120
Capital cost (Rs. in lakhs)	39·98	50·48	95·12	15 (assumed)	12 (assumed)	6 (assumed)	37·23
Earnings (Rs.) creditable to the branch	7,82,197	8,03,657	10,72,924	3,44,787	1,27,007	99,486	7,91,183
Working expenses (Rs.)	9,11,580	20,34,152	33,20,533	4,73,578	2,37,112	2,53,307	17,00,265
Operating ratio	117%	253%	309%	137%	187%	255%	215%
Loss (excl. interest) (Rs.)	—1,29,383	—12,30,500	—22,47,609	—1,28,791	—1,10,105	—1,53,821	— 9,09,082
Percentage of loss to capital cost	—3·2%	—24·4%	—23·6%	—8·6%	—9·2%	—25·6%	—24·4%
Loss (incl. interest) (Rs.)	—3,49,273	—15,08,500	—27,70,769	—2,11,291	—1,76,105	—1,86,821	—11,13,847
Percentage of loss to Capital cost	—8·7%	—29·9%	—291%	—14·1%	—14·7%	—31·1%	—29·9%

ROAD TRANSPORT

Road vehicles required to handle the branch line traffic	8 Buses 5 Trucks	5 Buses 2 Trucks	5 Buses 6 Trucks	3 Buses 1 Truck	1 Bus 1 Truck	1 Bus 2 Trucks	1 Bus 4 Trucks
Cost of road operation (Rs.)	7,94,970	6,93,900	8,69,952	4,14,348	1,46,466	1,52,849	3,46,896
Earning at Railway's level of rates and fares (Rs.)	5,86,784	4,91,400	10,72,924	3,30,047	1,27,007	57,521	2,10,375
Loss/Gain at Railway's level of charges (Rs.)	—2,08,186	—2,02,500	+ 2,02,972	—84,301	—19,459	—95,328	—1,36,521
Earnings at prevailing road transport rates (Rs.)	8,79,304	7,95,600	..	5,36,544	1,70,786	1,83,995	4,96,127
Profit at road rates (Rs.)	+84,334	+1,01,700	..	+1,22,196	+24,320	+31,146	+1,49,231
Capital cost of additional vehicles (Rs. in lakhs)	8·6	4·7	7·1	2·7	1·3	1·9	3·1
Percentage return on capital	10%	21·6%	28·6%	45%	18·7%	16·4%	48·1%

1. Name of branch line and gauge	Punjab	[illegible]	Uttar Pradesh				
	Northern Railway	[illegible]	Northern Railway			Northeastern Railway	
	Nawa-Shahr Doaba-Rahon	Batala-Qadian	[illegible]	Barhan-Etah	Akbarpur-Tanda	Madho Singh Mirzapur Ghat	Mathura-Brindaban
	B.G.	B.G.	B.G.	B.G.	B.G.	M.G.	M.G.
	8	9	10	11	12	13	14
2. Length in kms.	7	20	32	69	17	12	12
3. Capital cost (Rs. in lakhs)	2·49	8·0	32·43	127·85	33·88	8·43	7·26
4. Earnings (Rs.) Creditable to the branch	15,375	1,06,313	3,54,368	3,33,669	75,393	41,470	54,747
5. Working expenses (Rs.)	1,72,179	6,10.847	9,13,444	24,90,436	4,76,203	2,13,399	1,36,217
6. Operating Ratio	1120%	574%	251%	746%	631%	515%	249%
7. Loss (Excl. interest) Rs.	—1,56,804	—5,04,534	—5,59,076	—21,56,767	—4,00,810	—1,71,929	—81,470
8. Percentage of loss to capital cost	—63%	—63%	—17·2%	—16·9	—11·8%	—20·4%	—11·2%
9. Loss (incl. interest) Rs.	—1,70,499	—5,48,534	—7,37,441	—28,59,942	—5,87,150	—12,28,294	—1,21,400
10. Percentage of loss to capital cost	—68·5%	—68·5%	—22·7%	—22·4%	—17·3%	—25·9%	—16·7%
ROAD TRANSPORT							
11. Road vehicles required to handle the branch line traffic	1 Bus (1/7) 1 Truck (1/4)	1 Bus 1 Truck (1/3)	4 Buses 1 Truck	4 Buses 5 Trucks	1 Bus 1 Truck (1/6)	1 Bus 1 Truck (1/2)	1 Bus 1 Truck (1/2)
12. Cost of road operation (Rs.)	14,476	1,19,005	5,01,072	6,74,000	92,049	59,743	81,435

13. Earnings at Railway's level of rates & fares (Rs.)	12,700	1,02,000	9,42,365	8,25,222	74,036	41,470	54,747
14. Loss at Railway's level of charges (Rs.) . .	—1,776	—17,005	—1,58,707	—3,48,778	—18,013	—18,273	—26,678
15. Earnings at Prevailing road transport rates (Rs.)	19,532	1,50,355	5,84,718	7,90,000	1,07,880	74,392	93,887
16. Profit at road rates (Rs.)	+5,056	+31,350	+83,646	+1,16,000	+15,831	+14,649	+12,462
17. Capital cost of addl. Vehicles (Rs. in lakhs) .	0·25	0·90	3·4	5·8	0·8	1·0	1·0
18. Percentage return on capital	20%	34·8%	24·6%	20%	19·8%	14·6%	12·5%

APPENDIX XIII

(Ref. Para No. 5.17 of the Report)

Supplementary List of points arising out of Audit Report (Railways) 1967 on which information is desired by the Public Accounts Committee

Point No. 2:

It was expected that the cost of purchase of 13 specified items from the foreign firm, would be Rs. 2.41 lakhs per locomotive and it would gradually come down to a small fraction of this figure.

(a) What was the cost of these imported equipments per locomotive, and how does it compare with the original anticipations?

