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PUBLIC ACCOUNTS COMMITTEE

1955-56

SEVENTEENTH REPORT

[Appropriation Accounts (Railways), 1953-54

Vol. I—REPORT



LOK SABHA SECRETARIAT

NEW DELHI

May, 1956.

CORRIGENDA

10

The Seventeenth Report of the Public Accounts Committee
the Appropriation Accounts (Railways), 1953-54, Vol. I - Rej

Page (iii), Para 3, last line: *for* '(Appendix II)' *read* '(Appendix III)';

Para 5, line 5, *after* the words 'Ministry of Finance:' *for* '
read 'or'.

Page 2, Table under para 4, Col.4: *for* '22.2' *read* '22.21'.

Page 7, para 11: *against* item (ii) *insert* the figure '122,295'.

Page 9, S.No. 1, line 1: *for* 'Rs. 9.25 lakhs' *read* 'Rs.9.25 lakhs';

S.No. 8, line 3: *for* 'Radio dealers' *read* 'Radio dealers'.

Page 12, last sub-para of para 25, line 2: *for* 'Chittaranian' *read* 'Chittaranjan'.

Page 20, para 49, Heading, line 2: *for* 'clearers' *read* 'cleaners'.

Page 22, Para 57, line 15: *for* 'comsequently' *read* 'consequently'.

Page 27, para 73, line 4: *for* 'memoranda notes' *read* 'memoranda/not

para 74, heading: *for* 'Locomotive' *read* 'Locomotives'.

P.T.O.

age 33, Heading *for* 'Fifteenth Sitting' *read* '**Fifteenth Sitting'.

age 37, line 22, *for* 'hestition' *read* 'hesitation'.

age 39, line 9, *for* 'notice' *read* 'notices'.

age 57, last sub-para of para 153 *for* 'Financial Commissioners'
read 'Financial Commissioner'.

age 67, S.No.4, Col.5, lines 1-2 *for* 'recommendations' *read*
'recommendation'.

age 68, S.No. 7, Col. 4, line 1 *for* 'Committees' *read* 'Committee'.

line 6 *for* 'should' *read* 'could'.

age 70, S.No. 12, Col. 6 *for* 'he Report' *read* 'the Report'.

age 72, Col. 4, first sub-para, line 4 *for* 'failed' *read* 'fail to'.

second sub-para of item (iv), line 8 *for* 'ensure'
read 'ensue'.

age 73, Col. 4, line 1 *for* 'said' *read* 'sad'.

age 74, S.No. 18, Col. 5, line 1 *for* 'instruction' *read* 'instructions'.

age 81, S.No. 16, Col. 4, line 5 *for* 'regin' *read* 'region'.

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*Proceedings of the earlier sittings relate to the Civil Accounts etc. which have been dealt with in the Sixteenth Report of the Public Accounts Committee (1955-56).

**Proceedings of the Eighteenth and Nineteenth sittings relate to the examination of the Audit Reports on the Accounts of the Damodar Valley Corporation for 1952-53 and 1953-54 which have been dealt with in the Eighteenth Report of the Public Accounts Committee.

†Twenty-first to Twenty-fifth sittings relate to the Defence Services Accounts 1953-54 and Twenty-Sixth and Twenty-Seventh Sittings relate to the consideration of the Draft 16th Report on the Accounts (Civil).

***Appendices referred to in the body of the Report are being printed separately.

Composition of the Public Accounts Committee, 1955-56

Shri V. B. Gandhi—*Chairman*.

MEMBERS

2. Shri U. Srinivasa Malliah
3. Shri Kamal Kumar Basu
4. Shri Ramananda Das
5. Shri Awadheswar Prasad Sinha
6. Shrimati Ammu Swaminadhan
7. Shri S. V. Ramaswamy
8. Shri K. G. Deshmukh
9. Shri Balwant Sinha Mehta
10. Shri C. D. Pande
11. Shri Diwan Chand Sharma
12. Shri Y. Gadilingana Gowd
13. Shri Uma Charan Patnaik
14. Shri V. Boovaraghasamy
15. Dr. Indubhai B. Amin
16. Shrimati Violet Alva
17. Diwan Chaman Lall
18. Shri Ram Prasad Tamta
19. Shri P. S. Rajagopal Naidu
20. Shri Mohammad Valiulla
21. Shri V. K. Dhage
22. Shri B. C. Ghose

SECRETARIAT

Shri S. L. Shakdher—*Joint Secretary*.

