

# **PUBLIC ACCOUNTS COMMITTEE**

1955-56

## **SEVENTEENTH REPORT**

**[Appropriation Accounts (Railways), 1953-54]**

**Vol. II APPENDICES**



**LOK SABHA SECRETARIAT  
NEW DELHI  
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\*Not printed.

\*\*See Appendix II—Vol. I—Report.

## APPENDIX IV

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### Explanatory Notes for excess over the final grant requiring regularisation

(1)

*Excess of Rs. 48,31,263 over grant No. 4—Revenue-Working Expenses—Administration*

The excess is about 48½ lakhs or 1·7% over the final grant of 27·42 crores. This was mainly due to the receipt of higher debits for supply of stationery, uniforms, etc. (19½ lakhs); engagement of additional staff in implementation of Adjudicator's Award, Joint Advisory Committee's recommendations etc. provision for which in the final grant was underestimated by one Railway (18½ lakhs): double adjustment of debits for police through a misapprehension (8½ lakhs) and other small variations (1½ lakhs).

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(2)

*Excess of Rs. 74,17,619 over grant No. 5—Revenue—Working Expenses—Repairs and Maintenance*

The excess was about 74 lakhs or just over 1% over the final grant of 68·45 crores. This was chiefly due to heavier expenditure towards to the end of the year on repairs to rolling stock the effect of which could not be precisely anticipated (65½ lakhs); omission by two Railways to exclude certain credits for released materials from the scope of the demands for grant (21½ lakhs); heavier repairs to workshop machinery and tools, office and station furniture, etc. (12½ lakhs); also an erroneous credit provision for adjustment of certain transactions relating to the preparation period through a misapprehension and adjustment of more debits relating to rolling stock (11½ lakhs); receipt of more stores (7½ lakhs); more staff opting towards the end of the year for higher cash dearness allowance instead of grainshop concessions (7½ lakhs); more expenditure under 'Maintenance of way and works' for repairs carried out (4½ lakhs) and abnormal theft of train lighting fittings (5½ lakhs) towards the end of the year; and other minor variations (5½ lakhs) offset by some compensating variations, such as credits in respect of released materials taken erroneously under repairs to rolling stock instead of under the head 'Credits or Recoveries' (34½ lakhs); adjustment of more credits through stock adjustment account [including an omission to make provision in the final grant (11½ lakhs)] (20½ lakhs) and debits on account of repairs to stock damaged in accident not adjusted to the extent anticipated (12½ lakhs).

(3)

*Excess of Rs. 46,68,199 over grant No. 6—Revenue—Working expenses  
—Operating Staff.*

The excess was of about 46½ lakhs or just above 1% over the final grant of 42·93 crores. This was chiefly due to heavier payments for wages, allowances, etc., owing partly to increase in traffic and partly to the appointment of additional staff under the Adjudicator's Award, 31½ lakhs); payment of arrears of Central Pay Commission's Scales of pay (4½ lakhs), higher expenditure on dearness allowance due to more staff opting for cash dearness allowance towards the end of the year (7 lakhs) and other small variations (3½ lakhs).

(4)

*Excess of Rs. 78,47,491 over grant No. 7—Revenue—Working Expenses  
—Operation (Fuel).*

The excess was of about 78½ lakhs or 3·4% over the final grant of 23·2 crores. It was mainly due to a decision taken after fixing the final grant to write off 41 lakhs representing unremunerative capital expenditure on a certain colliery, and the balance of 37½ lakhs was mainly the result of higher consumption of coal and due to fluctuation in traffic, which are not susceptible of precise anticipation even during the last few weeks of the year and on freight and handling charges of fuel due to slightly more coal having been sent to the Southern Railway by the sea-cum-rail route.

(5)

*Excess of Rs. 21,59,686 over grant No. 8—Revenue—Working Expenses  
—Operation—Other than Staff and Fuel.*

The excess is of about 21½ lakhs or 1·4% over the final grant of 14·66 crores. It was mainly due to higher expenditure on oil, tallow and other stores used in operation (20 lakhs); the consumption of which varies with every fluctuation in traffic and is, therefore not susceptible of precise anticipation even towards the close of the year, and partly due to more expenditure on electricity in stations, railway colonies and other service buildings (6 lakhs); erroneous adjustment of conference hire and penalty charges for stock interchanged including an omission to make provision for hire charges of a steamer [one lakh] (6 lakhs); more expenditure on dearness allowance due to staff opting progressively out of grainshop concessions for higher cash dearness allowance to an extent which could not be precisely anticipated (3 lakhs); more expenditure on stationery forms and tickets (3½ lakhs) and more payments on account of compensation for goods lost or damaged (2 lakhs), partially offset by more credits under stock adjustment account which are dependent on figures ascertainable only some time after the close of the financial year, (19 lakhs).

(6)

*Excess of Rs. 16,56,427 over grant No. 9—Revenue—Working Expenses  
—Miscellaneous Expenses.*

The excess was of about 16½ lakhs or one quarter of one per cent. over the final grant of 58.29 crores. This was, however, made up of larger compensating excesses and savings, the most important of which was an excess of 48 lakhs under suspense, due mainly to omission on a Railway to provide for the transactions of some of their workshops following a change in procedure partly offset by uncertainties of budgeting inherent in the special procedure on Railways under which cash transactions as well as book adjustments occurring for some weeks after the close of the Financial Year are brought into the accounts of the year in order that these accounts may reflect, as much of the expenditure for the year as possible. There was also omission to provide for departmental demurrage on wagons (9½ lakhs). These excesses were partially offset by reductions in the 'subsidy on grainshops' owing to staff opting progressively for cash dearness allowance (11½ lakhs) and less adjustment of contribution to provident fund (9½ lakhs).

(7)

*Excess of Rs. 66,236 over grant No. 10—Revenue—Working Expenses  
—Payments to Indian States and Companies.*

The excess was of about 66 thousand or 1.9% over the final grant of 35.09 lakhs. This occurred owing to increase in the gross earnings of certain worked lines towards the close of the year (1.93 thousands), which being dependent on the traffic offering, cannot be precisely assessed even during the last two or three months of the year, and other minor variations (18 thousands). This excess would, however, have been 1.45 lakhs more if a payment in respect of the Cochin Harbour Railway chargeable to this grant had not wrongly been debited to the head 'Deposit Miscellaneous.'

(8)

*Excess of Rs. 52 under charged expenditure under Grant No. 3—  
Revenue—Miscellaneous Expenditure.*

This excess is on account of pensionary charges, provision for which was not made in the Budget as the estimates are always prepared in thousands of rupees and not in units.

## APPENDIX V

### MINISTRY OF RAILWAYS (RAILWAY-BOARD)

#### **Appropriation Accounts (Railways), 1953-54, Part I—Review—Para. 45—Execution of works without specific provision having been made in the Budget**

*Note stating the number of works executed for which no specific provision had been made in the Budget and also the number and cost of works which had been made from the existing Budget by means of Re-Appropriation etc.*

It is stated in Para 45 of Part I Review, that there are 427 works, each costing 5 lakhs and over listed in Annexure D to Appropriation Accounts Part II, for which no specific provision was made in the Budget. In regard to these items of works, the correct position is explained below:—

With a view to achieve better co-ordination and to ensure better control over expenditure in regard to procurement of Rolling Stock, which is the special responsibility of the Railway Board, a procedure was introduced from the year 1951-1952, under which in the Budget Estimates of each year, provision for the entire bulk order items of Rolling Stock is initially made against the "Railway Board", which is a "sub-head" in each of the Demands 16 and 17 Open Line works, Additions and Replacements respectively. At the time of the revised estimates, however, when the Railway Board would have taken decisions in regard to the allocation of the Rolling Stock expected to be received between the Railways concerned, the relative provisions are distributed over the concerned Railway Administrations. The original provision having been obtained from Parliament in bulk, the subsequent provision on the individual Railways are made by reappropriation under Railway Board's own powers. Thus when these particular works are exhibited in the individual Railway's own accounts, naturally the Budget provision is shown as nil, as against which, in the revised estimates and final grants, certain specific provisions are allotted by re-appropriation. Out of 427 items, 322 pertained to this category, accounting for 27.84 crores, and the Railway Administrations under a misapprehension had classified them as either new works taken up during the year or items for which no provision had been made in the Budget. With effect from the appropriation accounts for 1954-55, the fact that the original grant for such items existed with the Railway Board is being suitably indicated both in Annexure 'D' to the Detailed Appropriation Accounts as also in the relevant para. of the Appn. Acs. Part I—Review.

The remaining 105 items, relating to works (as distinct from Rolling Stock) involved mostly residual adjustments, the throw-forward of which from previous years was not anticipated at the time of the original grant and for which, therefore, no provision was made in the Budget. The expenditure on these items during 1953-54 was

only 55 lakhs. The No. of works (i.e. Structural Works) included in Annexure D (Part A-II) to the detailed Appropriation Accounts for 1953-54 for which no provision was made even in the final grant is 10 and amount of expenditure thereon is 3.45 lakhs. These also were mostly cases of closing adjustments.

This note has been vetted by Audit.

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## APPENDIX VI

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### **Paras 78 and 79 of the Thirteenth Report of the Public Accounts Committee regarding payment of export quota and clearing office fees to a Swiss firm. (Items 22 and 23 of the statement of outstanding Recommendations)**

The Public Accounts Committee in paras 78 and 79 of their Thirteenth Report have observed as below: —

“78. The Comptroller and Auditor-General brought to the notice of the Committee that the 3½ per cent. export cess which the Swiss Government was levying for exporting any goods outside Switzerland was discontinued in October, 1949. In terms of that, a payment of 217,000 Swiss francs was demanded by the Company and paid to them by Government. The Committee desire that the Railway Board should examine whether this amount is not reimbursable to the Government of India in view of the fact that the exports in question did not materialise till 1951 and the question of payment of cess did not therefore arise.”

“79. The Comptroller and Auditor General further pointed out that a sum of 117,363 Swiss Francs had been paid to the Swiss firm on account of the bankers' clearing fees which should not be included in the cost of production or 'firm price'.

The Committee should like the Railway Board to examine this point also and submit to them a note in due course about the justifiability of this payment.”

The issues touched upon above have also formed the subject matter of Para 9 of Railway Audit Report 1955.

2. In pursuance of directive of the Committee, the Railway Ministry have examined the matter in detail in consultation with the Finance Ministry and the legal advisers to the Government of India and their views are set forth in the following paragraphs.

3. In May 1949, the Ministry of Railways entered into an agreement with Schlieren, a Swiss firm, for technical aid in establishing the manufacture in India of all-metal lightweight coaching stock. The Agreement also provided (*vide* Clauses 6 and 7) that Schlieren will manufacture in their Works in Switzerland two proto-type coaches and that Government shall place orders on Schlieren for fabrication at their Works for not less than 50 coaches per year for the first four years of the Agreement; in the 3rd year of the Agreement, Government would determine the extent to which orders, if any, should be placed on Schlieren for the 5th to the 8th year of the Agreement and in the 7th year of the Agreement the schedule for the last 4 years of the Agreement would be determined and communicated.

In regard to the payments for the proto-type and the coach orders, the following provision (Clause 8) was made:—

“Payments in Swiss currency for the manufacture and Supply of prototype coaches will be made on cost plus ten per cent basis. For bulk orders the cost per coach will be calculated on the cost of fabricating the first twenty five coaches audited by an auditor appointed by the Government with a ten per cent. addition as profit margin. On the basis of the cost so established a firm price will be determined which will hold for the first four years subject to the condition that if the prime cost fluctuates more than five per cent. either way consequential adjustments in price will be made. For subsequent orders firm prices will be determined on then prevailing costs.”

Subsequently, by mutual agreement, it was decided that the payment on the basis of actual costs would apply to the entire first order of 50 coaches which would be fully furnished, instead of 25 unfurnished coaches only, as provided in the Agreement.