(b) Please give year-wise break-up of the A.C. freight locomotives manufactured at Chittaranjan Locomotive Works and cost per Loco indicating separately the percentage and cost of imported equipments fitted therein.

(c) What is the present cost of manufacture of electric locomotive? How does it compare with the estimated cost of Rs. 10 lakhs? What is the difference due to?

Reply:

(a) It has been mentioned that the original anticipation of the cost of the 13 items specified in the Agreement was Rs. 2.4 lakhs per locomotive and it was to gradually come down to a small fraction of this figure. In actual fact, the Financial Commissioner, Railways, had mentioned in his note dated 20th October 1962 to the Minister for Railways that the annual import for the 13 items specified in the Agreement was expected to be about Rs. 1.75 crores and this was expected to reduce to a small fraction of this figure. It appears to have been assumed that this figure related to equipment for 72 locomotives per year, which was the final production capacity which the Chittaranjan Locomotive Works were to reach. On this basis, the cost of import of the 13 items would come to Rs. 1.75 crores by 72=Rs. 2.41 lakhs per locomotive. However, it is felt that this figure could more appropriately have been related to the anticipated

production in the initial years following the execution of the Collaboration Agreement rather than to the final capacity of 6 locomotives per month.

For the first batch of 25 locomotives (IR-4 series) for which all the 13 equipment coveded by the Agreement were to be imported, the total cost of import of these items came to 2,98,526 DM FOB *i.e.* nearly Rs. 3.55 lakhs per locomotive. As initially all the 13 items had to be imported, it was only subsequently that a reduction could be effected in this import content consequent upon indigenous development under the Collaboration Agreement or otherwise.

In the subsequent batches of locomotives taken up for production at C.L.W. the imported items have been progressively reduced as indicated in the enclosed Annexure I which also indicates how prices for some of the imported items have been rising. From the 179th locomotive onwards (scheduled for production in July 1968) import would be limited to only one item *viz.* Manipulators costing 8565 DM FOB per locomotive. From the 199th locomotive which may be turned out from C.L.W. by about November, 1968, all the 13 items would be indigenous.

However, the locomotives produced at C.L.W. will still continue to have some import content consisting of basic raw materials like copper etc. and finished products like insulating materials which are not yet available from the indigenous industry.

(b) The year-wise break-up of the AC freight locomotives manufactured at C.L.W. and the cost per loco indicating also the percentage in cost of imported components fitted therein is given at Annexure II. The import content indicated in this Annexure is the total imported content for all equipments and not only the 13 items included in the Agreement.

(c) The cost of the AC electric freight locomotive built at CLW in different years is indicated in column 3 of Annexure II. As indicated in a note in this Annexure the present estimated cost for the production in 1967-68 is anticipated to be Rs. 15.72 lakhs.

The anticipated cost of Rs. 10 lakhs mentioned in the question was originally anticipated by the Officer on Special Duty in his Project Report for the manufacture of 6 electric locomotives per month in CLW which was submitted on 21-10-61 and based on the particulars he had gathered in Europe from M/s. Group and others and their manufacturing methods. The latest anticipated cost is more than the original anticipation mainly due to increase in the market prices of

bought-out components and raw materials during the intervening period of 5 to 6 years as well as the effect of devaluation on the import content. Part of the increase is also accounted for by increase in labour costs as well as increase in total man-hours required as compared to initial anticipations. A comparison of the initial estimated cost and actual cost of CLW production is indicated in Annexure III.

ANNEXURE I

Encl. to reply to point No. 2

Items Imported for CLW Locomotives for Different Batches.

S. No.	Description	IR-4-25 Locos imported FOB-DM per loco	IR-4-25 locos Imported FOB/DM per loco	IR-5-56 locos Imported FOB/DM per loco	IR/7 Series imported FOB/DM per loco	179th Loco expected by July, 68	199th Loco expected by Nov. 68
1	Traction Motors	1,31,870	1,31,870	1,54,912	1,54,912	..	..
2	Shunting devices for the above	12,953	12,953	..	..	..	..
3	Smoothing Coils (Reactors) with fan	15,057	..	..	..	..	..
4	Transformer	61,540	61,540	74,160	74,160	..	..
5	Transformer Colling Equipment	9,250	9,250	..	..	..	..
6	Traction Circuit Apparatus	5,705	5,705	9,392	9,392	..	..
7	Arno Group	8,604	8,604	..	..	..	..
8	Motor Compressor	5,892	..	..	..	..	..
9	Vacuum Groups	19,597	..	..	..	..	..
10	Motor ventilators sets for Traction Motors	4,209	..	..	..	..	..
11	Manipulators	8,230	8,230	8,565	8,565	8,565	..
12	Operating, Control and Protection Devices for Traction Devices	7,482	7,482	..	..	..	..
13	Feeding and protection Devices for auxiliary Devices	8,137	8,137	..	..	..	..
	TOTAL	2,98,526	2,53,771	2,47,029	2,47,029	8,565	..

ANNEXURE II *Encl. to reply to point No. 2*

Total cost and Import Content of Chittaranjan Locomotive Works Locomotives

Year	No. of locos turned out	Cost/Loco Rs. in lakhs	Cost of imported equipment (FOB Rs. in lakhs)	Percentage imported content	Approximate effect of devaluation included in Col. 3 & 4 (Rs. in lakhs)	Percentage imported content ignoring effect of devaluation
1	2	3	4	5	6	7 (4-6)/(3-6)x 100
1963-64	2	12·50	7·03	56 to 58	NIL	56 to 58
1964-65	25	11·91				
1965-66	32	13·41	6·14	46	NIL	46
1966-67	57	14·34	6·47	45	1·2	40

NOTE.— For the production in 1967-68 it has been estimated that the cost per loco would be Rs. 15.72 lakhs and the import content about Rs. 7·57 lakhs i.e. 48 % of post-devaluation rates. If devaluation effect is ignored the import content would be about 37% only.