Shri V. Subramanian—*Deputy Secretary*.

INTRODUCTION

I the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Seventeenth Report on the Appropriation Accounts of Railways in India for 1953-54 and Audit Report, 1955.

2. The Appropriation Accounts of Railways in India for 1953-54 and the Audit Report, 1955, were laid on the Table of the Lok Sabha on the 21st December, 1955. The Committee examined these Accounts etc. at their sittings held on the 23rd, 24th and 25th January and 21st April, 1956.

3. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report (Part II).

A statement showing the Summary of the principal recommendations of the Committee is also appended to the Report (Appendix II).

4. The successive Committees on Public Accounts have from time to time drawn attention of the Ministries to delays in the submission to them of the notes/memoranda on points arising from the Accounts examined by the Committee. Such delays cannot but hamper the work of the Committee. Very often, they prevent the Committee from recording their findings in time on the merits of cases involving serious financial and procedural irregularities. The Committee strongly disapprove such delays. They view with like disfavour the submission of notes at the last moment. Indeed, in one case, the notes were received from the Railway Board only a few hours before the Committee commenced deliberations; in another, a voluminous note was sent just a few days before. The main object of the Committee in asking for the information in the first case was defeated as it was impossible for them to go through it and record evidence thereon. The Committee, therefore, emphasise that as already recommended by them in Para 5 of the Introduction of their Sixteenth Report, the Ministries concerned should make it a point to submit the notes etc. called for by the Committee by the prescribed dates. In cases, where it is not possible to adhere to these dates, the Ministries should invariably inform the Committee stating beforehand the special circumstances which prevented them in furnishing the requisite information by the specified dates. To enable them to fulfil this requirement, the Railway Board should impress upon the various Railway Administrations that priority should be given in the matter of supplying to the Board information called for by the Public Accounts Committee.

5. In para 4 of their Thirteenth Report, the Committee had referred to an important question, viz., action to be taken in cases where expenditure had been incurred without the sanction of the competent authority and *ex-post-facto* sanction thereof was refused by the Ministry of Finance of the Finance Branch of the Railway Board, as the case may be. The Committee were assured that this

(iv)

matter was engaging the attention of the Government, but they regret to find that even after a period of one year, the Ministry of Finance have not so far been able to furnish them a note setting forth the precise procedure that should be followed in such cases. The Committee desire that this matter should be pushed to an early decision.

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

NEW DELHI;
The 28th May, 1956.

V. B. GANDHI,
Chairman, Public Accounts Committee.

I

GENERAL REVIEW OF THE FINANCIAL WORKING OF RAILWAYS DURING 1953-54

The year under review is the second year following the completion of the administrative re-organisation of the various railway systems to form one co-ordinated Railway undertaking divided into six zonal administrative units.

2. **Financial results of the year.**—The following table compares the original and the revised estimates with the actual expenditure of the year 1953-54:

(In Lakhs of Rupees)

	Budget Estimates	Revised Estimates	Actuals
Traffic Receipts (less Refunds)	2,72,28	2,72,00	2,74,29
Miscellaneous Receipts	33	32	31
Working Expenses (including depreciation and payment to worked lines)	2,21,20	2,27,87	2,31,75*
Miscellaneous Expenditure (including rebate paid to worked lines)	7,33	6,81	5,93*
Dividend to General Revenues	34,77	34,46	34,36
Surplus	9,31	3,18	2,56

*The figures against 'Working Expenses' and 'Miscellaneous Expenditure' in the above statement are net i.e., after taking into account 'Credits or recoveries' which were excluded from the Demands for Grants, as presented to the House for purposes of voting.

3. **Financial results.**—During the year under review, the gross traffic receipts amounted to Rs. 2,74.29 crores against the budget estimates of Rs. 2,72.28 crores, an increase of Rs. 2.01 crores. After crediting Rs. 30 crores to the Depreciation Reserve Fund, the year actually closed with a surplus of Rs. 2.56 crores which was allocated to the Development Fund. The corresponding figures for the years 1951-52 and 1952-53 were Rs. 28.34 crores and Rs. 13.19 crores respectively. The operating ratio i.e., the rate of ordinary working expenses (including appropriation to the Depreciation Reserve Fund) to gross earning was 85.06 per cent. as against 77.37 and 80.80 per cent. for 1951-52 and 1952-53, respectively.