On completion of the delivery of the first order of 50 coaches, the Government of India appointed a firm of Auditors, M/s. Price Waterhouse Co. for auditing the cost accounts of manufacture and supply of these coaches. In the report, the Auditors particularly drew attention to the under-mentioned two items of incidental expenses included in the statement of costs:—

- |   |              |
|---|--------------|
| (i) Payment to Swiss Federal Authorities for additional export quota.                             | S.F. 217,000 |
| (ii) Swiss Clearing Office fees on remittances from India to Schlieren through clearing channels. | S.F. 122,295 |

After detailed discussion with the representatives of Schlieren regarding the two above-mentioned items as well as in consultation with the Indian Legation in Berne and the Finance Ministry, the Railway Ministry decided in 1953 to reimburse these charges also as certified by the Auditors. The genesis and nature of these charges are discussed below:

4. (a) *Swiss Clearing Office fee.*—

The Indian Legation in Berne have explained that the Swiss Clearing Office fee represents the actual costs of that office and is wholly incidental to the purchase and obtaining of Swiss currency by the Government of India for payment under the Agreement, of the actual costs of production and supply, to Schlieren in Swiss francs in Switzerland. This fee is not a banking charge or a commission as might be levied by a bank from its clientele, say, by Schlieren's bank from Schlieren. This fee had to be paid so long as the purchase of Swiss francs was made through the Swiss Clearing Office. The purchase through this office and the consequent payment of the fee could have been avoided, if only the Government of India could pay Schlieren in free Swiss francs or dollars or gold. For some time, the Indian Legation in Berne had some free Swiss francs made available out of the reparation funds but these funds were limited, nor were

they all available at the time of payment for the first 50 coaches. The other two alternative modes of payment were also out of the question. Therefore, all payments made by the Government of India, whether through the High Commissioner for India in London, or through the Indian Legation in Berne, had to pass through the Swiss Clearing Office and the costs of that office are indisputably incidental to the obtaining of Swiss currency. The Indian Legation in Berne have pointed out that Swiss francs required could not have been bought by the Government of India in the free market which, if at all available, would have been very much more expensive also. They have further stated that it is only the remittances required for the bona-fide Embassy expenses, which are exempt from the imposition of the fee; all other remittances for discharging Government's commercial obligations are subject to the fee.

(b)  $3\frac{1}{2}$  per cent levy for the Export Quota.—

Under Clause 8 of the Agreement of 1949 in regard to the first order of coaches, the obligation of the Government was to pay to Schlieren in Swiss currency in Switzerland, the actual costs of manufacture and supply plus a percentage for profit. The implications arising out of this obligation are discussed below:—

(i) In regard to the availability of Swiss currency in Switzerland, the Indian Legation in Berne have explained that after the War, Swiss franc was hard currency *vis-a-vis* the entire Sterling area. There was a serious discrepancy in the balance of payments between Switzerland and the Sterling area, and the Bank of England and the U.K. Government on behalf of all Sterling area countries, sought ways and means to ease the exchange difficulties and facilitate trade to the maximum extent possible. By the Payments Agreement of 1946 between Switzerland and the U.K., covering the entire Sterling area, Switzerland contracted to provide credit up to 270 million francs to finance deficit in trade from the Sterling area. This credit was, however, exhausted by 1947 and about 110 million francs worth of gold had to be shipped by the Bank of England to meet deficit beyond an agreed ceiling. Notwithstanding pressure on Switzerland by U.K. Government on behalf of other Sterling area Governments to increase imports from Sterling area, the Swiss-Sterling trade did not improve, due to prices in Sterling area for raw materials being higher than in other areas throughout 1948 and in early 1949. In 1949, the Swiss Government decided to levy an *ad hoc* surcharge of  $3\frac{1}{2}$  per cent on exports of certain categories of goods from Switzerland to Sterling area, the resulting funds being utilised as a sort of equalisation fund for improving Swiss-Sterling trade and making more Swiss currency available to the Sterling area countries. During the period this levy was in force, the payment of the levy at the time of obtaining the export quota guaranteed the eventual availability of Swiss currency for payment to the Supplier in Switzerland. If this fee had not been paid, then according to the regulations in force at that time, the Government of India could not have got the release of the currency required for crediting the payments due under the agreement to Schlieren's bank. Thus, the payment of  $3\frac{1}{2}$  per cent levy was indispensable for the purpose of securing a guarantee to make Swiss currency available eventually when payment to the Swiss supplier of the goods would fall due;

(ii) (a) The other aspect of the obligation is that the Government were liable to pay the actual costs of *manufacture and supply* plus a percentage for profit. Under any system of cost accounting this fee of 3½ per cent would not be taken as a part of the cost of actual fabrication or manufacture, as the fee was payable on the finished goods and not on any components thereof.

(b) Turning to the question of supply, the Agreement of 1949 does not make clear as to whether the contract with Schlieren for the first order of coaches was on F.O.B. (European Port) basis or on ex-Works basis. In the Supplemental Agreement of 1953 (to which we shall revert presently) the firm price for the second and third orders of coaches has been quoted on ex-Works basis. If it is held that Schlieren were liable to supply the first fifty coaches from their Works up to the port of shipment then they could legitimately claim reimbursement of the entire actual costs involved in the supply, e.g. costs of packing, insurance and freight by rail up to the port of shipment and handling and any other fee or levy that might be imposed by any authority to allow the transit of the goods from their Works up to the shipment point. On the other hand, if it is held that Clause 8 of the Agreement of 1949 refers only to the manufacture of the first order of coaches, and the delivery was intended to be ex-Works, then it would be the responsibility of the Government of India to take delivery of the coaches ex-Works and make all arrangements for their transit from Schlieren's Works up to the port of shipment. Actually this work was done by Schlieren and accordingly it seems that they must be deemed to have done this work only as agents of the Government of India and, therefore, entitled to be reimbursed the payment of all charges, inclusive of any fee or levy, etc. that might be made by them in the process of execution of this work.

Therefore, whether the 3½ per cent. levy is treated as a charge for guaranteeing availability of Swiss currency, or it is treated as incidental to supply arrangements, its liability cannot but be accepted by the Government.

5. Railway Ministry would now like to make the following observations on the specific objections raised by Statutory Audit:—

- (a) *Audit Comment I.*—As the deliveries against the first order for 50 coaches were not expected to commence until after 31st March 1951 and the Indo-Swiss Trade Agreement for the period from 1-3-1949 to 28-2-50 already provided for an export quota in which the railway requirements were included, it should have been obvious that the export licence would have been granted when the necessity arose and thus there was no necessity for the firm to have obtained the permit in 1949.

As already stated in para. 4 (b) (i), under the system in force in 1949 relating to Swiss exports to the Sterling area, exports of certain categories of goods were subject to payment of the levy of 3½ per cent on the total value of the order. *This levy had to be paid irrespective of whether an individual export transaction was covered or not by any bilateral trade agreement.* The firm could not have executed the order before the export licence was obtained on payment of the levy. It was immaterial as to when the shipments of the manufactured coaches actually took place. 3½ per cent fee was

levied and paid at the time of obtaining the export licence. The payment of the fee guaranteed that when payments were received from the Purchaser, they would be released by the Swiss Exchange Compensation Office for credit to the Supplier's bank. Hence the payment of levy was required to be made by the firm in 1949 even though shipments took place very much later.

- (b) *Audit Comment II.*—The firm should have no doubt in their mind that so far as export quota was concerned this was covered by the Indo-Swiss Trade Agreement in force at the time the goods were ready for despatch. It is well-known that trade agreements run only for one year and are renewed. This being so, there was no justification for their asking for the export permit in anticipation of the formal order from the Government of India. Even if, according to the Swiss law, a firm had to arm itself for an export permit before accepting an order there was no justification on the part of the firm for getting a permit because the order for coaches was not issued until December, 1949.

As already explained, the bilateral trade agreement between India and Switzerland had nothing to do with the 3½ per cent levy which had to be paid irrespective of whether any individual export transaction was covered or not by the bilateral agreement. Secondly, the export quota had to be obtained in the year in which the order was received or expected to be received as a condition precedent to its execution and, therefore, the argument that if the first coach order was not fully covered by the Trade Agreement of 1949-50, it could have been covered in the next year's agreement does not seem to be valid. As regards the point whether Schlieren could not have waited until the receipt of the formal order from the Government of India, it may be mentioned that the Technical Aid Agreement, under which the formal order for the first coach order was placed on the firm in December 1949, was actually signed in May 1949. After the signing of the agreement and subsequent discussions with the representatives of the Railway Board, the firm could have rightfully assumed, as they did, that the formal order for the first 50 coaches would follow as a matter of course. It may be stated that there was no hitch in the issue of the first order, except ordinary routine matters. In fact, this first order could have been issued along with or soon after the signing of the Agreement of 1949. The position would have been different if Schlieren had not entered into the main contract in May, 1949. By signing this contract in May 1949, the firm were justified in taking preliminary action for fulfilment of the contractual obligations which led to their securing the quota for the exports. Acting in good faith, the firm applied and obtained the quota in advance of the receipt of the formal order, so that there would be no delay on their part in the execution of the order. From a hypothetical stand-point, it is even possible to argue that but for devaluation the Swiss Government could have enhanced the levy as well, in which case credit would have been due to Schlieren for having bought the quota before the enhancement.

When the firm was making arrangements for buying the export quota, they did not and could not have known that this levy would be abolished by the Swiss Government in the immediate future. Had they known that it would be abolished towards the end of October, 1949, certainly they could not have bought the export quota a few days before its abolition.

- (c) *Audit Comment.—The Swiss Clearing Office Fee.* If the firm while receiving payment had got to incur bank charges, the payment can never be regarded as part of the cost reimbursable to the customer. It should be a charge on the profits of the firm. There was also no specific stipulation in the contract which covered this particular payment. The amount would therefore require to be recovered or adjusted against the payments due to the firm.

As already explained, the Swiss Compensation Fee is not a banking charge as might be levied by the suppliers bank; it is a charge which was wholly and entirely incidental to Government obtaining Swiss currency for payment to Schlieren under the agreement, of the actual cost of production plus 10 per cent profit thereon. It may be relevant to mention that the Ministries of Production and Defence also have either directly or indirectly paid similar charges to other Swiss firms with whom they had contracts.

With the settlement of a firm price the expenses incidental to the obtaining of Swiss currency should be deemed to be included in the firm price and that is the reason why no such fee as an additional charge is now being paid to Schlieren.

- (d) *Audit Comment regarding legality of the payments.—* As regards the question as to whether the two payments were legally due under the terms of the Agreement, it was referred to the Attorney General of India, whose opinion is reproduced below:—

- “1. It is not in controversy that the Government of India had to pay Schlieren in Swiss currency for the coaches. It was, therefore, the obligation of the Government of India to make available the required Swiss currency and the charges incidental to obtaining such currency must fall on and be borne by the Government of India.
2. As to the first charge, the Swiss Clearing Office fee, our Legation in Berne tells us that this is a charge made by the Swiss Government for maintaining the costs of the Clearing Office. It is not a tax, but a fee. The Clearing Office fee is, therefore, like a charge made by an office which finds foreign exchange, the charge being based on cost incurred by the office. Thus this Clearing Office fee is a charge clearly incidental to the obtaining of Swiss currency and therefore payable by the Government of India.

3. As to the 3½ per cent levy for the export quota, the position is not different. The information received from our Legation in Berne is in substance as follows. During the period this levy was in force, the payment of the levy at the time of obtaining export quota guaranteed the eventual availability of Swiss currency for payment to the supplier in Switzerland. If this fee had not been paid, then according to the regulations in force at that time, the Government of India could not have got the release of the currency required for crediting the payments due under the Agreement to Schlieren's bank. Thus, the payment of this levy again was a charge necessary for and incidental to the obtaining of Swiss currency and was, therefore, payable by the Government of India.
4. I also agree with the alternative view in regard to the 3½ per cent levy for the export quota mentioned in paragraph 6(b) (ii) (a) and (b) of the Statement of the Case.
5. I, therefore, take the view that the payment of the two charges mentioned in paragraph 8 of the Statement of the Case was *intra vires* the Agreement of 1949 and payable under it by the Government of India."

6. Apart from the legal and technical justifications given above for the two payments, it may be relevant to mention two other points which had a bearing on the decision taken by Government in June 1953 to reimburse these charges. These are:—

- (a) If these two charges had not been reimbursed to the firm, then apart from this being a breach of the contract, their profit would have been reduced to a bare 4 per cent, which would have been out of question in the conditions prevailing in the European market in May 1949 when the agreement was entered into and such a step, if taken, could not but have an undesirable effect on the working of the Agreement of 1949 and the Supplemental Agreement of 1953, which had just then been concluded.
- (b) The Agreement of May 1949 was mainly a Technical Aid Agreement for establishing in India with the assistance of Schlieren, the manufacture of all-metal lightweight coaches. As the provisions of the Agreement for the main object in view were found to be wanting, this Agreement was amended in June 1953 in certain important respects and the amendments were incorporated in the Supplemental Agreement of 1953. The questions regarding costs to be reimbursed and profits to be paid for the first order of 50 furnished coaches (which included these two payments), the revision of the main terms and conditions for technical assistance in establishing in India the manufacture of all-metal lightweight coaching stock and firm prices to be paid for the second and subsequent coach orders were all negotiated in June 1953 as parts of one deal and the agreements reached on all these questions as a result of the negotiations formed the basis of the

Supplemental Agreement, 1953. Under the Supplemental Agreement, various additional executive duties and responsibilities were imposed on Schlieren for establishing the production in India, without any compensating additional remuneration. The profit element on the furnishing work of the first batch of 50 coaches was reduced to 5,000 S. F. per coach against 9,587 S. F. per coach claimed by Schlieren on the basis of an earlier assurance given by the Railway Ministry that profit at 10 per cent would be allowed on furnishing costs also. The firm prices to be paid for the second and subsequent coach orders were also brought down very considerably. Thus, the decision of the Railway Ministry to reimburse the two charges in question was taken not only from the angle of the Agreement of 1949 (which was under revision) but was based on other general considerations also and it would hardly be fair and equitable now to segregate these two items of payment from out of the entire field of negotiated settlements.