Comparison of initial anticipated cost and C.L.W.'s actual production cost per loco

		Man hours	Labour Rs.	Cost per Man Hour	Overheads		Raw materials and brought out components @ pre-devaluation rates	Element of increase due to devaluation	Total per loco
					Percentage	Cost Rs.			
1961	As estimated in Report	26,000	19,000	0·73	700%	1,33,000	8,50,000	..	10,02,000
1964-65	27 Ac locos built by C.L.W.	38,600	32,000	0·83	700%	2,37,000	9,22,000	..	11,91,000
1965-66	23 Ac locos built by C.L.W.	33,200	31,000	0·93	700%	2,09,000	9,87,000	1,14,000	13,41,000
1966-67	57 AC locos built by C.L.W.	32,500	33,000	1·07	590%	1,93,000	10,94,000	1,14,000	14,34,000

APPENDIX XIV

(Ref. Para No. 5.27 of the Report)

Points arising out of the evidence tendered before the Public Accounts Committee on 11-12-1967 in connection with the Audit Report (Railways) 1967—Paras 1 to 5, 16 and 17.

Point No. 16:

(a) As against the anticipated production of 83 B.G. Diesel locomotives during the Third Plan period, the Diesel Locomotive Works produced only 54 locomotives. What are the reasons for the shortfall in out-put of locomotives? What is the present rate of production?

(b) It has been stated in the Audit Report that the Ministry spent about Rs. 36 crores in importing 312 B.G. Locomotives during the Third Plan. If foreign exchange was available for the import of locomotives what was the difficulty in obtaining foreign exchange for the import of components and raw materials for keeping up the tempo of production?

(c) The indigenous content of the locomotives produced in 1964-65 was stated to have been of the order of 17.5 per cent of the total cost of the locomotive. The Audit Report points out that the level obtained by August, 1965 was 20 per cent. What are the reasons for this slow rate of progress? Will it be possible to attain the level of 90 per cent in the later part of Fourth Plan?

Reply (a):

The actual production in the 3rd Plan was 66 locomotives including 12 locomotives assembled from knocked down condition against the revised anticipated production in the 3rd Plan of 83 locomotives. Out of these 66 locomotives 61 were physically turned out from the factory whereas 5 were detained beyond 31-3-66 for final inspection and despatch.

The yearwise anticipated and the actual production was as follows:—

Year	Anticipated	Actual
1963-64	3	4
1964-65	26	18
1965-66	54	39 (plus 5 awaiting despatch)
	83	61 (plus 5 awaiting despatch)

The actual shortfall in production was, therefore, 17 locomotives. This was almost entirely due to the delays and deficiencies in the receipt of imported components, the receipt of components in mismatched order as well as mis-despatch of consignments. One of the main factors responsible for the delay in the receipts was the dock strikes in New York in January-February 1964 and January-February 1965. [These factors have already been brought to the notice of the P.A.C. *vide* para 10 of their 32nd Report (3rd Lok Sabha)]. As a result, not only was the outturn in 1964-65 short of that year's target by 8 but no outturn could be effected in April and May, 1965; for the remaining months of financial year 1965-66 an outturn of 39 only could be effected.

Incidentally it may be mentioned that the Public Accounts Committee in para 10 (referred to above) of their 32nd Report (III Lok Sabha) had accepted that the delay caused by the dock strikes in New York was entirely beyond the control of the Railway Ministry.

The present rate of production is 7 B.G. mainline diesel locomotives per month as achieved in September, October, November and December, 1967. In addition to this, D.L.W. has also turned out 13 B.G. diesel electric shunters received in semi-knocked down condition from July, 1967 onwards.

Reply (*b*):

As explained in reply to (a) above, the shartfall in the production of diesel locomotives was due primarily to factors like delayed receipt of components arising from the Dock strike in New York. Difficulty in securing foreign exchange may be said to have affected the production in the Third Plan period, during January—March 1966 only, that too to the extent that it did not permit increase of the rate of production over and above the level reached in September-October 1965. The tempo of production was, thus, not lowered by the difficulty in securing foreign exchange, but its further improvement was somewhat impeded.

The import of complete locomotives was covered by U.S. AID Loan against which the entire import ordering was committed by November-December 1964. US AID authorities were not inclined to finance manufacture of diesel locomotives and IDA also would not agree to bring under the scope of their loan purchase of proprietary components entailed in the manufacture of diesel locomotives. The only other source left was, therefore, the EXIM Bank.

EXIM Bank initially granted two loans for covering the foreign exchange requirements of manufacture and these were expected to take the production upto November 1966 at the rate then envisaged. For continuing the manufacture beyond November 1966, foreign exchange was required to be arranged even by May-June 1965. When preliminary soundings and further negotiations were initiated in this respect in the first half of 1965 a determined effort was once again made to get the US AID authorities resile from their previous reluctance and get interested in financing manufacture of diesel locomotives. Unfortunately as negotiations were proceeding the Indo-Pakistan conflict intervened in September 1965 and there was practically no further progress in the matter. When the international climate improved the US AID authorities in the course of negotiation in April-May 1966 reiterated their reluctance to finance manufacture of diesel locomotives. Finally EXIM Bank was persuaded in July 1966 to grant a 3rd loan.

It will be appreciated from the foregoing why the sources of financing the import and the manufacture had necessarily to the different. The source for import *viz.* US AID Loan enabled the entire import programme to be committed by December 1964, whereas the source for manufacture *viz.* EXIM Loan was such that assistance could be had only in the shape of three separate loans in sequence. If there was an unduly long interregnum between the second and the 3rd loan which prevented an improvement of the tempo of production it was due to the Indo-Pakistan conflict and the attendant uncertainties in the matter of fresh external aid.