II

CONTROL OVER EXPENDITURE

4. Accuracy of Budgeting.—The Accounts of the year show a net saving (over the total grant) of about Rs. 5,80 lakhs or 1·81 per cent. under Revenue Expenditure. Under Capital, Depreciation Reserve Fund, Revenue Reserve Fund and Development Fund there was a saving of about Rs. 11,21 lakhs or 4·33 per cent. These compare with the results achieved in the preceding year as under:

Year	(in lakhs of rupees)		
	Total grant and Appropriation	Saving (—) or Excess (+)	Percentage of Column 3 to 2
1	2	3	4
<i>Expenditure met from Revenue</i>			
1952-53	2,88,29	—13,63	4·73
1953-54	3,21,08	—5,80	1·81
<i>Expenditure met from Capital, Depreciation Reserve Fund, Revenue Reserve Fund, and Development Fund.</i>			
1952-53	75,97	—16,87	22·2
1953-54	2,59,04	—11,21	4·33

(ii) **Savings on voted grants.**—Savings occurred in 12 out of 20 voted grants. In two cases, the percentage of savings was to the extent of 55·17 and 72·53.

(iii) **Excessive Supplementary Grants.**—There were two cases wherein the Supplementary grants proved unnecessary or excessive. The more important of the two was the saving of Rs. 4·45 crores under Grant No. 17—Open Line Works—Replacements against the Supplementary Grant of Rs. 2·67 crores.

(iv) **Excess over voted Grants.**—In the year 1953-54, there were 7 cases of excesses over voted grants, as against 2 cases in the previous year. These excesses are shown below :

Grant	Final Grant	Actual Expenditure	Excess
No. 4—Revenue—Working Expenses—Administration	27,41,85,000	27,90,16,263	48,31,263
No. 5—Revenue—Working Expenses—Repairs and Maintenance	68,45,04,000	69,19,21,619	74,17,619
No. 6—Revenue—Working Expenses—operating staff	42,93,13,000	43,39,81,100	46,68,199
No. 7—Revenue—Working Expenses—Operation (Fuel)	23,19,66,000	23,98,13,491	78,47,491
No. 8—Revenue—Working Expenses—Operation other than staff and fuel	14,65,71,000	14,87,30,686	21,59,686
No. 9—Revenue—Working Expenses—Miscellaneous Expenses	58,29,02,000	58,45,58,427	16,56,427
No. 10—Revenue—Payments to Indian States and Companies	35,09,000	35,75,236	66,236

(v) **Excess over charged appropriation.**—There was an excess of Rs. 52 under Grant No. 3—Revenue—Miscellaneous Expenditure.

The detailed reasons for the excesses under each Grant have been set forth in the note (Appendix IV) submitted to the Committee by the Railway Board.

5. The Committee recommend that the above excesses be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

6. **Budgeting and control over Expenditure.**—Instances of inadequate or injudicious surrenders at the time of final grant and unnecessary re-appropriation of funds during the year have been detailed in sub-para (c) of para 5 of the Audit Report.

In para 6 *ibid*, attention has been drawn to some important cases involving breaches of principles of expenditure control and accounting procedure. In these cases, the cost of materials intended for various works was debited to the accounts of those works much in advance of the physical movement of the stores from the Stores Depots. The Committee also note that in one case, even though the material had not actually arrived at the construction site, debits to the extent of Rs. 7.19 lakhs were accepted and charged to the work in the Accounts for March, 1954. In fact, a large portion of the materials had not been despatched to the work-site even as late as June, 1955.

During their examination of the Appropriation Accounts (Posts and Telegraphs) for 1952-53, the previous Committee came across such instances in which stores were accounted for as issued to some of the Engineering Divisions although they remained in the Depots pending despatch for quite a long time thereafter. Obviously, the authorities resorted to this practice with a view to avoid lapse of funds and reduce the book balances of stores held in the Stores Depots. In para 24 of their Thirteenth Report which also dealt with the Railway Accounts, the Committee commented upon this irregular procedure which militated against not only the observance of strict accounting principles but also adequate check being exercised by the Executive over the proper utilisation of stores for purposes for which they were indented. The Committee consider this procedure highly objectionable as it results in 'fictitious adjustments' in the accounts and is attendant with grave risks of fraud, embezzlement etc. They, therefore, desire that the Railway Board should impress upon all the Railway Administrations the need to ensure that such an irregularity does not occur in future and that issue of stores, especially in the month of March, is confined to what can reasonably be expected to be utilised and despatched before the end of that month.