7. In view of all aspects of the case dealt with in the foregoing paragraphs, the Railway Ministry think that the payments in question were not irregular and that they would not be justified in asking the firm to refund the amounts already re-imbursed to them.

8. This memorandum has been seen by Audit.

NEW DELHI;

*The 17th January, 1956.*

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**APPENDIX VII**  
**MINISTRY OF RAILWAYS (RAILWAY BOARD)**  
**MEMORANDUM**

**Appropriation Accounts (Railways) 1953-54 and Audit Report (Railways), 1955**

PARA. 12 OF AUDIT REPORT (RAILWAYS), 1955  
SUPPLY OF DEFECTIVE CYLINDERS

In an advice received from the Lok Sabha Secretariat, the following enquiries have been made arising out of discussion of this Audit Para. at the P.A.C's. sittings in January 1956:

- “(a) A note stating briefly the amount of the total loss in terms of money sustained by Government in this transaction and how it is proposed to be made good.
- (b) Has the cause of cracking of cylinders been ascertained from the manufacturers? Who designed first the W.P. Locomotive?”
- (a) *A note stating briefly the amount of the total loss in terms of money sustained by Government in this transaction and how it is proposed to be made good.*

The following portion of the Audit Para. relates to the amount of the loss:—

“The Ministry have so far incurred an expenditure of Rs. 1.3 lakhs on preventive repairs and have also purchased 40 cylinders for the purpose of replacement of cracked cylinders at a cost of Rs. 7½ lakhs (exclusive of customs and freight charges). The actual number of cylinders that have had to be replaced up till now is 20 at a cost of Rs. 3.75 lakhs. The actual loss thus incurred so far is about Rs. 5 lakhs. In addition, the Railways have suffered loss and inconvenience as the locomotives were out of commission. Of the cylinders to which preventive repairs were made, 9 have cracked again.....”

2. The above figures in the Audit Para., which were based on information as far as it could be collected at that time, have now to be brought up-to-date. The loss comprises:—

- (i) The cost of preventive repairs which had to be carried out to the defective WG Cylinders, either after they had actually cracked or in some cases prior to the cracks starting. These repairs relate to the fitting of patches and welding etc. to cylinders; and

- (ii) The cost of replacement to cracked cylinders which were found to be beyond repairs and the number of which stood at 20 on 31st May 1955.

3. The Audit Para. also refers to "loss and inconvenience suffered" on account of the locomotives remaining out of commission for certain periods—an item the financial equivalent of which, however, cannot be estimated with even a reasonable degree of approximation.

4. In regard to (i) the total cost of preventive repairs is now estimated at Rs. 3.54 lakhs approximately (against a figure of Rs. 1.3 lakhs mentioned in the Audit Para. based on figures of expenditure booked until then). In regard to (ii), a more precise assessment of the cost of 53 new cylinders which is the up-to-date figure of cylinders replaced now indicates a figure of Rs. 9.87 lakhs. The cost of items (i) and (ii) together, would, therefore, add roughly to about Rs. 13.41 lakhs allowing for expenditure on two more cylinders reported to have cracked further to the 90 mentioned in the Audit Para. out of the 268 cylinders supplied to the Chittaranjan produced locomotives and on the replacement of 33 cylinders in addition to the previous 20. There has, however been no further reports of cracks in the cylinders fitted to the 100 WG locomotives supplied, by the North British Locomotive Co. Ltd. beyond the figure of 159 referred to in the Audit Para. The Audit Para. makes mention of 40 sets of cylinders (i.e. 80), which were obtained to be in readiness to replace the badly cracked cylinders as and when necessary, but as the loss can only be computed with reference to cylinders actually utilised, so far, the value of which was indicated in the Audit Para. as Rs. 3.75 lakhs has now increased to Rs. 9.87 lakhs.

5. In regard to making good the loss suffered, the Director-General, India Store Department, London, has been urged to press the claim against the suppliers, pointing out that the suppliers were not correct in assuming that the Railway Board had agreed to drop the matter. A discussion of the case by the Rly. Adviser to the High Commission for India in U.K. with the legal and financial advisers of the High Commission indicate that the absence of a formal guarantee clause will not absolve the manufacturers of responsibility, even though the firm which at that time functioned as Consulting Engineers to the Railway Board may have approved the drawings. The question of claiming compensation from the Company for the supply of defective material could not however, be finalised in the absence of the Managing Director from U.K., but as he has now returned to U.K., the Ministry of Works, Housing and Supply, have instructed the D.G., I.S.D., London, to take necessary action in the light of the advice given by the Legal Adviser to the High Commission in London.

- (b) (i) *Has the cause of cracking of cylinders been ascertained from the manufacturers?*

6. It has not been possible, so far, to obtain any concrete views from the manufacturers in regard to the cause of cracking of cylinders.

(b) (ii) *Who designed first the W. P. Locomotive?*

7. The design of the WP locomotive has not been the work of **any** one individual or officer or office. It represents the gradual evolution of an Indian design for Indian conditions, starting from the first efforts at standardisation, with the introduction of the earlier standard locomotives going back nearly 50 years. The Central Standards Office collected the best from the earlier designs and from the recommendations of the Locomotive Standards Committees of the Indian Railways and Pacific Locomotive Committee etc. and prepared specifications which gave general outlines of the requirements of the WP locomotives, to work passenger trains in India. The actual interpretation of the specifications *viz.* preparation of detailed drawings, was the work of the Consulting Engineers and the builders *viz.*, M/s. Baldwin Locomotive Works, the Montreal Locomotive Works and the Canadian Locomotive Works.

8. The Audit Para. itself (as quoted below) makes it clear that the difficulties in this case did *not* arise from the original WP design, but from the design being copied and developed incorrectly in regard to WG Cylinders:

“The manufacturing firm adopted the design of WP Locomotives previously manufactured by them, but instead of providing a stronger web for the comparatively larger steam load of a WG Cylinder they actually reduced the thickness of the web and provided a corehole which weakened the web.....”

As already explained, the tentative legal opinion so far is that the manufacturers cannot be absolved from responsibility for defective development of the design in their detailed drawings, even if such drawings had been approved by the Consulting Engineers.

This Memorandum has been seen in Audit.

NEW DELHI;  
Dated 14th April, 1956.

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## APPENDIX VIII

### MINISTRY OF RAILWAYS (RAILWAY BOARD) MEMORANDUM

**Subject:—Appropriation Accounts (Railways), 1953-54 and Audit Report (Railways), 1955, Para 14—Purchase of Barsi Light Railway.**

In an advice received from the Lok Sabha Secretariat, the following enquiries have been made arising out of the discussion of paragraph 14 of the Audit Report during the Public Accounts Committee's sittings in January, 1956:—

“Para. 14—Central Railway—

*Purchase of Barsi Light Railway—*

Why was not special inspection of the rolling stock and permanent way undertaken early in 1953 so that the Report might have been available well in time to enable the Railway Board to issue the notice regarding deficiencies before the termination of the contract? Has responsibility for this delay been fixed and suitable disciplinary action taken against the persons concerned?”

2. Following the discussion of this Audit para. during the Public Accounts Committee's sittings in January 1956, a detailed enquiry has been made, and it has come to light that the General Manager, Central Railway, has issued a circular letter No. Con. 736\*|143, dated 23rd June 1953 to his Heads of Departments concerned in which the representatives of the different departments were specially directed to make an urgent assessment of the standard of efficiency of maintenance of the assets of the Barsi Light Railway for the purpose of deduction from the purchase price under clause 28 of the Agreement of 1895. It is thus clear that a special inspection has been initiated by the Railway Administration at an earlier stage in 1953, well in advance of the termination of the contract, in addition to the detailed technical-cum-financial examination that had been carried out in 1952. The reports from the different departments regarding assessment of standards of maintenance etc., which were received, as a result of the special inspection carried out in compliance with General Manager, Central Railway's circular No. Con. 736/143, dated 23rd June 1953, indicated maintenance in good working order, as will be seen from the enclosed copies of the reports of the Chief Mechanical Engineer and of the District Engineer, Poona, dated 20th August 1953 and 21st November, 1953 respectively. The further special inspection of the Barsi Light Railway by the Government Inspector, Railways, which was made towards the end of December, 1953 was *only by way of an additional precaution*; this does not mean that the various aspects of purchase, including the deduction from the purchase price on account of

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\*Not printed.

defective maintenance etc., had not received careful consideration at a much earlier stage. The question, therefore, of fixing responsibility for any delay in this matter does not arise.

3. Audit's conclusions in regard to items (i) to (iv) of the Audit para. are expressly stated to be based on "a perusal of the records of the Barsi Light Railway Company". It has to be seen, however, to what extent this evidence based on records is corroborated by the recorded results of inspection of the Barsi Light Railway Company's assets by the Government. Items (i) and (ii) of the Audit Para. apparently derive support from a report of inspection of the track by the Company's officials in 1950, on the basis of which it was programmed to renew 10 miles length of sleepers every year "for the next 5-1/2 years". Item (i) is mentioned in the Audit para. as an "item referred to in the inspection report by Government Inspector of Railways", the reference evidently being to the following remarks in the report of the Government Inspector, Railways, after his special inspection of the Barsi Light Railway on 29th-30th December 1953, in which he brought to notice the extent of arrears in the Company's sleeper renewal programme on 31st December 1953:

"7(c)—In 1950-51 against a programme of 10 miles, 8.3 miles of re-sleeping with new wooden sleepers was carried out; and in 1951-52, 8.6 miles of re-sleeping was done against a similar programme of 10 miles. It is suggested that these wooden sleepers be dated. It was intended to re-sleeper 10 miles of sleepers during 1952-53, but on account of difficulty of getting the sleepers in time, this could not be done."

The above remarks, however, did not result in the Government Inspector, Railways, in any way qualifying his countersignature about the assets of the Barsi Light Railway being "maintained in good working condition and repairs during the period ending 31st December 1953". Even if it is argued that the inspection of the Government Inspector, Railways, in December 1953, was not sufficiently detailed, there had been an earlier detailed inspection by the Central Railway's officials as explained in para. 2 *ante* (in pursuance of a directive No. Con. 736/143 of 23rd June 1953 issued by the General Manager, Central Railway) and a still earlier exhaustive technical-cum-financial survey in 1952 also by the Central Railway's Officers. These earlier inspections did not bring to notice any significant defects in maintenance. The only allusion in the 1952 report, if at all, which has any relevance in this context, is the Company's programme of renewal of sleepers; it was mentioned that "this rate of renewal is adequate and will have to be continued until all the steel sleepers are out of the road"—an item which, as already indicated, figured again in the Government Inspector, Railways' observation after his inspection of the Barsi Light Railway for the period ending 31st December 1953.

4. The question whether the cost of deferred renewals such as those referred to in the foregoing paragraph can be claimed from the Company has been dealt with exhaustively in the advice of the Ministry of Law obtained at various stages. Copies of all the

notings in this connection are enclosed. It will be seen that at the very outset, before termination of the Company's contract on 31st December 1953 afternoon, the Railway Board had been advised categorically that the word "depreciation" in clause 43 of the Barsi Light Railway Company's agreement had no separate meaning apart from the expression 'defective maintenance' mentioned in clause 28, which is the alternative clause. The position was summarised as under by the Ministry of Law on 21st April 1954, after taking into consideration the views expressed in a detailed note by the Director, Railway Audit:

"Whether a deferred renewal, or necessary renewal of overage assets, or the performance value of non-executed repairs can be assessed and claimed under clause 28, would depend on the following questions:—

- (i) Has the Government Inspector recorded at any stage the opinion that these things are necessary or desirable for the requirements of the Act or has he at the termination of contract treated them as 'proper efficiency' requirements, or
- (ii) Had Government already before termination directed by notice the renewals or repairs—
  - (a) on the ground of proper standard of efficiency; or
  - (b) on the report of the Government Engineer to it for safety and convenience?