Reply (c):

A certain rate of indigenisation had been initially estimated at the time of setting up the project. However, in the course of actual manufacture of the locomotives and the progressive setting up of facilities and detailed investigation into the indigenous capacities available and required to be developed, a more realistic pattern of indigenisation was evolved. This pattern was based on the anticipation that the full requirement of traction equipment (which constitutes about 30 per cent of the total cost of the locomotive) would be supplied by HEIL, Bhopal and that the indigenous industry in the public and Private sectors would be in a position to supply components and raw materials strictly according to the requisite design and manufacturing specifications. It was, therefore, anticipated that about 90% indigenisation would be achieved by the end of the 4th Five Year Plan. The initial rate of indigenisation was expected to be slow, whereas in the subsequent years the rate would be fairly rapid.

The actual rate of indigenisation has been as follows:—

1963-64	Assembly of 12 knocked down locos.	2% indigenous.
1964-65	Regular production of locos	17% ,,
1965-66	Do.	25% ,,
1966-67	Do.	31·5% ,,
1967-68	1st Quarter production	33% ,,
	2nd Quarter production	47·6% ,,
	3rd Quarter production	48% ,,

With the fitting of the traction equipment received from HEIL, Bhopal, in all the locomotives to be turned out the indigenous content is expected to go up to 80 per cent from the beginning of 1968-69. This level of indigenisation is, however, not likely to go up further during the remaining years of the 4th Plan as the number of items, the indigenous capacities for which have either been developed outside D.L.W. or are in the process of being so developed, are not likely to be avalable freely in sufficient quantities before the end of the 4th Plan. These items approximating about 10 per cent of the cost would, however be available fairly soon thereafter and their application to regular production of locomotives in D.L.W. would more or less complete the achieving of 90 per cent indigenisation as originally estimated.

APPENDIX XV

Summary of main conclusions/recommendations

S. No.	Para No.	Ministry Concerned	Conclusions/Recommendations
1	2	3	4
1	1·20	Railways	The Committee are surprised at the explanations given by the Ministry of Railways (Railway Board). In the note furnished to the Committee, (Para 1.3) the Ministry had explained that "production estimates and plans for expansion are obtained, analysed and used for developing traffic forecasts" and that estimates are "cross checked with empirical data of past growth patterns and firm forecasts are then developed." In the course of evidence, however, the Ministry stated that they were "dependent on the forecasts given by others" *viz.*, the Planning Commission and other Ministries. The Planning Commission was responsible for the overall coordination and planning and it was not necessary on the part of the Railway Board to duplicate arrangements "for going into details." It was, therefore, contended that the Ministry of Railways were concerned with the task of building rail transport which they carried out.
	1·21	-do-	Apparently, the two statements made by the Ministry of Railways are at variance with each other. The Railways have a

			sizeable establishment for 'planning' in the Railway Board as well as the Zonal Headquarters of the Railways. The Committee are inclined to agree with the view of the Financial Commissioner that "so far as the Railways are concerned, they should take the responsibility of projections of traffic target."
2	1·22	-do-	From the facts placed before them, the Committee cannot help feeling that, from the very beginning, planning in respect of goods traffic was far from realistic. As stated in the Ministry of Railways' note (para 1.4), when the first estimates were prepared in 1960, the production targets in the major industrial sectors had not taken final shape and a precise indication about financial outlay was not available. The final estimates included in the Plan were, therefore, tentative. In fact the Third Five Year Plan specifically stated:
			"Furthermore, since the overall estimates of traffic can only be treated as tentative at this stage, they will be subject to constant review in the light of the actual trends."
3	1·23	-do-	The Committee regret to note that subsequent reviews as contemplated in the Plan were not made and rail programmes not co-ordinated with the production levels reached in the major industries. The actual materialisation of traffic from year to year was not kept in view.
4	1·24	-do-	It is not businesslike for a commercial organisation like the Railways merely to accept the statements/assessments of other

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			ministries without critically examining the position themselves. Even when estimated traffic was not forthcoming, the Ministry of Railways did not promptly reduce or revise the programmes merely because "everybody was confident" that they would produce the goods.
5	1·27	Railways	The Committee note that the comparisons of traffic anticipations and actuals made in the note submitted by the Ministry of Railways are based on the revised estimates prepared in January, 1962, and November, 1963, and not on the estimates prepared for the Convention Committee in October, 1960 and for the Third Plan in March, 1961. As indicated in the Audit Report there was a wide gap between the actual traffic and that anticipated in October, 1960. Even in the case of estimates of January, 1962, the Committee note that, while the increase in traffic estimated for the first two years of the Plan over the traffic moved in the last year of the Second Plan was only 21·9 million tonnes, an increase of 85·9 million tonnes was anticipated over the next three years. The Committee are, therefore, forced to conclude that while formulating their Plan the Ministry of Railways did not pay due regard to the actual trends of traffic. It is regrettable that heavy capital expenditure was incurred in creating traffic capacity far in excess of the requirements on the basis of mere hopes and expectations. Scarce resources which could have been utilised for more productive purposes were blocked.

6	1·28	Planning Commission	The part played by the Planning Commission also calls for comment. The Commission, which was in over all charge of laying down the tagets and for coordinating the efforts of different sectors to achieve the objectives, did not exercise any check on the Railways incurring heavy capital expenditure without corelating it to traffic requirements. Even as late as November, 1963, at the time of the Mid-term Appraisal of the Plan, although it was evident that goods traffic would not come up to expectations, the Ministry of Railways were allowed to carry out the rail transport programmes.
7	1·30	Railways	The Committee trust that the Ministry of Railways will put to better use the existing staff for planning at different levels both in the Railway Board and at Headquarters of Zonal Railways in order to avoid the recurrence of a similar situation.
8	1·40	-do-	The Committee note from para 15 of the First Report of the Working Group on Coal Production and Transport that the original target of 91·4 million tonnes of Coal Traffic took into account 13·78 million tonnes of Washed Coal to be moved from the washeries. The Mid-term Plan Appraisal specifically stated that clean coal to be supplied by the Washieries in 1965-66 would be 9·5 million tonnes. It is thus clear that the estimate of the Working Group of the 13·78 million tonnes of washed coal exceeded the actual requirements by more than 4 million tonnes and this margin should have been taken into account by the Railways while determining the net quantities of coal to be moved.