7. **Debits for supplies and services.**—During their discussion of the reasons for some of the important savings on voted grants (Grants No. 16 and 17—Open Line Works, Additions and Replacements respectively), the Financial Commissioner, Railways informed the Committee that this was due mainly to the fact that the supplies of rolling-stock which had been ordered from abroad and in respect of which provisions had been made in the budget for the year under review, did not materialise. In extenuation, he urged

that the Railway Board had little or no control over this matter and they usually awaited the supplies uptil the last moment.

The Committee are aware of the difficulties in the matter of preparing accurate estimates for store-purchases. Nevertheless, they would like to point out that uncertainties in supply position are not as marked as they used to be during the war years and late forties, rendering every estimate for purchase of stores too wide of the mark. They would, therefore, once again reiterate their recommendations in recent years that a suitable procedure should be devised by the large spending Ministries like the Ministry of Railways, whereby they should be able to ascertain, telegraphically if necessary, from the Purchase Missions abroad about the precise position in regard to the supplies within the financial year, and estimate the total requirements as accurately as possible. They are of the opinion that the position should improve if the Railway Adviser attached to the Indian High Commissioner in London is entrusted with the task of chasing the indents placed with the various suppliers and manufacturers in the U.K. and the Continent and thus keeping a constant progress check over them.

8. Para 45 of Part I of the Accounts—Review—Execution of works without specific provision having been made in the Budget.— It has been stated in this para that 427 works were executed during the year, each costing Rs. 5 lakhs and over (listed in Annexure D to the Appropriation Accounts, Part II), for which no specific provision was made in the Budget. The total expenditure incurred thereon was Rs. 28.39 lakhs.

From a note (Appendix V) submitted to the Committee at their instance, they observe that the number 427 mentioned was not strictly correct and it was due to a misapprehension on the part of certain Railway Administrations. The Railway Board have assured the Committee that in future reviews, the position would be set out correctly. Actually, there were only 105 items relating to works for which no provision was made in the original budget. They represented the throw-forward from the previous years, amounting to Rs. 55 lakhs during the year under report. Similarly, there were 10 "structural works" for which no provision was made either in the original Budget or by re-appropriation during the year. The amount involved was Rs. 3.45 lakhs.

The Committee were given to understand that the Railway Board were vested with powers to provide funds by re-appropriation in such cases within the amount voted by Parliament.

The Committee appreciate that a certain amount of elasticity is necessary for the working of the system. They would, however, like to draw a distinction between the diversion of funds to a work already sanctioned by Parliament and diversion to one which has never been on the Budget Estimates. They, therefore, recommend that whenever any proposal is made to use the savings for the commencement of any new work not contemplated in the original budget a very jealous scrutiny should be exercised. The Committee would also invite attention to para 10 of their Thirteenth Report in this connection.

The Committee also note that in the case of works for which provision was made in the Budget, the expenditure under 'Rolling Stock', was less than the original appropriation by Rs. 2,94 lakhs. This has been stated as largely due to non-receipt of debits and supplies and slow progress of works. In the Committee's opinion, such an explanation hardly enables them to see as to where the bottleneck lies. They, therefore, desire that in future Reviews, the Railway Board should in such cases split up the important savings into suitable categories e.g., non-receipt of supplies and/or debits therefor, slow progress of works etc. and give details under each category.

III

LOSSES, NUGATORY EXPENDITURE, FINANCIAL IRREGULARITIES AND OTHER TOPICS OF INTEREST

AUDIT REPORT, RAILWAYS, 1955

(i) Contracts

9. **Para 8—Over-payment to a Manufacturing Company**—In September, 1948, the Railway Board entered into an agreement with an Indian Company for the supply of pig iron and its subsequent conversion into cast iron sleepers, and in terms of the agreement paid to the Company for the pig Iron at a rate which was made up of:—

- (a) Works cost plus profit, and
- (b) Place extra.

'Place extra' means the freight from the nearest port to destination levied on the despatches from the Company's works to the various destinations; and under the distribution arrangements of steel, the 'place extra' is recoverable irrespective of whether any actual railway freight is incurred or not by the producer in sending the despatches to the destination in question.