If these conditions are fulfilled, then, the deductions can be claimed; otherwise not."

5. It was concluded from the above, that deferred renewals, such as those covered by items (i) and (ii) of the Audit para., if they had not actually resulted in a defective condition of the assets, could not support a claim against the Barsi Light Railway Company. This view of the Ministry of Railways is embodied in the Audit para. as follows:—

"The Ministry of Railways are, however, of the view that the legal opinion referred to is to the effect that omission to remedy depreciation would normally result in defective maintenance, and only in such cases recovery under the contract would be possible and that there can be no claim for depreciation based merely on the life of an asset which has not actually resulted in a state of assets that can be described as defective maintenance under the relevant clauses of the contract."

The two inspections by the Government Inspector, Railways (one for the period ending 31st March 1953 and the other for the period ending 31st December 1953) and the two inspections by the Central Railway's officials (one in 1952 and the other which was initiated in June 1953) indicated that the company's assets were generally maintained in good working condition and repairs. These inspection reports can be the only basis for any claims, and not a mere "perusal of the records of the Barsi Light Railway Company", or a mere consideration of the age of the assets as indicated in items

(iii) and (iv) of the Audit para, without some indication in the records that the actual condition of the overaged assets was in any way defective or left anything to be desired. On the other hand, the 1952 and 1953 inspections had clearly indicated that rails and other assets, in spite of their age, were in a good condition. The difficulty, in such circumstances of enforcing a *legal* claim against the company was recognised by the Director, Railway Audit, as will be seen from a recorded \*note of his discussion with the Financial Adviser & Chief Accounts Officer, and Chief Auditor, Central Railway, on 31st August 1954.

6. In view of the position under the contract and the recorded results of a series of inspections as explained in the foregoing paragraphs, item (i) of the Audit para., representing the value of the non-executed re-sleeping programme for 1952-53 (10 miles) and for 9 months of 1953-54 upto 31st December 1953 (7-1/2 miles) or in other words, the cost of re-sleeping 17-1/2 miles could not have been the basis of a claim against the Company. Item (ii) of the Audit para., represents the cost of the balance of the re-sleeping programme framed by the Company in 1950, which would have fallen due after 31st December 1953; the cost of a renewal programme which had not even fallen due on the date of termination of the Company's contract could not obviously also be claimed from the Company, while a claim in regard to items (iii) and (iv), merely on the age of the assets, was clearly ruled out (as already explained). It was on these considerations that payment of the items (i), (ii) and (iii), which had been withheld in the first instance, was made later.

7. The renewals which have actually been executed, or have been found necessary, within a year or two after the taking over of the Barsi Light Railway by the Government, do not also indicate that the condition of sleepers on the track was such as to require their renewal within a reasonable period after the taking over of the Barsi Light Railway by the Government. The full facts in this connection have been ascertained from the Central Railway since the Public Accounts Committee's sittings were held in January 1956, and are given below:—

	Programmed renewals of sleepers.	Actual renewals of sleepers carried out.
1953-54 . . . . .	Nil	Nil
1954-55 . . . . .	Nil	Nil
1955-56 . . . . .	(i) Nos. 2,200 Cost Rs. 11,599	Nos. 2,200 Cost Rs. 11,599
<i>The work was done with sleepers taken over from the ex-Barsi Light Railway.</i>		
1955-56 . . . . .	(ii) Nos. 35,000 Cost Rs. 1,98,877	3,500 (expected) Cost Rs. 19,888
1956-57 . . . . .	No. 43,300. Cost Rs. 2,30,000	

In addition to the above, spot renewals of sleepers and other P. Way materials to the extent of Rs. 17,232 has been

\*Not printed.

done in the period 1st January 1954 to 31st December 1955. *These materials were also taken over from the ex-Barsi Light Railway.*

For, and up to the end of, 1954-55, that is, for 15 months after the taking over of Barsi Light Railway by the Government, there was not even a programme of sleeper renewal, while in 1955-56 only a small fraction of the programmed renewal was actually carried out. Even so, no speed restrictions were enforced on trains running over this section, nor were additional staff found necessary to ensure special maintenance of the section. It is inconceivable that this position could have been countenanced for 27 months after the Government had taken over the Barsi Light Railway, if the trough sleepers were in such a condition as called for immediate attention. The District Engineer, Poona, Central Railway's report of inspection of 21st November 1953, repeating twice the remarks that the permanent way was being maintained in good order, cannot but be taken as corroborative indication of the condition of the track.

8. The following remarks were recorded by the Railway Board when authorising refund, to the Barsi Light Railway Company of the cost of item (i) (together with the cost of another item pertaining to 3 F-Class engines, the objection in regard to which has since been dropped by Audit):—

“We are unable to enforce these deductions because of our failure to take adequate action in 1952 and at the time of taking over the assets of the B. L. Railway. After issue of the draft, Central Railway will be asked to set up an investigation to allocate the responsibility of these failures.

The detailed investigation, which has been made since the above remarks were recorded, has brought to light the important fact that a special examination of the condition of the Barsi Light Railway's assets had been done in pursuance of orders\* issued by the Central Railway in June 1953. This inspection had not revealed any significant defect in maintenance. It is extremely doubtful, therefore, whether any action to press home successfully a claim against the Company could have been taken either in 1952 (on the basis of certain observations regarding trough sleepers in the 1952 inspection report) or in 1953 (on the basis of observations in the report of inspection by the Government Inspector, Railways, in December 1953 regarding uncompleted sleeper renewal programme).

9. Incidentally, a detailed investigation of the case since the Public Accounts Committee's sittings of January, 1956, has shown that the estimated costs of renewing the sleepers on certain mileages of narrow gauge track, as given against items (i) and (ii) in the Audit para., viz., Rs. 4.49 lakhs and Rs. 4.92 lakhs respectively, call for a recalculation, even though the figures may have been certified by Audit and Accounts and by the Government Inspector, Railways, with reference to the level of costs of such work carried out previously by the Barsi Light Railway Company. The present-day price, however, of a narrow gauge sleeper is only Rs. 5/8/-, and, on the basis of about, 2,000 sleepers per mile, the cost for

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\*Not printed.



17-1/2 miles representing item (i), for instance, would be less than Rs. 2 lakhs, even if no allowance is made for the fact that the prices of sleepers in 1953-54 were generally somewhat lower than the prices ruling at present. As will be seen from para. 7 *ante.*, the estimated cost of sleeper renewals for about 17-1/2 miles (35,000 sleepers) programmed for 1955-56 is only Rs. 1,98,877.

10. No reference has been made in the foregoing paragraphs to a question which came up during the Public Accounts Committee's consideration of this para. in January, 1956, namely, whether the Government Inspector, Railways, was aware of the purpose of the special inspection which he agreed to conduct in December, 1953. The General Manager, Central Railway, in his letter \*No. Con. 736/III, dated 10th December 1953 to the Government Inspector, Railways, indicated that, as the Government of India proposed to purchase the Barsi Light Railway from 1st January, 1954, the Ministry of Railways desired a special inspection of the Railway to be arranged. The Government Inspector, Railways, in his letter \*No. 2024, dated 11th December 1953, asked for a copy of Board's letter No. F(X)I-51-PR/3, dated 8th December 1953. Relevant *extract* from the Railway Board's letter (reproduced below) was furnished to the Government Inspector, Railways, by the Central Railway:—

II. *Deduction on account of defective maintenance and depreciation:—*

The Railway Board agree to your proposal regarding a special inspection of the B. L. Railway by the Government Inspector of Railways in the latter part of December, 1953. Necessary arrangements should be made immediately for the same. G. I. R. should be accompanied by Chief Engineer and Deputy Chief Engineer of your Railway.

As regards the question whether any deduction is required to be made in respect of "depreciation", as distinct from "defective maintenance" as occurring in clause 43 of the principal contract, the matter is receiving attention and the final decision will be communicated to you in due course."

The caption of the extract explicitly referred to "deduction on account of defective maintenance and depreciation", and no further enquiry was made by the Government Inspector, Railways, in connection with the inspection which he agreed to conduct on 29th and 30th December, 1953. As already mentioned, however, the entire evidence on record, *even apart from this special* inspection by the Government Inspector, Railways, does not indicate that any claim against the Company could have been sustained for defectively maintained assets.

This Memorandum has been seen by Audit who, however, reserve their comments.

Joint Director, Finance (Budget),  
Railway Board.

## APPENDIX IX

### MINISTRY OF RAILWAYS (RAILWAY BOARD) AUDIT REPORT, RAILWAYS, 1955

#### Para 17—Wasteful expenditure due to excessive sanction of cleaners in the loco running sheds of a Division.

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The P.A.C. has asked for a copy of the findings of the departmental committee set up by the Railway Board to investigate into this case, along with the action proposed to be taken against the staff who failed to detect the double provision for leave reserves in this case.

A copy of the report of the Joint Directors' Committee which enquired into the facts of the case mentioned in para 17 of the Railway Audit Report, 1955 is attached.\*

2. In para 4 of their report, the Committee have mentioned that the Allahabad Division had night cleaning of engines also by contract till about the middle of 1948, when contract cleaning was restricted to engines coming into the sheds between 7 and 17 hours only, and that the Northern Railway administration is of the view that it seems reasonable to presume that the work of night cleaning and footplate cleaning which was excluded from the contract must have been done by utilising the available cleaners. This work, for which 72 men plus a leave reserve have since been sanctioned, (*vide* para 7(ii)(a) of the report), would absorb the 68 men shown on an average as "on hand" (*vide* para 9 *ibid*). The Committee have not come to a definite conclusion on the basis of positive evidence as to whether the work of night cleaning and foot plate cleaning was, in fact, done, but a presumption that it was so done seems, *prima facie*, reasonable in the circumstances. In that case, the mistake in calculation which led to the incorrect sanction would not have resulted in wasteful expenditure at all.

3. The question of disciplinary action against the individuals who were responsible for the mistake in calculation, leading to the incorrect sanction is under consideration of the Board and a separate communication will follow as early as possible.

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\*Not printed.

## APPENDIX X

### MINISTRY OF RAILWAYS (RAILWAY BOARD) AUDIT REPORT, RAILWAYS, 1955

#### Para 24—Points outstanding from previous reports

*A brief note stating the latest position in respect of each of the outstanding items may be furnished.*

- (A) RAILWAY AUDIT REPORT 1950—PARA 32 REGARDING THE Ex. E.I. RAILWAY HIRING A PORTION OF ESPLANADE MANSIONS, CALCUTTA FOR THE PUBLIC RELATIONS AND PUBLICITY OFFICES.

The execution of the lease for the accommodation has been pending due initially to a change in the ownership of the building and subsequently to a difference of opinion on the clauses of the draft lease. The new landlord, M/s. Hindustan Insurance Co. Ltd. refused to the deletion of a provision for enhancement of the rent in the clause covering future renewals of the agreement while the law officer was of the view that, so long as the Rent Control Act subsists in Calcutta, the company would not be entitled to an enhanced rent. A lease drawn up according to this view was sent to the company for final acceptance on 30-9-1955 and, according to the latest information from the Railway they have agreed to finalise it very early.

- (B) RAILWAY AUDIT REPORT 1951. PARA 42—INADEQUACY OF RENT REALISED FOR RAILWAY QUARTERS.

#### *Officers' quarters.*

The Board have already issued instructions on the 20th June, 1955 that "assessed rent should be calculated at 6 per cent. of the capital cost of quarters and for this purpose all officers' quarters on each Railway should be pooled in one class and the rent to be charged for such pooled accommodation calculated on the floor area basis. The recovery of rent should be at the revised assessed rate or at the rate of 10 per cent. of officer's emoluments whichever is lower".

#### *Class III & IV Staff Quarters.*

In the case of quarters for Class III staff and Class IV staff, a similar decision to calculate the assessed rent at 6 per cent. of the capital cost has also been taken by the Railway Board. Regarding Class IV staff it has been further decided that:

- (i) all new entrants to Class IV Railway service with effect from a particular date, say 1-6-1954, should be required to pay rent, when in occupation of railway quarters;

- (ii) all entrants before that date to Class IV Railway service would retain the privilege of rent free quarters if they are in occupation of railway quarters rent free or in receipt of any House Rent Allowance in lieu of rent free quarters on that date;
- (iii) all entrants before the particular date to Class IV Railway service who are not in occupation of railway quarters but are in receipt of a House Rent Allowance in lieu of rent free quarters on that date may be given the option to occupy railway quarters when allotted on payment of rent or continue to live outside and draw the House Rent Allowance.