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9	1·43	Railways	The Committee are constrained to observe that the suggestions of the Working Group on Coal Production and Transport were not properly followed and the actual trend of movement of coal from year to year was not kept in view while fixing the traffic targets.
10	1·44	-do- / Mines and Fuel	In this connection the Committee would also invite reference to the recommendations of the Estimates Committee made in para 56 of their Thirty-Third Report (Third Lok Sabha). They would like to be informed as to whether the procedure mentioned at page 23 of the Eighty-eighth Report of Estimates Committee (Third Lok Sabha) is since being strictly followed by the Coal Controller and whether the Railways take into account in planning for coal traffic the direction-wise transport requirements.
11	1·50	Deptt. of Iron and Steel	The Committee regret that Government have not furnished the requisite information despite a reminder. The Committee are surprised that the Department of Iron and Steel have not been able to indicate any basis for the yardstick adopted by them to determine the traffic of raw materials and the finished products of Steel Plants required to be moved by the Railways during the Third Plan period. It appears that Government did not pay close attention to this vital matter while fixing initially or revising upward the targets for the movement of traffic by rail for the Steel Plants during the

			Plan period. The Committee suggest that Government should from now on review carefully yardsticks for the movement of raw-materials and finished products by rail in the light of experience gathered in this behalf during the last ten years so as to have realistic targets and avoid a shortfall to the extent of more than 33 per cent which occurred due to unrealistic planning in the Third Plan.
12	1·57	Railways	The Committee cannot but feel unhappy at the manner in which the estimated target for the movement of general goods traffic was revised from 87·9 million tonnes, as envisaged in the original Third Plan estimates (March 1961), to 98 million tonnes in January, 1962. This was done on the assumption that the traffic which could have been carried by the Railways in 1960-61 should be assumed to be 87·5 million tonnes instead of the actual 82·5 million tonnes. The Committee consider that the Planning Commission could and should have exercised the necessary check to curb the persistent tendency of the Railway Board to overestimate traffic requirements. The Committee would like the Planning Commission and Government to exercise caution in revising the targets upwards so as to avoid the recurrence of such cases of unrealistic planning which result in over-capitalisation.
13	1·60	-do-	The Committee regret to observe that, even in the case of material required for their own use, the estimates prepared by the Railway Board were not precise.
14	2·10	-do-	In this connection the Committee would like to invite the attention of the Ministry of Railways to the following observations

made by the Committee on Transport Policy and Co-ordination in January, 1966 on which the Chairman of the Railway Board was represented:

> ". . .there are several instances of decisions on new railway lines being taken on considerations other than commercial, such as, administrative need or general regional development. It is necessary to reconsider the approach to be followed in the construction of new railway lines in future. We are of the view that, generally, the Railways should provide for only those lines which are expected to yield, over a period of time, normal return on the investment involved in their construction. The lines which are expected to be unremunerative even after a few years of their opening should be taken up only in exceptional circumstances and in all such cases provision should be made to compensate the Railways for the losses involved."

Railways

The Committee endorse the recommendations made by the Committee on Transport Policy and Co-ordination and suggest that the Railways should not provide for any new lines unless it is expected to yield over a period of time a normal return on the investment involved in its construction. Where, in exceptional circumstances, the construction of an unremunerative line has to be taken up by

			the Railways, there should be specific provision for compensating the Railways against losses by whosoever sponsors the proposal, so that the general user of the Railways is not burdened with avoidable surcharge which results from such unremunerative capitalisation.
	2·11	-do-	The Committee need hardly point out that in deciding on the construction of new lines Government should closely study the economics of providing transport through road or rail, for it may well be that, in the light of modern developments road transport would prove to be cheaper and quicker.
15	2·16	-do-	The Committee are not convinced by the explanation that efforts were made by the Railways to find the cheapest means to meet the anticipated increase in traffic. They regret to find that in the case of as many as 16 works including twelve works of doubling of tracks costing Rs. 27.03 crores, the capacity actually utilised in 1965-66 was less than the capacity available before the works were undertaken. The Committee strongly deprecate the tendency of the Railways to go in for works, including doubling of track, without critically examining their economics. The Committee would like the Railways to review the Works Programme, particularly for works to increase the capacity and doubling of track, in the light of experience gained during the Third Plan so as to minimise what would otherwise be infructuous expenditure.
16	2·17	-do-	The Committee note that the Ministry have now changed the methodology of planning from a production-oriented to a demand-oriented one, and also undertaken to scrutinise in detail the