The Pig Iron supplied in this case was used at the Company's works itself, and was not moved at all. The question of paying any freight in the shape of 'place extra' did not, therefore, arise. The Iron and Steel Controller to whom this matter was referred is also reported to have expressed the opinion that 'place extra' paid by the Ministry of Railways to the Company was in excess of the fair retention price to which only the Company was entitled. The total freight thus reported to have been paid to the company in excess was Rs. 10,03,410.

Although the above fact was brought to the notice of the Railway Board by Audit as early as May, 1952, the question of refund was not taken up with the Company by the Board till June, 1954, after a lapse of more than 2 years. In extenuation of this delay, it was explained in evidence by the Financial Commissioner, Railways that soon after the receipt of the Audit objection, discussions took place between the Ministry of Railways, the Comptroller and Auditor General and the Ministry of Commerce & Industry and action could be taken only after these discussions. The Committee were informed that the Railway Board actually wrote to the Company on the 18th June, 1954, claiming a refund. The Company, however, repudiated the claim on the ground that under the terms of the contract, it had charged correctly and no refund was due to the Railways.

The Committee were given to understand that the question of recovery was under the active consideration of the Railway Board in consultation with the Ministry of Law. The Financial Commissioner, Railways promised to send a detailed note to the Committee

as soon as a settlement has been arrived at. While the Committee would wait for the note before expressing an opinion on this case, they regard the delay that had already taken place in this case as too long.

10. Para 9—Agreement with the Swiss Firm—SCHLIEREN for the manufacture of all-metal light-weight coaches.—The Ministry of Railways entered into an agreement in 1949 with SCHLIEREN, a Swiss firm, for getting technical assistance in the setting up of a factory in India, for the manufacture of all-metal light-weight coaching stock. Some aspects of the working of the agreement had been commented upon in paras 13 of the Fifth Report and 29 of the Tenth Report of the previous Committees.

According to clause 8 of the agreement, payments for the prototype and other coaches manufactured by Schlieren were to be in Swiss currency on cost plus ten per cent. basis.

11. In the statement of the costs of the first 50 coaches manufactured by Schlieren for the Railways under this agreement, the following two items of incidental expenses were stated to have been included which the Government of India reimbursed to the Company:—

- | | | |
|---|--------------|---------|
| (i) Payment to Swiss Federal Authorities for additional export quota | Swiss Francs | 217,000 |
| (ii) Swiss Clearing office fees on remittances from India to Schlieren through clearing channels..... | Swiss Francs | 122,280 |

The Railway Board have explained the nature of these charges in a note submitted to the Committee (Appendix VI).

In regard to the payment of Swiss Clearing Office fee, the Railway Board have contended that it was not in the nature of a banking charge or a commission as was levied by a bank from its clientele. This fee had to be paid so long as the purchase of Swiss Francs was made through the Swiss Clearing Office. The Comptroller and Auditor General also informed the Committee that he had since satisfied himself that at the time this payment was made, the Government of India did not have any free Swiss Francs available and, therefore, they had to take recourse to the clearing house arrangement for obtaining the necessary Swiss currency. The Committee do not, therefore, propose to pursue this further.

As regards the 3½ per cent. levy for the Export quota, the Committee understand that this levy was imposed by the Swiss Government in 1948 on all exports to sterling areas for the purpose of subsidising their imports and it was discontinued from 25th October, 1949, on the devaluation of sterling. The order for the supply of first 50 coaches under the agreement was, however, placed by the Railway Board on the Company in December, 1949, i.e. after the levy had been discontinued; and the deliveries were not expected to commence until after 31st March, 1951. But before the receipt of this order, the firm had obtained on the 7th October, 1949, from the Swiss Government, on payment of the

levy, a permit for the export of the above coaches. The Railway Board authorised the High Commissioner for India, London on 3rd September, 1953, to pay to the firm an amount of Swiss Francs 217,000 on account of the export quota fee paid by the firm to the Swiss Government.

12. The Committee desired to know the reason why the Company proceeded to get the permit by paying the levy in anticipation of the receipt of an order for the coaches. The representative of the Railway Board informed the Committee that the Company would perhaps be justified in taking preliminary action for fulfilment of the contract entered into by it in May, 1949, and that it did not know at that time that the fee would be abolished towards the end of October, 1949. He added that the legal opinion was that the export quota fee was incidental and if it was payable for obtaining the licence, it would be a charge on the Government of India.