The Railway Board, however, considered that before the decisions regarding Class III and Class IV staff are brought into effect, the matter should be discussed with the National Federation of Indian Railwaymen, who have accordingly been addressed on the subject. A preliminary meeting with the Federation held in the last week of March, 1956 has not been conclusive and the matter is under further consideration.

(C) RAILWAY AUDIT REPORT, 1953.

- (i) *Para 16, vehicles reserved for the exclusive use of other Government departments.*

Instructions were issued on 23rd April 1955 to all Railway Administrations in regard to the recovery of repairs and maintenance charges from the Ministry of Defence. Inevitably it will take some time for the railways to finalise the figures before a claim is preferred on the Defence Ministry for recovery on the revised basis of charge. It is hoped that the recoveries will be completed very shortly.

- (ii) *Para 29—North Eastern Railway (Ex-Assam Rly.)—Non-payment of Railway dues by a Commercial concern.*

This case relates to a firm M/s. Commercial Carrying Company (Assam) Ltd. who were at one time working as Contractors for the Shillong Out-Agency on the old Assam Railway. Consequent on the termination of their contract for the working of the out-Agency, a sum of Rs. 1.07 lakhs is still due from the Company, which the Railway have not been able to recover despite their best possible efforts in the matter. It was decided to institute legal proceedings against the company, but the North Eastern Railway Administration has not been able to obtain the present official address of the Company so far for serving of notice. The Ministry of Commerce and Industry was also requested to help the Railway Administration through the Registrar of Companies, West Bengal to locate their address. So far, the Railway has not succeeded.

(D) RAILWAY AUDIT REPORT 1954. PARA 15—ANNEXURE 'A' OF THE  
 APPROPRIATION ACCOUNTS OF THE RAILWAYS IN INDIA FOR 1952-53—  
 STATEMENT OF UNSANCTIONED EXPENDITURE.

The latest known position of the arrears mentioned in the Audit Para is indicated below:—

	Position as stated in the Audit Para	Latest position
(a) Incomplete and inaccurate postings in Works Registers remaining to be set right . . . . .	1558 works.	786 works.
(b) Reconciliation of Accounts Office Works Registers with Departmental Works Registers to be completed. . . . .	121 works.	5 works.
(c) Rectification of the differences revealed by the reconciliation of Accounts Office Works Registers with Departmental Register	1437 works.	781 works.

The Administration has added that the investigation of the differences still unsettled is rendered difficult due to the vouchers in the Accounts Department and relevant documents in the Executive Offices not being traceable. The Administration has promised to submit for Board's orders a report about which set of figures should be adopted in respect of these transactions which date back to 10 years or so.

This note has been seen by Audit.

NEW DELHI;

Dated: 12-4-56.

## APPENDIX XI

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

**Memorandum on the action taken on the Recommendations of the Public Accounts Committee as contained in paragraphs 56 to 58 and 60-61 of the Thirteenth Report (1954-55).**

**(Items 7—11 of the Statement of Outstanding Recommendations)**

**SUBJECT:** *Manufacture of locomotives and boilers by TELCO.*

A statement\* is attached indicating the action taken so far on each of the items shown as Serial Numbers 24 to 28 under "Railways" in the Summary of the main Conclusions/Recommendations of the Thirteenth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) 1951-52 and 1952-53.

2. The first two sub-paragraphs of paragraph 61 of the 13th Report of the Public Accounts Committee, are based on paragraph 218 of the Proceedings of the 45th sitting of the P.A.C. held on 7-5-55 which reads as follows:

"218. Referring to the recommendation made by the last Committee for taking over the TELCO as a State Undertaking, the Comptroller and Auditor General observed that he recollected that in 1949 when the TELCO were in financial difficulties, they came to the Railway Board and had discussions with them in the course of which they said that Government might take over the concern unless they were given a loan of Rs. 2 crores. But the Government decided that instead of taking over the TELCO they would rather render financial assistance to them and also take some shares in the Company. The Financial Commissioner promised to look into the papers".

3. The factual position briefly is explained below:—

At a meeting held in April 1949, the Chairman of TELCO's Board of Directors informed the then Minister for Railways that the financial position of TELCO was unsatisfactory, and unless Government were in a position to help the Company the possibility of closing down the works would have to be faced. The Railway Minister stated that the Government were anxious to see the development of locomotive industry in India and would consider the Company's request for financial assistance, but that they (Government) might require a larger representation on the Board of the Company.

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\*Not printed.

An application was made by TELCO for financial assistance in the following ways:—

- (i) Participation by the Government of India in the share capital of the Company to the extent of Rs. 2 crores.
- (ii) A subvention of Rs. 1 crore towards the cost of the housing of staff.
- (iii) A loan of Rs. 3 crores at 3 % per annum repayable over a period of 20 to 25 years for completing the housing programme.

After a financial-cum-technical examination by the representatives of the Railway Board it was agreed by the Government on 17-6-1949, to grant a loan of Rs. 2 crores to Telco. As the loan was to be paid out of the general revenues, the General Standing Finance Committee on 30th September, 1949, while approving the proposal for the loan to Telco, stipulated as one of the condition that:—

*“If the Company fails to obtain the additional funds from the market for the completion of the whole project, the question of Government acquiring it should be considered.”*

The firm subsequently represented that even the due completion of the loan agreement would not solve their basic problem of finding the balance of financial resources required to complete the locomotives works and they anticipated difficulties in the way of raising the additional capital funds required in the event of Rs. 2½ crores of their assets being pledged against the Rs. 2 crores loan. The firm accordingly made a suggestion for the Government to take Rs. 1 crore out of Rs. 2 crores sanctioned as a loan in the form of share capital, either in ordinary share or in five per cent. taxable preference shares. It was eventually decided, in October, 1950 that the entire amount should be converted into 5% accumulated preference share at par, ranking prior to ordinary capital (both as regards the payment of capital as well as dividend) and carrying the same voting right as for ordinary shares.

4. From the foregoing paragraphs it will be seen that a suggestion that Government should take over the concern in the event of Telco's failure to obtain additional funds from the market was made in the course of the consultation in 1949. The suggestion did not come from Telco, but was a suggestion made by the General Standing Finance Committee at the time. As explained, however, by the Financial Commissioner, Railways before the P.A.C. on 7-5-1955 “it would not be advisable for a variety of reasons to take over the concern at this stage when the production had reached the target, despite the initial delay and lapses”. In view of the further observation made in paragraph 16 of the 13th Report of the P.A.C. (1954-55), as reproduced below, no further action is called for at present:

“.....The Committee note the view of the Railway Board. They do not overlook the considerations urged by the

Railway Board. The Financial Commissioner, Railways, assured the Committee that the building up of price from estimates of labour, materials and overheads will be checked by the appropriate experts which was the surest way of arriving at a demonstrably fair and reasonable price. The Committee welcome the assurance and would like to watch the future development in this case with an open mind before coming to any conclusions."

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## APPENDIX XIA

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

**Memorandum on para 59 of the Thirteenth Report of the P.A.C. on the comparative cost of locomotives manufactured by the Chittaranjan Loco Works and TELCO *vis-a-vis* those of identical type imported from abroad.**

In the above paragraph, which incidentally does not figure in the "Summary of the Main Conclusions/Recommendations of the Thirteenth Report of the Public Accounts Committee" (Appendix II of Vol. I), the Public Accounts Committee "desired to be furnished with a statement showing the comparative cost of locomotives manufactured by the Chittaranjan Locomotive Works and TELCO *vis-a-vis* those of identical type imported from abroad."

2. The requisite statements (statements I and II) are enclosed. Statement I showing comparison of Telco prices with imported prices, has been sub-divided into two alternative tables. Table A—Prices inclusive of initial and additional normal depreciation and Table B—Prices exclusive of initial and additional normal depreciation. This has been done, as the propriety of charging initial and additional normal depreciation as elements of cost is in question (particularly for the price period 1954-55).

The figures of Telco and Chittaranjan costs have been verified by the Local Audit.

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## STATEMENT I

### Telco prices of locomotives (Metre Gauge)

	<i>Table—A</i>		(Prices inclu- sive of initial and additional normal depre- ciation).
	1953-54		1954-55
	YG.	YP.	YP.
(i) Prices of the firm per locomotive .	5,02,745 (a)	6,27,821 (a)	5,20,630 (c)
(ii) Approximate landed cost of a similar type of locomotive.	3,50,000 (b)	3,52,000 (d)	3,52,000 (d)
(iii) Percentage of (i) to (ii) . . .	143·64	178·35	147·90

	<i>Table—B</i>		(Prices exclusive of initial and additional nor- mal deprecia- tion.)
	1953-54		1954-55
	YG.	YP.	YP.
(i) Prices of the firm per locomotive .	4,55,496 (a)	5,16,613 (a)	4,97,630
(ii) Approximate landed cost of a Similar type of locomotive.	3,50,000 (b)	3,52,000 (d)	3,52,000 (d)
(iii) Percentage of (i) to (ii) . . .	130·14	146·76	141·37

**Notes:**

- (a) Upto the end of 1953-54, 50 YG type locomotives were produced by Telco (10 of these in 1953-54), against only 12 YP type locomotives. The prices shown above represent the average unit cost of 50 YG locomotives treated as one batch, and of the first batch of 10 YP locomotives. The tentative indication given at the Public Accounts Committee's sitting on the 7th May, 1955 about the Telco cost of production being 33·1/3 per cent. higher than the landed cost of an identical type of locomotive, was with reference to the YG type, which comprised the bulk of the locomotives produced upto the end of 1953-54 and for which figures were available at that time.

The reason for the comparatively lower average price of YG type locomotive is that the first 20 locos of the order were imported in knocked down condition, the next 20 were fitted with twin assembly boilers and only on the last 10 locos sizeable work was done in Telco Shops.

(b) & (d) YG type locomotives were imported from Canada and U.S.A. in 1949-50, the landed cost (i.e. adding 25% to FOB cost for ocean freight, customs etc.) per unit being Rs. 385,000 and Rs. 389,000 respectively. Thereafter, YP type locomotives were imported in 1951-52 at landed cost of Rs. 351,300 per unit from Germany and Rs. 361,500 from U.K. so that the lower rounded off figures of 3,50,000 or 3,52,000 has been taken for both YP & YG locomotives for comparing Telco prices with landed cost of the nearest similar type of locomotives imported during approximately the same period.

The landed cost per unit of similar imported stock subsequent to 1953-54 is as follows:—

YG—1954-55	Japan	Rs. 318,000
YP—1954-55	Germany	Rs. 340,150

The quotations received from foreign firms against 1955-56 and 1956-57 Rolling Stock Programme for YG type metre gauge locomotives are listed in Annexure 'A' enclosed.

(c) This is the quotation of Telco for YP locomotives during 1954-55 (i.e. first price period commencing from 1-7-54), excluding profit and managing agency commission taking the average of 35 locomotives. The prices payable by the Railway Board during the year are a subject of enquiry by the Tariff Commission and the quotation cannot, therefore, be regarded as being the finally agreed price under the contract.

No. YG type locomotives were manufactured in 1954-55 by Telco.

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## STATEMENT II

### Chittaranjan Prices of W.G. locomotives (Broad gauge).

	1953-54	1954-55
	Rs.	Rs.
(i) Total cost of production excluding interest per unit . . . . .	6,05,000	5,31,000
(ii) Landed cost of a similar type of locomotive . . . . .	5,35,000	5,25,000
(iii) Percentage of (i) to (ii) . . . . .	113%	101%
Later prices are as under :—		
	Landed cost	
	(FOB cost plus 25% thereon).	
	Rs.	
(i) 1954-55 European countries other than U.K. . . . .	5,50,000	
(ii) 1954-55 TCA orders on Japan . . . . .	4,88,820	

NOTE: The cost per unit in 1953-54, excluding interest is about 113 per cent of the imported C.I.F. prices of the same year. The interest element of the cost will be approximately Rs. 67,000 per W.G. locomotive to be added to Rs. 5,31,000.

## APPENDIX XII

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### Memorandum on the reasons accounting for the high percentage of remission of wharfage and demurrage charges. (Item 1 of the Statement of outstanding recommendations).\*

The Public Accounts Committee in para 22 of their Tenth Report observed as below:—

“The Committee view with deep concern that despite the measures taken by the Railway Board at their instance to tighten up the indiscriminate waiver of demurrage charges (Appendix XIX), the total demurrage and wharfage charges waived during the year under report amount to Rs. 1.19 crores, which is about 43.5 per cent. of the total demurrage and wharfage charges. The position in this respect, the Committee further note, is progressively deteriorating since 1945-46 and at present the amount waived works out to the order of 42 per cent. They, therefore, suggest that it is high time that the Railway Board investigate into the causes of this high percentage and took necessary steps to reduce it.”