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			demand projections for rail traffic for major commodities. The Committee hope that, with this change in methodology, the traffic forecasts of the Railways would be more realistic than hitherto. The Committee suggest that the Railways should critically review the methodology of planning in the light of experience at intervals of a year or two.
17	2·21	Railways	At another place in this Report, dealing with paras 16 and 17 of the Audit Report, the Committee have expressed their concern over the delay in developing indigenous capacity for manufacture of diesel and electric locomotives. The Committee desire that efforts should be directed towards establishing production of diesel and electric locomotives in the country at competitive cost so that imports of these locomotives are minimised.
18	2·22	-do-	The Railways have by now gathered sufficient experience of the working and economic returns flowing from dieselisation and electrification. The Committee would like the Railways to evolve a suitable set of economic criteria to decide the desirability of dieselisation or electrification of particular sections on the Railways in the light of traffic offering and traffic projections, so as to ensure the best utilisation of resources.
19	2·27	-do-	The Committee note that the letter dated 2nd December, 1964, addressed by the Ministry of Railways to all wagon builders does

			not indicate any reduction in the programme of procurement of wagons. It only stipulates that the manufacturers should maintain their outturn during the year 1964-65 at the same level as in the previous year. The Committee are, therefore, inclined to conclude that even though it was clear to the Ministry of Railways at the time of the Midterm Appraisal, if not earlier, that traffic would be perceptibly less than anticipated, no serious attempt was made to curtail the programme of the procurement of wagons. The Committee propose to deal with this aspect in a subsequent Chapter.
	2·30	Railways Industrial Development and Company Affairs	The Committee regret the delay that has occurred in arranging the supply of electric traction equipment from Heavy Electricals. The Committee stress that Heavy Electricals should gear up their manufacturing and supply programme for electric traction equipment so that the programme for the manufacture of E.M.U. coaches does not suffer.
21	2·31	Railways	The Committee would like to point out that the suburban traffic on sections served by the T.M.U. coaches has increased greatly during the Third Plan period. The problem has been accentuated by the fact that out of 694 E.M.U. (A.C.) coaches envisaged for the Third Plan for suburban lines only 477 E.M.U. (A.C.) coaches were actually manufactured, resulting in a shortfall of 217 E.M.U. (A.C.) coaches. The Committee would like Government to pay special attention to the need for stepping up the manufacturing programme of E.M.U. coaches so that these can be pressed early into service to relieve overcrowding.

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22	2·33	Railways	The Committee stress that, while continuing efforts to reduce the import content of E.M.U. coaches, care should be taken to see that the cost of manufacture of these coaches in the country is competitive with imported coaches of comparable quality and performance.
23	3·6	-do-	The Committee find from the note furnished by the Ministry of Railways that while the capital at charge per billion net tonne kilometre adjusted to 1950-51 prices showed an improvement during the First and Second Plan periods, the ratio deteriorated during the Third Plan period. In a subsequent note, however, the Ministry have stated that, adjusted to 1938-39 prices, there had been no deterioration in the capital output ratio in 1965-66. The Committee desire that the discrepancies between the two sets of figures may be rectified and the correct position of the capital output ratio supplied to them.
	3·7	-do-	The Committee desire to draw the pointed attention of Government to the fact that the capital assets on the Railways have increased from Rs. 1521 crores at the commencement of the Third Plan to Rs. 2680 crores at the end of the Plan, representing an increase of 76 per cent. The Committee would like to point out in this connection that the liability of the Railways on account of Dividend to General Revenues has increased from Rs. 55·86 crores in 1960-61 to

			Rs. 103.78 crores in 1965-66. It is, therefore, of the utmost importance that the Railways should clearly bear in mind the financial implications of increasing capital assets through borrowing from the general exchequer so that they apply strict financial cannons in deciding on any scheme for additional outlay.
24	3·10	-do-	The Committee are not able to appreciate why the Railways did not curtail the capital outlay or at least stabilise it at the level of investment reached in 1962-63 (namely Rs. 215 crores) for the remaining three years of the Plan when it was abundantly clear that the traffic for Railways would be markedly less than was originally envisaged. The Committee cannot help pointing out that if the Railways had been more realistic and critical in the matter of capital expenditure in 1963-64, it should have been possible not only to save heavy capital investment but also to avoid adverse reprecussions on the general economy which have resulted from a steep curtailment in the level of capital outlay of Railways from Rs. 275 crores in 1964-65 to Rs. 150 crores in 1967-68.
25	3·15	-do-	The Committee are disturbed to find that although the Railways procured 8336 wagons more than the number provided in the Plan to create a capacity of 249 million tonnes, the actual capacity generated at the end of the Plan period in terms of wagons was stated to be only 225 million tonnes i.e. 24 million tonnes less than that anticipated. This shows that either the assessment of capacity at the end of the Plan is incorrect or the estimation of physical requirements to achieve the envisaged Third Plan target of rail capacity was defective. As for the plea regarding the turnround of wagons

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(i.e. intervening period between two loadings) the Committee find that the Third Plan envisaged that the turn-round of wagons would come down to 9·5 days for B.G. wagons and 6.5 days for M.G. wagons. From the statistics published in the Railway Board's Annual Reports, it is, however, seen that turn-round had actually increased. The figures are as follows:—

	B.G.	M.G.
1960-61	11·2 days	7·2 days
1965-66	11·8 days	8·4 days

The average lead of traffic (the distance over which the wagons moved) in these two years was as follow:

	B.G.	M.G.
1960-61	572 Kms.	316 Kms.
1965-66	556 Kms.	365 Kms.

			Thus, on Broad Gauge (which accounts for 80 per cent of the originating goods traffic) the turn-round of wagons had increased despite the reduction in the average lead of traffic. Apparently, the turn-round of wagons has increased because of an increase in their number. Being surplus to requirements a large number of wagons are lying idle or are under-used and the intervening period between two loadings has increased. The Committee desire that the Ministry of Railways should make a re-appraisal of their wagon requirements in the light of these facts.
26	3·19	-do-	The Committee note that the only Railway which has a sizeable number of indents outstanding for more than a week is the Western Railway. In view of the fact that the number of wagons, locomotives etc. on the Railways as a whole is in excess of the traffic load, the Committee consider it should be possible to take effective remedial measures to bring down the indents outstanding for more than a week on the Western Railway. The Committee would like to be informed of the measures taken to improve the position on the Western Railway.
27	3·20	-do-	Now that the Railways have a surplus capacity and are looking for traffic, the Committee feel that it should be possible to meet the consumers' requirements of wagons in less than a week of the registration of the demand.