13. In reply to a question whether the Company sought the approval of the Railway Board before it obtained the licence, the Committee were informed that no such approval was sought or taken. On the basis of the material placed before them, the Committee feel that the firm should not have rushed on its own for obtaining the export quota from the Swiss Government without reference to the Railway Board. In their view, the necessity therefore was neither established nor urgent because the formal order was not received by the Company at that time and the supplies were to commence only after 15 months from that date. They would, therefore, suggest that the Railway Board should make further efforts to get a refund of the payment made to the Company on account of the export quota fee.

14. **Para 10—Irregularities in stores purchase.**—In April, 1948, five different Railways of the former Indian States, were integrated into one unit in a Part 'B' State. Consequent upon the Federal Financial Integration of States with the Indian Union on 1st April, 1950, these Railways came under the administrative control of the Ministry of Railways. On the reorganisation of Indian Railways, this unit was merged into one of the zonal Railways with effect from 5th November, 1951.

In the matter of local purchase of stores, which are normally procured through the Director General, Supplies and Disposals, the Railway Board advised the General Manager on the 15th June, 1950, that his financial powers were limited to Rs. 500 for each individual item. This limit was raised to Rs. 2000 with effect from the 13th November, 1950 and it was specifically enjoined that incidents for similar items should not be split up with a view to bring the purchases within this limit. As an exception, Railway Board had in their letter dated 17/19th April, 1950 authorised local purchases above this limit upto Rs. 5,000 in cases of established emergency.

15. In January, 1952, an anonymous report was received that in contravention of the rules and regulations certain payments aggregating to Rs. 5 lakhs had been made by six cheques on the 29th December, 1951. Departmental investigation started immediately

on the basis of this anonymous letter brought to light the following irregularities:—

1. Purchases of stores of the value of about Rs. 9.25 lakhs were brought under the purview of local purchase provisions by the deliberate splitting up of orders.
2. Abnormally high rates were paid for such purchases.
3. Purchases were made on the basis of market rates indicated in a letter alleged to have been issued by the Director of Supplies, Bombay but this was subsequently found to be a forged document.
4. Purchases were made without any indents from the consuming departments.
5. Indents were prepared and ante-dated subsequent to the placing of orders to provide necessary cover.
6. The dates of purchase orders were altered so as to make it appear that the purchases were unconnected and made on different dates.
7. Orders were placed on firms who were not dealing in the type of stores to be purchased.
8. 90 per cent. payment was made on the authority of receipts for stores issued by the Clearing Agents who were a firm of Radio dealers, without proper inspection certificates. It transpired that though the payments were made in December, 1951, the stores were actually sent to the indentors only in January and February, 1952.

The total estimated loss resulting from this transaction aggregated to Rs. 5,23,792.

16. As a result of Departmental investigations carried out between January and April, 1952, which disclosed the above irregularities, the ex-General Manager, the ex-Chief Mechanical Engineer and the ex-Financial Adviser and Chief Accounts Officer were suspended from service with effect from the 14th May, 1952. Charge sheets were then issued in October, 1952 against these three officers and against the then Controller of Stores who was also placed under suspension from 25th January, 1954. Disciplinary action against them was still reported to be pending.

17. The Committee are perturbed to observe that even after three years since these officers had been suspended and charge-sheeted, it had not been possible to finalise disciplinary action against them especially when the charges involving, as they did, misappropriation and forgery etc. were of a very serious nature warranting criminal action.

18. By request, the Committee were apprised of the various stages of the progress of the case.

19. The Committee did not feel convinced that there were any valid reasons for the delay that had occurred at each and every stage

of the enquiry. The Committee are distressed to see the routine manner in which the case has been dealt with. They are at a loss to understand why when the Report of the Departmental Committee revealed that the officers concerned had forged documents, which called for criminal investigation, the case had not been reported to the Police for concurrent action. In the Committee's opinion, delay in finalising the Departmental action might have a prejudicial effect due to loss of evidence such as may be available on the criminal proceedings that might have to be taken.

20. The Committee were informed that the case for departmental action was in its final stage now and that immediately on receipt of the advice of the U.P.S.C., the case would be handed over to the Police for investigation. The Committee would like to impress on the Railway Board the need for progressing the case vigorously.