2. During recent years a number of directives have been issued to Railways by the Railway Board on this subject with a view to tightening up the check and supervision in the matter of remission of wharfage and demurrage charges. The Committee will note from the figures given below that the instructions to reduce the extent of remission of wharfage and demurrage have resulted in a substantial reduction in the percentage of remission.

1950-51	45%
1951-52	41%
1952-53	22.97%
1953-54	20.54%

As already pointed out in the memorandum of 30th October, 1953, presented to the Committee, referred to in their recommendations above, remissions are made only on exceptional considerations, such as cases in which wagons have been held up on the border for customs clearance, or, having been received at destination, the contents cannot be unloaded and delivered for want of connected invoices or other relevant booking particulars, or because the nature of the load is such that it has to wait for a railway crane to arrive for unloading it. (Although Railways may not be legally bound to supply cranes and do not accept any responsibility for detention on this account, some allowance has to be made for the impossibility of unloading in case in which the cranes had been idled for but

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\*See Appendix II of Vol. I—Report.

did not arrive in time). There are also cases in which delay occurs in delivery on account of disputes between the consignee and the railway in regard to the condition of the goods or the correctness of weight or charges. Insistence in such cases on recovery of the full wharfage or demurrage dues may not only result in further deterioration of the condition of the consignment and a claim for a higher amount of compensation, but may also create a situation where the railway has little chances of recovering even the freight, when the consignment is finally sold in auction. Circumstances also occur which preclude the consignee from removing the consignments in time, such as floods or breaches, illegal strikes, civil commotion etc., or the detention of a consignment under instructions from the Police connected with the investigation of a crime, or breach of restrictions on movement of certain types of traffic etc. In such cases, considerations of maintenance of the goodwill of the trading public make a certain degree of relaxation desirable.

3. A strict watch will, however, be kept on the scale of remissions in relation to the accruals of demurrage and wharfage. The actual percentage of remissions will be reported to the Public Accounts Committee through the Railway Board's review of the Appropriation Accounts, as desired by them.

4. This memorandum has been vetted by Audit.

*Dated 23rd February, 1956.*

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## APPENDIX XIII

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### **Memorandum para 49 of the Thirteenth Report of the P. A. C. re: winding up of the Railway Grainshop Organisation. (Item 6 of the statement of Outstanding Recommendations)\*.**

The Public Accounts Committee in para 49 of their Thirteenth Report on the Appropriation Accounts (Posts & Telegraphs) and (Railways) 1951-52 and 1952-53 made the following remarks:—

“The Committee were somewhat surprised to note the salaries etc. of the Grainshop staff came to nearly one rupee for every six rupees worth of sales, which represented a very high proportion by any standard. They do not see why the Grainshops should have been continued when a great majority of the staff have opted for the grant of Dearness Allowances in cash. The Committee consider it uneconomical to run these Grainshops when all commodities are freely available in the market. They, therefore, suggest that the Railway Board should earnestly consider this matter and without incurring any further losses wind up the Grainshops Organisation. They would like to know in due course the action taken by the Railway Board in the matter.”

Under the revised grainshop scheme, introduced on Railways *w.e.f.* 1st January, 1949 as a result of the recommendations of the Railway Grainshop Enquiry Committee 1948, non-gazetted railway servants drawing pay less than Rs. 250 p.m. were given individual options between (a) Supply of certain commodities from the railway grainshops upto the prescribed quantities at concessional prices plus lower rates of dearness allowance or (b) full dearness allowances in cash at the rates admissible to other Central Government employees. Due to scarcity conditions prevailing in the country at that time, staff who had not opted in favour of grainshop concessions were also allowed to draw cereal rations from the railway grainshops at controlled (but not concessional) rates.

As the commodities were not sold through the railway grainshops at market rates, the comparison of the amount spent on the grainshop staff with the amount realised from sales of commodities sold through the railway grainshops mentioned in the profit and loss accounts of the grainshops for 1951-52 does not give a correct appreciation. If the amount of loss borne by the Railway is added to the amount of sales, the ratio comes to nearly one rupee for about 14 rupees worth of sales.

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\*See Appendix II of Vol. I—Report.

The high proportion of establishment cost is, also due to the fact that Government pay their staff at the C.P.C. scales of pay and allowances which an ordinary shopkeeper does not.

A majority of staff either opted out of the grainshop concession as the drawal of full dearness allowance in cash was more advantageous to them or became ineligible to this concession due to their pay exceeding Rs. 250 p.m.

As the Government were committed to supply the staff certain commodities at concession rates in view of the option exercised by them at the time of introduction of the revised grainshop scheme, it was not possible to close the Grainshop Organisation when a majority of staff opted out of the grainshop concessions without creating serious discontentment amongst staff. But as soon as there was improvement in the supply condition of commodities, Board took the following steps to wind up the grainshop organisation.

In November, 1954 they decided, in consultation with the National Federation of Indian Railwaymen, to offer a lumpsum bonus, varying from Rs. 120 to Rs. 30 depending on the areas classified on the basis of their population to those railway employees who were availing of grainshop concession, if they opted out of it thereby becoming eligible for dearness allowance in cash. Out of about 1,37,000 employees availing of this concession, at the time when the offer was made, by the end of June, 1955 upto which date the offer was open, about 92,000 employees either opted out or were treated to have opted out due to the closing of the grainshops from which they were being served due to the number of customers registered at those shops falling below 400—the economic minimum prescribed for retention of a grainshop.

According to the latest information only about 29,000 employees still enjoy this concession. Most of them belong to the Eastern, North-Eastern and South-Eastern Railways; all the grainshops on the Northern, Western and Central Railways having been closed and the Southern Railway is having one grainshop only viz. the one in Portugese territory at Vasco-de-gama.

The Board have decided to take the following further steps to wind up the grainshop organisation:—

- (a) It has been decided to repeat the offer of lumpsum bonus to those employees who are still availing of the grainshop concession on the North-Eastern, Eastern and South-Eastern Railways if they opt out of the grainshops between the period from 15th October, 1955 to 30th November, 1955. Those grainshops where the number of customers fall below 400, will then be closed.
- (b) Railway Administrations have also been instructed to carry out an intensive and full check of all the existing ration cards.



- (c) It is also proposed to discuss with the National Federation of Indian Railwaymen, the question of completely closing the grainshop organisation after the result of the above measures is known.

Audit has seen this note.

*New Delhi, dated 13th December, 1955.*

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## APPENDIX XIV

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### **Memorandum on para 49 of the Thirteenth Report of the P.A.C. re. Purchase of Oil Tank wagons (Item No. 19 of the statement of Outstanding Recommendations)\*.**

Before answering the particular issue raised in the first para of item 29 referred to above, it is necessary to recall briefly the background. Even though the negotiations in this matter were carried on with the Agents of the Canadian Firm in India by the Railway Board, all information necessary for progressing the case was sent to the I. S. M., Washington. In their letter of 7th July, 1948, the I. S. M., Washington, raised the issue whether in spite of the delay in delivery, the quoted price was still payable, and they referred to this aspect again in their further letter of 26th October, 1948. In reply, in Board's letter of 20th December, 1948, copies of correspondence etc., were sent to I. S. M., Washington, and it was left to them to negotiate any rebate that may be possible. While it may have been appropriate for action to have been taken in the Board's office to ascertain subsequently the results, if any, of I. S. M.'s efforts in this regard, the mere failure to issue reminders in a case where action was left to another Government Organisation, cannot be taken to be one of contributory negligence. Another important aspect is that, in the course of daily business, so many cases and files pass through the officers that the responsibility for failure to send reminders cannot be laid on the officers. Furthermore, while it is unfortunate that reminders were not issued and the case was not pursued for quite some time after December, 1948, the responsibility thereof cannot, in fairness, be fixed on the officer in charge of the Branch. (The officer concerned, who had initiated the correspondence, incidentally is no longer in service, having resigned in 1951.)

The observations of the Committee in the second sub-para of item 29 above are noted.

This has been seen by Audit.

*New Delhi, dated 12th April, 1956.*

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\* See Appendix II of Vol. I—Report.

## APPENDIX XV

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### Memorandum on para 73 of the Thirteenth Report of the P.A.C. re: Procedure for sale of Cinders (item 19 of the statement of Outstanding Recommendations)\*.

The Public Accounts Committee observed as below in para 73 of their Thirteenth Report.

“During the course of the examination by the Committee of the cases referred to in the preceding, para, their attention was drawn to the sale of cinder without calling for quotations or giving proper notices. The Committee desire that the Railway Board should review this procedure and submit to them a note stating the measures adopted or proposed to be adopted to prevent any abuse of powers vested in the subordinate authorities for the sale of cinder without inviting quotations etc.”

2. The term “Cinders” on Railways applies to combustible residue of usable sizes ( $\frac{1}{2}$ " and above) reclaimed from coal ashes dropped from locomotives and such cinders are used in shunting engines, stationary boilers etc. Cinders below  $\frac{1}{2}$ " size are usually sold by inviting tenders or by public auction. The question of reclamation of cinders ( $\frac{1}{2}$ " and above), their utilization and the disposal of residual ash (containing cinders below  $\frac{1}{2}$ " size) was examined in detail by the Indian Railway Fuel Committee in April 1954, and they made certain recommendations for the consideration of the Board, which, *inter-alia*, included the following.

- (a) No part of ashes or cinders should be given away to the contractors by way of remuneration. This will ensure against malpractices.
- (b) The proposal that Railways should endeavour to utilise all cinders reclaimed for loco and non-loco purposes is acceptable. The Committee, however, notes that on some railways the practice is to give away a major portion of the cinder output towards sales to staff. Although deviation from this procedure may cause hardship to the staff, it is considered desirable to divert greater quantities of cinders to more fruitful channels in the interest of fuel economy.
- (c) Coal ashes containing cinders below  $\frac{1}{2}$ " size when surplus to railway requirements, should be sold by auction. Recovery of cinders from such ashes would be the responsibility of the buyer but such operations should be performed strictly outside the Loco Shed premises."

3. The recommendations have been accepted by the Board and instructions issued to Railways in December, 1954, to implement the same. Thus present procedure for the sale of cinders below  $\frac{1}{2}$ " size is to auction them.

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\*See Appendix II of Vol. I—Report.

## APPENDIX XVI

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### **Note on Paras 195-196 of the Thirteenth Report of the Public Accounts Committee—overpayment on Central Railway. (Item No. 27 of the Statement of Outstanding Recommendations)\*.**

In paras 195 and 196 of the 13th Report of the Public Accounts Committee the question of disciplinary action against the officers concerned was raised and the Railway Board gave an undertaking that they would decide on the action to be taken against the officers after examining the matter further and obtaining their explanations.

The case has since been examined by the Board and they have come to certain tentative conclusions on the punishment to be imposed on the officer of the General Managers' Office concerned who was responsible for the issue of the defective sanction in this case. It has also been decided to take disciplinary action against the staff responsible in the Accounts Department for the overpayment. The procedure under the Discipline and Appeal rules for this purpose has been set in motion.

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\* See Appendix II of Vol. I—Report.

## APPENDIX XVII

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### Note

In an advice received from the Lok Sabha Secretariat, the following enquiry has been made arising out of the discussion of para. 4 (iii) of the Audit Report, Railways, 1955, during the sittings of the Public Accounts Committee in January, 1956.

*"Para 4 (iii) of Audit Report—Excesses over voted grants—Grant No. 7—Working Expenses—Operation (Fuel).*

A note stating the circumstances leading to the write-off of the sum of Rs. 41 lakhs (to be submitted in consultation with the Ministry of Production)."

2. The write-off in question relates to the Capital cost of an abandoned Shaft in the Jarangdih Colliery, a brief history of which is given in the succeeding paras.

3. Jarangdih Colliery was originally jointly held by B.B. & C.I. and M.&S.M. Railway Companies on lease from M/s. Bokaro Ramgarh Ltd.

All the lands and premises situated within the lease hold, form part of the Mouzas Jarangdih and Borea containing an area of 4750 bighas. The currency of the lease is 999 years with effect from 1922.

According to the lease agreement, Royalty at the following rates is payable to the lessor on coal dispatched:—

(a) Steam Coal	....	- 8 - per ton.
(b) Rubble Coal	....	- 6 - " "
(c) Slack Coal	....	- 5 - " "
(d) Dust Coal	....	- 4 - " "
(e) Hard Coke	....	- 12 - " "
(f) Soft Coke	....	- 10 - " "

The colliery was opened in 1923-24. The whole output of the colliery was utilised by the Railways concerned.