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28	3·24	Railways	The Committee are not satisfied with the explanation regarding procurement of oil tank wagons. As stated in the note furnished by the Ministry the number of M.G. oil tank wagons on the Railways on the 1st April, 1961 to 1964 were as under: 1.4.61 .. 2.567 1.4.62 .. 3.247 1.4.63 .. 4.086 1.4.64 .. 4.230 This clearly shows that about one thousand Metre Gauge wagons were added after 1st April, 1962, even though the Ministry of Railways became aware of the proposal for construction of the pipeline between Gauhati and Siliguri. Had the Ministry curtailed their orders for oil tank wagons expenditure on the procurement of wagons in excess of requirements would have been avoided
29	3·26	-do-	The Committee would like Government to examine the question of relative economics of hauling POL by the longer route on

			Metre Gauge vis-a-vis the shorter route on Broad Gauge so as to adopt the most economic path consistent with operational requirements.
30	3·28	-do-	The Committee can hardly appreciate the plea that "factors beyond the control of the Railways led to deterioration" in the utilisation of oil tank wagons. In their opinion, the decrease in the ratio of loading to fleet was mainly due to the acquisition of oil tank wagons in excess of actual traffic requirements. The Committee hope that the existing oil tank wagons will be utilised to full capacity and further acquisition of these units will be made only after thorough scrutiny of the needs of traffic.
31	3·29	Petroleum and Chemicals Railways	The Committee feel that Government should very carefully examine the pattern of traffic which has resulted from the development of the Petroleum industry in the country. Government should delimit at the planning stage the most economic and efficient means that they want to follow for speeding up transport of POL traffic as the Railways should be given a clear picture of the pattern and extent of POL traffic that they will be required to handle so that they can gear up their operating plans including manufacture of oil tank wagons in accordance with these requirements.
32	3·32	Railways	While there should be no objection to rail capacity being somewhat ahead of the demand, the Committee feel that there should be a realistic appraisal of traffic requirements from year to year so

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			that the programme for the manufacture of Box wagons and other rolling stock is tailored to requirements. The Committee consider that, had a more realistic appraisal been made about the requirements of box wagons in the light of traffic offering for coal and ore, it should have been possible to curtail to a larger extent the orders for the production of box wagons.
33	4·9	Railways	In the opinion of the Committee, an increase of 55 per cent in the working expenses of the Railways during the Third Plan period is not a matter to be treated lightly. The fact that the Railways have been able to meet their obligations by increasing freights and fares repeatedly during the last four years of the Third Plan should not make them oblivous of the fact that it is saddling the general economy with heavy surcharges. Besides, the Railways should clearly grasp the fact that if the rates continue to rise at the present rate, it is conceivable that an appreciable portion of traffic may get diverted to roadways which would only further aggravate the financial position of the Railways. The Committee consider that the best means of augmenting earnings is by improving the competitiveness and quality of service so as to attract more traffic. The Railways should also simultaneously take effective measures to arrest the rising expenses on working so as to take full advantage of the economies of scale and the improvements

			in rolling stock, track which have been effected at such heavy capital cost during the Third Plan.
34	4·12	-do-	The Committee are not convinced by the explanation regarding economy in expenditure on staff. In August, 1967, the Committee had asked the Ministry of Railways to furnish the percentage of expenditure on staff employed in the Railway Board and Headquarters offices of the Zonal Railways to the overall expenditure on staff over the period covered by the three Plans. They were informed that the relevant statistics were being collected. In the course of evidence (December, 1967) the Committee were informed that the study would be completed in another four week's time. In January, 1966, it was stated: "No study has been made so far on the point raised by the Public Accounts Committee. However, a quick analysis has since been undertaken and a report will be submitted to the Committee as early as possible." The Committee regret to observe that the information is still awaited. In the absence of the particulars called for, the Committee are not in a position to appreciate the economies stated to have been effected in the expenditure on staff.
35	4·13	-do-	In this connection, the Committee would like to invite attention to the following recommendation of the Estimates Committee, made in para 11 of their 10th Report (Fourth Lok Sabha): "The Committee feel deeply concerned to note that roughly 63 per cent of the working expenses of the Railways is on

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			staff cost and 37 per cent on materials and equipments. The Committee cannot too strongly stress the need for reduction of the high expenditure on administration."
			While endorsing the views of the Estimates Committee, the Committee stress that the Railway Board should itself set a high example of economic and efficient running by reducing its own strength to the minimum. The Railway Board should simultaneously take up the question of fixing the strength of the Zonal and the Divisional Offices of the Railways at a level consistent with the requirements so as to achieve the utmost economy. The Committee would like to be informed of the action taken to effect economy and to absorb gainfully the staff which is rendered surplus due to reorganisation of the Railways and other economy measures.
36	4·17	Railways	The Committee are perturbed to find that the performance in regard to Coal consumption has deteriorated in both monetary and physical terms. The Committee feel that if the Railways had put to full use the technological developments and their own expertise in fuel economy it should have been possible to reduce the coal bill. The Committee stress that the Railways should pay urgent attention to fuel economy and implement economy measures with determination and vigour to arrest the rising trend in Coal bill and to achieve maximum economy consistent with efficiency.

37	4·22	-do	The Committee desire that special attention should be directed towards improving the financial position of the Southern Railway by effecting economy, improving efficiency and by attracting more traffic. They would watch the result of the working of this Railway in subsequent Audit Reports.
38	4·23	-do	The Committee agree that the sound principle of providing transport at the lowest cost and to the maximum advantage of the economy should outweigh all other considerations in deciding upon the retention of unremunerative lines. In view of the growing difficult financial position of the Railways it is desirable that an early decision should be taken about the operation of those lines on which the Railways have been persistently losing heavily. The Committee also consider that in the case of marginal lines the Railways should intensify their efforts to attract more traffic so that these can be made to pay their way.
39	5·3	-do	The Committee may be informed of the final settlement reached with the foreign firm regarding recovery of liquidated damages on account of delayed supply of main equipment.
40	5·11	do	The Committee are concerned to note that although agreement with the firm for technical assistance was executed more than two years after the offer was made no attempt seems to have been made during that period to tap indigenous sources and capacity for the manufacture of the equipment. It is surprising that soon after the agreement was signed it become known that the seven items could be produced by the trade independently.