4. B.B. & C.I. and M.&S.M. Railways jointly undertook the development of the Kargali Seam. The geological information was inadequate, but one bore hole struck Kargali Seam when shafts were sunk. The seam could not be touched except at a great depth—930 ft. from surface. Large fissures gave off methane gas which made working conditions difficult.

5. This Colliery was equipped and developed to produce an output of 4 lakhs tons per annum, and as it was impossible to obtain more than 1 lakh tons annually from the outcrop workings, two

shafts of 930 ft. deep each had to be sunk. The working of these shafts became very expensive mainly due to great depth, pumping, and large volume of gas met with, making ventilation extremely difficult. It was, therefore, considered by the then Agents of B.B. & C.I. and M. & S.M. Railways and the then Chief Mining Engineer, Railway Board, that if these expensive working were closed down and coal raisings confined to surface inclines, the cost per ton would be reduced considerably. In this connection, meetings were held in the Railway Board's office on the 15th July, 1935 and orders were issued under Railway Board's letter No. 122-W dated, Simla, the 22nd July, 1955, to close the deep working (shaft working) of Jarangdih Colliery. Accordingly, the shaft workings were finally closed down in the year 1936.

6. The Railway Collieries Enquiry Committee, which enquired into and reported on the working of the Railway Collieries made the following recommendation in regard to the working of Jarangdih Colliery:—

“As the Jarangdih Colliery could not be made a profitable concern without provision of more Capital, we recommend that this mine be closed and all the machinery and serviceable materials sold. The area should be placed under the control of the Manager, Bokaro Colliery, and housing leased on rental to Bokaro Colliery for their employees.”

7. The above recommendation was considered by the late Ministry of Industry and Supply at a meeting held on the 10th April, 1950, and it was decided that a detailed appreciation of the economics of the working of the Jarangdih Colliery should be worked out before a final decision could be taken in the matter. The economics of the working of the Colliery were examined in detail. It was calculated that if the colliery was closed down, the administration would have to incur a loss of about Rs. 1 lakh per annum, and if the colliery was re-opened after discontinuance of working for ten years, an additional expenditure of about Rs. 9 lakhs would have to be incurred for restarting the colliery. As against this, it was reported that there was substantial unremunerative capital relating to the abandoned workings at charge of the colliery and Government were advised that if that unremunerative capital were written off and some more capital was invested, the output of the colliery from other seams than Kargali could be raised to an economic level.

8. In connection with the transfer of the ownership of the State Collieries from the Ministry of Railways to the Ministry of Production, which took place on 1st April, 1954, the question of evaluation of the Capital assets of the State Collieries was considered in consultation with the Comptroller and Auditor General, who gave the following award:—

“The amount payable by the Ministry of Production to the Railways on the transfer of the collieries will be calculated as follows:—

I. (a) capital at charge, at book value.

- (b) deduct capital at charge of collieries which have been shut down.

II. The depreciation fund received by the Production Ministry from the Railways will be the amount at the credit of the depreciation fund minus the amount of depreciation fund attributed to the collieries which have been shut down."

The capital cost of shaft in the Jarangdih Colliery, which had been abandoned (a long time ago) in 1936, was required to be written off with reference to the above decision. The Ministry of Railways (Railway Board) accordingly wrote back the unremunerative capital of Rs. 41.15 lakhs from 'Capital' to 'Revenue' in the accounts of the Jarangdih Colliery for March, 1954 under their sanction letter No. 49/130/S—III/F(X) II dt. 15-4-1954.

(Note: Incidentally, it may be mentioned in this context, though not as concomitant of the write-off referred to, that the economics of the development of the Colliery were further examined. It was estimated that by the implementation of Sand Stowing Schemes at an estimated cost of about Rs. 2 lakhs, the output of the Colliery will be raised to 60,000 tons per annum. This would make the working of the colliery economical, and it would yield an annual profit of about Rs. 62,000.

In the circumstances stated in paragraph 7 above and after careful consideration of all pros and cons, Government decided that the recommendation made by the Railway Collieries Enquiry Committee for closing the Jarangdih Colliery should not be accepted. The Sand Stowing Scheme recommended by the Chief Mining Engineer was accepted by Government and the work is in progress.

The output of Jarangdih Colliery for 1955-56 would be approx. 72,000 tons, which justifies the demand for keeping the mines and will make it run on an economic basis.]

This note has been prepared in consultation with Ministry of Production and seen by Audit.

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## APPENDIX XVIII

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### **Memorandum regarding loss on account of Freight charges on Assam Rail Link**

The Public Accounts Committee have expressed the desire to be furnished with a self-contained note setting forth the circumstances which led to an alleged loss of Rs. 21 lakhs to Government on account of freight charges on the Assam Rail Link as reported in the 'Indian Express' dated 4th February, 1955. The Railway Board would like to observe at the outset that what has appeared in the press is unauthorised. The particular news item, extracts of which were furnished to the Railway Board, appears to have been a leakage of a draft para. prepared by the Chief Auditor, N. E. Railway which was under discussion with the Railway Administration.

2. The facts stated in the Draft Para. have not been accepted by the Railway Administration. As the Public Accounts Committee desire to be apprised of the actual facts of the case, details of the case are briefly furnished below.

3. The main point of criticism reported in the Press is that the N. E. Railway Administration had allowed refund to the value of Rs. 16,36,850|4|-in November, 1952, to an Oil Company in respect of traffic over the new Assam Rail Link. It may be observed that as early as the thirties, some special rates had to be quoted on a low basis by the old Assam Bengal Railway in conjunction with other contiguous Railways to counter a plan devised by the Assam Oil Company for carriage of petroleum products to upcountry stations beyond the then E. B. Railway by means of a pipe line to Dibrugarh Ghat, and thence by river barges to Mokameh Ghat for distribution therefrom by rail. This would have meant a complete loss of this traffic to the old D. S., A. B., and E. B. Railways and considerable losses to the old E. I. and B. & N. Railways as well. Special rates from Tinsukia and Digboi by the all-rail routes were, therefore, quoted on a competitive basis equal to the then all-in-cost of transport *via* Dibrugarh Ghat and Mokameh Ghat. This step not only averted the threatened loss of revenue but also helped the Assam Oil Company in increasing their output appreciably thereby bringing additional traffic to the Railways which would not otherwise have materialised.

4. The price of Petroleum products depends on world prices whether these are imported or produced in Assam. The market price at a particular place is also the same irrespective of whether the supply is from Assam or from any port in India. The stations to which special rates were quoted ex. Tinsukia or Digboi under the Mokameh scheme could also be served alternatively by imported products supplied from Budge Budge or Karachi. The total rates from Tinsukia or Digboi were higher than those from Budge Budge or Karachi, but the price was fixed on the basis of price of imported products at Budge Budge or Karachi plus the rail freight therefrom.



5. The special rates thus quoted from Digboi or Tinsukia by the all rail route in accordance with Mokameh principles continued upto 1941. During the War, the rates by the alternative routes *via* Dibrugarh Ghat by the river route were enhanced by the Steamer Coys and there were some minor changes in the Railway routing and also a slight upward revision in these rates including the war time increases in charge. Since the partition, the through special rates by the Indo-Pakistan route were further enhanced in 1948 on account of the rise in transport costs and also due to the E. B. (Pakistan) Railway beginning to follow an independent rating policy over their portion of the through route. Towards the end of 1949, after the devaluation of the Indian Rupee, the Indo-Pakistan rail route for all cross traffic including P. O. L. products had to be closed suddenly, although the Indo-Pakistan river routes still continued to function. The link route was opened for the carriage of goods traffic in December, 1949. This route was a circuitous one and the distance for charge over a large portion of it was on an inflated basis, 2 to 3 times the actual. The result was that ordinary rates by the link route worked out disproportionately high when compared with those available *via* the Indo-Pakistan rail route just before its closure. This was true not only in the case of P. O. L. products but in that of goods traffic generally, inasmuch as there were also special rates for traffic in Tea, Jute etc. by the Indo-Pakistan routes from stations in Assam to stations in the Calcutta area. On the opening of the link route, it was decided with the concurrence of the Railway Board, that through traffic over the link route of all those commodities (& not only of P.O.L. products) should be charged at rates with a ceiling, approximately 25% above the then existing rates *via* the E.B. (Pakistan) Railway. This was in December, 1949.

6. So far as the special rates for P. O. L. traffic by the link route were concerned, the Assam Oil Company in a representation dated 10th January, 1950 to the Railway Board pointed out, *inter alia*, that the Mokameh agreement should be taken into consideration at the time of deciding freight rates by the link route and the *status quo* maintained, for, if it was made uneconomical for them to dispose of their products, it seemed inevitable that they would not only have to reduce oil production but also curtail their prospecting operations in search of new oil resources in India until such time as some suitable alternative arrangement was made. Although the Mokameh Agreement was by then already being treated as a dead letter in the altered circumstances detailed in para. 5 above, in the larger national interest, reasonable freight abatements could not be refused to the Assam Oil Company to enable them to increase their output of indigenous oil which would also be in the interest of Railway revenues as a whole. Special rates at a level 25 % higher than Indo-Pakistan rail rates were, therefore, introduced to have retrospective effect from 1st January, 1950 for traffic in K. Oil, Jute Batching Oil, Diesel Oil and Solvent Oil from Tinsukia or Digboi to stations on the then O. T., E. I. etc. Railways by the link route. Similar special rates for Petrol and Motor spirit were not introduced then. The application of the same straightforward formula would have resulted in rating anomalies, in that the rates for longer distances would then

be lower than those for shorter ones in many cases, since some of the rates for Petrol and Motor spirit applied by the shorter Indo-Pakistan route *via* Moghalhat, Redhikapur and Katihar and some by the longer route *via* Moghalhat, Darsana and Naihati. Therefore when special rates for Petrol and Motor spirit were, subsequently introduced based on a level 40 % less than the ordinary traffic rates by the link route with certain minor adjustments, they were similarly given retrospective effect from 1st January, 1950. This amounted to an overall increase of 26 % in the freight bill of the Assam Oil Company on account of this traffic in comparison with the freight recoverable thereon by the Indo-Pakistan route. In fact, no other course was possible. Since the Assam Oil Company had been paying the ordinary rates expressly on the understanding that adjustment with reference to any rates eventually sanctioned would be made in their own favour from 1st January, 1950 and the Oil Company had already paid freight at higher rates for the period from 1st January, 1950 to 13th June, 1951, they were granted a refund of Rs. 16,36,850/4/- in November, 1952.

It will be observed:—

- (i) that on the opening of the link route, special rates were introduced by that route not only for P.O.L. products but for many other commodities;
- (ii) that these rates involved in themselves substantial increases in the rates previously available by the *via* Pakistan route.

To charge for these movements full tariff rates *via* the link route would in the opinion of the Railway Board, have resulted in sudden and steep increase in rate which is not desirable in itself and which also the Railway Rates Tribunal do not view with favour.

7. With the abolition of the inflated mileage for charge over the link route on and from 1st May, 1952, special rates for Tea, Jute, Diesel Oil and Jute Batching Oil by the link route became nearly equal to or higher than the ordinary tariff rates on actual mileage and were therefore cancelled. As the other special rates, *viz.*, those for Kerosene Oil, Petrol, Motor Spirit and Solvent Oil by the link route were still found to be lower than the ordinary traffic rates, it was not then considered necessary to disturb them. It was, however, found thereafter that despatches of P. O. L. products from Tinsukia were being confined mainly to the State of Assam in view of the increased local demand with corresponding shrinkage in longer distance traffic for areas beyond Katihar. This matter was taken up with the Assam Oil Company who were asked to indicate why, in the circumstances, special rates granted to them for longer distance stations should not be cancelled. While admitting that the shrinkage was due to greater local demand, the Assam Oil Company pointed out that in view of their anticipated new source of crude oil at Naharkatiya they would be able to feed the up-country stations not only as in the past but would be able to increase their supplies to those stations appreciably. Their request, therefore, was to retain the special rates and in fact they requested that additional special rates be quoted.

8. Based on the fact that the traffic was apparently in a position to bear an increase in freight rates and it was sometime since the previous enhancement was made that the Railway Board was approached by the North-Eastern Railway for sanction for cancellation of the special rates with effect from 1st August, 1954. The Board then examined the position and agreed to this cancellation as from 1st January, 1955. Later, however, on receipt of special representations from the Assam Oil Company, that such a course of action may have serious repercussions on the production and prospecting for oil, the Board ordered holding this cancellation in abeyance pending further consideration of the matter. The matter was further considered recently at a high level joint meeting of all the Ministries concerned by the Cabinet Secretariat and orders have been issued cancelling the special rates with effect from 10th May, 1955.

9. This Memo has been seen by the D.R.A.

New Delhi, dated the 4th May, 1955.

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## APPENDIX XIX

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

#### **Memorandum on para 70 of the Thirteenth Report, re: Loss on the cancellation of a supply order (Item No. 16 of the Statement of Outstanding Recommendations\*).**

The Public Accounts Committee in para 70 of their 13th Report made the following recommendation on para 11 of the Railway Audit Report 1954 (copy enclosed).

“Judging from the sequence of events in the case referred to in para 11 of the Audit Report (Railways) 1954, the Committee feel that undue leniency had been shown to the Engineer at fault by the Railway administration. The speed with which the settlement of the dues of the Engineer had been effected leaves the impression that this officer was enabled to circumvent the rigours of a further enquiry into his conduct and thus evade any punishment that might have been inflicted upon him and which might also have caused him some pecuniary loss.

The Railway Board should re-examine this case and take action against the officers responsible for helping the Engineer to escape.”

2. The case has been re-examined as recommended by the Public Accounts Committee and the following facts have been established.

3. The Engineer concerned was declared medically unfit for further service on the 2nd August 1950, and accordingly to the normal procedure in such cases, his settlement papers were sent to the Financial Adviser and Chief Accounts Officer on the 21st August 1950, under the signature of the Chief Engineer in the usual form which indicated, *inter alia*, that there were no debits outstanding against him except house rent for the months of August and September, electrical charges for the months of July, August and September, hospital dues for the period he was in hospital, some instalments of a motor car advance and hire charges for a refrigerator. Payment of provident fund holdings was authorised by the FA & CAO on the 24th August 1950 (i.e. nearly two months before 16-10-1950 when the office of the Chief Engineer received the enquiry papers on the subject from the Railway Board).

4. Sanction to the payment of special contribution to the provident fund was communicated by the General Manager on 6.9.1950 to the Chief Engineer and FA & CAO, i.e., over a month before the receipt of the Railway Board's enquiry regarding the case. Before making this payment the FA & CAO wrote to the office of the

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\*See Appendix II of Vol. I—Report.

Chief Engineer for confirmation that no amounts in respect of electric charges remained to be recovered from the Engineer. On 17th October 1950, i.e., just the day after the receipt of the enquiry papers from the Railway Board, the Personnel Officer in the Chief Engineer's office replied to the FA&CAO's specific query that so far as his office was aware, there were no dues outstanding against the Engineer. This letter from the Personnel Officer was not a "Clearance certificate" as referred to in sub-para 5 of the Audit para since in fact such a certificate had already been given by the Chief Engineer himself, as early as the 21st August 1950.

5. The point has been considered whether any blame can attach to the Chief Engineer for failure to ascertain the position before certifying that there were no dues outstanding against the Engineer concerned, but the following facts clearly negative any such possibility. The case came to the personal notice of the Chief Engineer for the first time on 11th March 1949 (about 1½ years after the bulk indent for 2 lakhs of steel keys had been placed by the Controller of Stores on D.G., I. & S., on 4.8.1947). Since he considered the trials already made with the key to be inadequate, the firm was requested on 13.4.1949 to suspend bulk manufacture but they replied on 20.4.1949 that they were going ahead with the work under the terms of their contract with D.G., I. & S., and would not suspend bulk manufacture. The Chief Engineer then decided that, in view of the attitude of the firm and since the key had been reported to be satisfactory on straight track bulk manufacture could proceed, and the firm was advised accordingly on 30.5.1949. The Chief Engineer did not see the case again, for over 17 months from May, 1949, till 16.10.1950, when he received from the G.M's office a copy of the Board's letter forwarding the communication from the D.G., I. & S., about the claim for compensation to the tune of Rs. 25,780/- preferred by the Company. He was, therefore, not aware that during the intervening period (as stated in the Audit Paragraph) the Engineer-in-charge (Mr. Stuart Edwards) had, on his own authority and without the Chief Engineer's knowledge, advised the D.G., I. & S., on 10.10.1949 that whatever was outstanding on the contract should be cancelled without prejudice or financial claims, and had again advised the Controller of Stores on the 10th January, 1950, copy to the D. G., I. & S., that "the firm have supplied 10,000 keys and the balance may be cancelled on terms to be settled by the D.G., I. & S., The Chief Engineer was not thus aware of the cancellation of the order, much less that any question of compensation could arise, until 16.10.1950, when he received the letter mentioned above. On this, he communicated his remarks to the General Manager only in January 1951.

6. From the sequence of events furnished above, it is clear that there is no ground for suspecting that the procedure for the payment of the settlement dues of the Engineer was in any way expedited in order to complete it before any possible enquiry into this irregularity. At the time the officer concerned was actually settled up, it was not known that his error of judgement would result in the payment of heavy compensation. There was no apparent reason even at that stage for a claim anywhere in the region of Rs. 24,000 to be anticipated, since, the raw materials, if any, lying with the firm would have been taken over by the Railway or that a

claim (Rs. 18,400/-) would be made for the salary paid to a special engineer employed for the work for the period 1.9.1948 to 31.7.1950, which fact came to the notice of the Railway only in April, 1951. The claim, moreover, was settled by the Director General, Supplies and Disposals, without reference to the Railway Administration. It appears, therefore, that no blame can possibly attach to the Chief Engineer either for not anticipating the possibility of compensation or for failure to stop the payment of settlement dues even when he saw the letter from the Board on 16.10.1950.

This Memorandum has been seen by Audit.

NEW DELHI;  
The 20th April, 1956.

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## APPENDIX XX

Copy of Ministry of Railways (Railway Board) letter No. 55-ACS. Insp 56/2 dated 5-12-1955 re: the unsanctioned posts (Item 17 of the Statement of Outstanding Recommendations\*).

Sub:—*Un-sanctioned posts.*

It has come to the notice of the Board that there are a large number of posts being operated on railways without competent sanction and payments of salaries are being made in some cases to the incumbents contrary to the provisions of para 1703G. As this position has been the subject of adverse comment by the Audit as well as the Public Accounts Committee, on some railways a team of officers, Executive and Accounts, was specially deputed to look into such cases but the progress of regularisation of these posts by the grant of temporary or permanent sanction by competent authority has not so far been very satisfactory. The Board, therefore, desire that a special drive should be instituted by you immediately to expedite the scrutiny of the justifications for the temporary or permanent continuation of such posts with a view to regularising them as soon as possible and ensuring that this state of affairs does not recur. It is the desire of the Board that when you come up here for the next meeting with them you should be in a position to assure them that all such cases of un-sanctioned posts have been regularised by according proper sanctions.

2. In regard to the provisional payments being made against unsanctioned posts, attention is drawn to Board's letter No. 54-B-2894 dated 20-7-55 and it is desired that immediately it comes to the notice of the Accounts Officer after proper scale check of the salary bill, that some staff have been charged therein for which competent sanction does not exist, he should report the matter to the Executive Officer of appropriate level for obtaining the requisite sanction. In case the sanction is not received by him by the time the salary bill for the second following month i.e. in the third month after the expiry of sanction, is received he should bring the matter to the personal notice of the head of the Department concerned for the immediate regularisation of such posts. The provisions of para 1703-G should not be interpreted to mean that payments to staff, even those governed by Payment of Wages Act, should continue to be made in excess of the period of three months without adequate action being taken for the regularisation of the posts but that within this period all steps should be taken for obtaining and according the requisite sanction so that there are no cases where provisional payments have to be made in excess of the period of three months merely to avoid an infringement of the Payment of Wages Act.

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\*See Appendix II of Vol. I —Report.

## APPENDIX XXI

**Copy of Ministry of Railways (Railway Board), letter No. 55-B(C)/2498/(35-36/XIII) dated the 13th January, 1956 re: Insufficient time allowed for submission of tenders (Item No. 18 of the Statement of Outstanding Recommendations\*).**

*Sub:—Insufficient time allowed for submission of tenders.*

A copy of para 28 of Railway Audit Report 1953 on the above subject along with the relevant remarks thereon by the Public Accounts Committee, are enclosed. It has been observed that, in certain cases, time allowed for submission of tenders fell short of the prescribed period and the Public Accounts Committee have commented on the advisability of guarding against the danger of contractors, freed from the restraint of a competitive tender systems, holding out for unjustifiably high rates. The Board therefore desire that in future the Railway Administrations must ensure that the prescribed period of notice is given in all cases barring only in the most exceptional circumstances.

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\*See Appendix II of Vol. I—Report.



## APPENDIX XXII

### MINISTRY OF RAILWAYS (RAILWAY BOARD)

**Note on para 81 of the Thirteenth Report of the P.A.C re: Irregular expenditure on the Cadet Division of St. John Ambulance Brigade (overseas). (Item 24 of the Statement of Outstanding Recommendations\*).**

The Public Accounts Committee have observed that 8 months delay in the disposal of this case does not reflect well on the working of the Railway Board's Office. They have desired the Board to re-examine the case and take disciplinary action against the persons at fault.

The Committee's observations have been carefully considered by the Board. It is true that 8 months delay occurred between the date of the reply from the Railway Administration and the final issue of instructions from the Board's office not to incur any expenditure on the Cadet Division. It may be recalled that a point of policy was involved and this had to be examined. The proposal was laudable in itself and the question whether this should be at the cost of Railway Revenues was open to two views particularly as the amount involved was relatively small. It was only on 1-8-49 that it was finally decided not to foster Cadet Divisions at the cost of Railway Revenues and orders were issued to the Railway within a week of this decision.

The movement of the file in this period has been examined. 2½ months out of 8 were taken up in the normal movement of the file from one branch or one officer to another. The total period was appreciable, but no one officer can be blamed for considerable delay. For the remaining 5½ months the file was in the section dealing with it. There is no documentary evidence bearing on the reasons for the failure to put up the file for 5½ months, but an investigation that was made on a previous occasion led to the conclusion that during this period some further examination of the points involved was carried out on the basis of notes that were not eventually placed on the file. The Board feel that no one individual can be held to be guilty of a lapse in the matter and are of the opinion that it is not necessary to take disciplinary action.

Audit has seen this note.

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\*See Appendix II of Vol. I—Report.

## **APPENDIX XXIII**

### **MINISTRY OF RAILWAYS (RAILWAY BOARD)**

#### **Note on para 82 of the Thirteenth Report of the P.A.C. re: Leakage of revenue at a Station on the East Indian Railway (Item 25 of the Statement of Outstanding Recommendations\*).**

Commenting on the Memorandum (Appendix XXX of Thirteenth Report) submitted in pursuance of the recommendations contained in para 21 of their Tenth Report, the Public Accounts Committee in para 82 of their Thirteenth Report made the following observations:

“The Committee would like to know the action taken against the Transportation Inspector (Commercial)”.

The Transportation Inspector (Commercial), who was in charge from 9-5-1947 to 26-9-1947 and was held responsible for not having taken sufficient interest in the examination of the goods shed records during his visits to the Rishra Mill Siding has been punished with the stoppage of increment for one year but without any effect on future increments and seniority.

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\*See Appendix II of Vol. I—Report.

## APPENDIX XXIV

**Copy of Ministry of Railways (Railway Board) letter No. 6724-TC dated the 13th February, 1956 to All Indian Railways re. Preservation of records relating to cases of compensation claims,**

*Sub:—Preservation of records relating to cases of compensation claims.*

During discussion at the meeting of the Public Accounts Committee in connection with Audit reports 1953 and 1954, a question was raised regarding destruction of claims cases which, after the party goes to a Court of Law, are settled either by negotiations or by meeting the Court's decree. The Committee felt that the period for the retention of such files should be more than one year after the payment or meeting the decree, as legally a decree may be executed within three years and it is likely that these papers may be required in connection with execution of proceedings etc.

The matter was referred to the Commercial Committee who discussed it at their meeting No. 82 held at Bombay and the resolution recorded at the meeting is reproduced below:—

“The Commercial Committee are of opinion that, for the purpose mentioned by the Public Accounts Committee (i.e. in respect of claims cases which, after the party goes to a Court of Law, are settled either by negotiation or by meeting the Court's decree), it will suffice if a certified copy of the decree and relevant papers showing that the decree is satisfied, are preserved for three years from the date of the decree instead of preserving complete files.”

The Railway Board have accepted the recommendation and desire that in future action should be taken in terms of the aforesaid Resolution.

An acknowledgement is requested.