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41	5·19	Railways	The Committee cannot help feeling that the original anticipation by the Ministry of Railways that cent per cent indigenous production could be established within a period of 5 to 6 years from the date of signing of the Agreement with the firm has proved unrealistic. While the Committee would like the Railways to accelerate the programme for the indigenous manufacture of components and parts required for electric locomotives, they stress that care should be taken to ensure that their quality and price do not compare unfavourably with the imported product.
42	5·22	-do-	The Committee note that it has been possible to establish capacity for the manufacture of 6 electric locomotives per month only in March 1966 as against the original target of April 1963 envisaged by the Railways. Now that the production of electric locomotives has been fairly well established, the Committee would like the Railways to plan the manufacturing programme to match their operational requirements.
43	5·23	-do-	The Committee desire that, in accordance with the assurance given to the Estimates Committee, the production of steam locomotives should be curtailed at the Chittaranjan Locomotive Works and they should switch over to the production of electric and diesel locomotives.

44	5·35	Railways	The Committee are disappointed to find that only 54 locomotives were produced during the Third Plan besides the assembly of 12 knocked down locomotives as against the Plan target of 95 locomotives.
45	5·36	-do-	The Committee are not happy that the production target of the Diesel Locomotive Works should have suffered "due to delays and deficiencies in the receipt of imported components, the receipt of components in mis-matched order as well as mis-despatch of consignments." The Committee expect the Ministry to take remedial measures to ensure that the availability of components matches production programme.
46	5·37	Railways Industrial Development and Company Affairs	The Committees are not impressed with the leisurely manner in which the Public Undertakings, particularly Heavy Electricals, Bhopal and the Heavy Engineering Corporation have proceeded in developing indigenous manufacture of traction motors and crank shafts respectively. The Committee consider that the Heavy Electricals and the Heavy Engineering Corporation should accelerate their programme for indigenous manufacture of these vital components and parts so as fully to meet the production requirements of the Diesel Locomotive Works.
47	5·38	Iron and Steel	The Committee are distressed that the wheel and axles plant which was set up at Durgapur specifically to cater to Railway re-

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			quirements has not been able to supply the requisite number of wheels and axles, even though the first order was placed as long ago as December, 1963, and that it has refused to accept the second order for wheels and axles.
48	5·39	Iron and Steel Railways	The Committee stress that every effort should be made by the Ministry of Steel, in conjunction with the Ministry of Railways to identify the shortcomings quantitative and qualitative in the existing process of manufacture of wheels and axles so that all such defects are remedied and the manufacturing programme is geared to meet in full the requirements of the Railways at a reasonable price.
49	5·40	Industrial Development and Company Affairs	The Committee consider that there should be a firm commitment for the supply of components and other vital parts by Public Undertakings as by private concerns so that the schedule for manufacturing programme is firmly adhered to.
50	6·1	Railways	In the earlier chapters of this Report, the Committee have examined and commented upon the various aspects of the Third Five Year Programme of the Railways. From the facts placed before them they are constrained to conclude that the planning of rail transport during the Third Plan period was unrealistic in that it was not closely related to actual requirements. Against an estimated increase of 93 million tonnes, in the level of goods traffic during the Third Plan period, the actual increase was only of 47 million tonnes,

			representing a shortfall of about 50 per cent. On the other hand, the financial outlay for the Third Plan turned out to be Rs. 1,686 crores, representing an increase of 27 per cent over the investment of Rs. 1,325 crores contemplated in the Plan.
	6·2	-do-	The Committee feel that from the very outset goods traffic was over-estimated as it was not linked directly with demand but based on hopes and assumptions of production in different sectors reaching certain levels. Subsequently, even when it was evident that the traffic would not materialise to the extent anticipated, no serious effort was made to slow down the tempo of capital expenditure. All this resulted in heavy capital expenditure being incurred to create rail transport capacity far in excess of requirements. Several new lines were constructed which were not expected to be remunerative even after 11 years of their opening to traffic. In the case of 16 line capacity works, which included 12 works of doubling of tracks Rs. 27.03 crores were spent but the actual capacity utilised at the end of the Plan period was less than the capacity in existence and available before the works were undertaken. Similiarly, 8,336 wagons were procured in excess of the target indicated in the Plan, even though the rail traffic generated was far less than envisaged.
51	6·3	Railways Planning	The Committee need hardly point out that both the Ministry of Railways and the Planning Commission failed to take timely measures to curtail the investment programme in the light of actual traffic offering despite the clear stipulation in the Third Five Year Plan that the estimates of traffic would be subject to constant review in the light of actual trends. This underlines the need for reviewing

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			critically the methodology as well as the machinery for planning in the Railway Board to ensure that investments in this key sector conforms to the actual trends based on requirements and that the built-in machinery for review and correction of imbalances is put to use without delay.
91	6·4	Railways	With all this heavy investment the capital at-charge of the Railways increased from Rs. 1521 crores to Rs. 2660 crores, representing an increase of 76 per cent during the Third Five Year Plan period. The over-capitalisation of the Railways during this period has not only affected their financial working but unnecessarily distorted the budget and burdened the tax payer. It has also disturbed the entire pattern of investment and development of the economy in that scarce resources including valuable foreign exchange were blocked in rail programmes which could otherwise have been put to more productive use.

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