21. **Para 11—Building certain Rail cars and Trailers**—In this case, the General Manager of a Railway diverted funds authorised for a particular work towards meeting the cost of certain other works undertaken by him without the approval of the Railway Board. Records show that the work for which the funds were diverted and actually utilised was not done during the year, but certain dates of official records appeared to have been ante-dated, as indicated below:—

- (i) An estimate for Rs. 2,89,276 for 4 Rail-Cars was certified by the Financial Adviser and Chief Accounts Officer, as requiring the sanction of the Railway Board and passed on to the General Manager on 2nd April, 1951. This date has been altered to 31st March, 1951.
- (ii) Subsequently, the work was split up into two estimates, one for 3 Rail-cars and 6 Trailers amounting to Rs. 1,74,150 and the other for 1 Rail-car and 2 Trailers amounting to Rs. 58,050. These fresh estimates, verified by the Financial Adviser and Chief Accounts Officer with respect to the incidence of charges only and stating that the competency of sanction depended on the approval of the Railway Board to the programme, were passed on to the General Manager with an endorsement, dated 8th May 1951 and this date appears to have been altered to 28th March, 1951. The estimates, were however, sanctioned by the General Manager himself and his sanction was received in the Accounts Office on 9th June, 1951, but the sanction is shown as having been accorded on 31st March, 1951.
- (iii) The General Manager took no action to regularise the matter until the detailed estimates were called for by the Railway Board on 21st June, 1951. Even then, he submitted two estimates, each for a set of 2 Rail-Cars and 4 Trailers, quite different from those actually sanctioned by him.
- (iv) The Railway Board were informed on 28th July, 1951, by the General Manager that the work on the estimates as split up by him was undertaken in consulta-

tion with the Financial Adviser and Chief Accounts Officer. On a further reference from the Railway Board in October, 1951, the General Manager informed them on 2nd November, 1951, that definite commitments had been entered into in February, 1951, and that the work to the extent of Rs. 1.65 lakhs was completed by the end of the year 1950-51. On the other hand, the papers show that the proposal for building the Rail-Car units was initiated only on 29th March, 1951 i.e. three days before the close of the financial year, and the two agreements with the Contractors for the estimates were dated as 31st March, 1951. The date of sale, as indicated by the Stamp Vendor on one of the stamped agreement forms, however, showed that it had been purchased only on 27th October, 1951.

- (v) The amount of Rs. 1.65 lakhs charged to the accounts of 1950-51 comprised two bills submitted by the Contractors. One of the bills for Rs. 61,125 for the supply of 3 Chevrolet chassis, on which the Rail-Cars were to be built, was dated 30th March, 1951. It was paid on 31st March, 1951, while the chassis, which required execution of some initial work by the Railway were actually delivered to their Workshops only on 30th April, 1951. The other bill for Rs. 1,03,875 for making 3 Rail-cars and 6 Trailers was dated 15th April, 1951, but bears a stamp of the Accounts Office as having been passed for payment on 31st March, 1951, even though the cheque was made over to the Contractor on 9th May, 1951 only.
- (vi) The Bills in question were not accepted by the District Loco Officer concerned, but the Chief Mechanical Engineer on his behalf.
- (vii) The length of the Trailers shown in one of the two agreements for 2 Trailers was 18' while in the other agreement for 6 Trailers was 24'. The actual length of all the Trailers built was 19'. The contractors were, however, paid Rs. 4,444 for extra length of 1' for all the 8 Trailers, instead of limiting it to 2 Trailers and effecting recovery from the contractor for short length of 5 ft. in each of the remaining 6 Trailers. This resulted in a loss of about Rs. 20,000.

22. The Committee understand that the General Manager and the Chief Mechanical Engineer in question are the same Officers who were involved in the case reported in paras 14—20 above. The Committee would, therefore, add that their observations in these paragraphs are applicable to this case also.

23. **Para 12—Supply of Defective Cylinders—*The facts of this case are:

A contract for 100 'W. G.' locomotives was placed by the India Store Department, London, with a firm in the United Kingdom. The

*See also appendix VII.

deliveries were to commence in January 1950 and were to be completed by September, 1952. The locomotives were put on rails in India from September, 1950 onwards. The first report about the crack of a cylinder of one of the locomotives was received from the ex-B. N. Railway, in July, 1952 followed by a similar report from the Western Railway in November of the same year, where after the cracking of the cylinders became an 'epidemic'. By the middle of 1955, about 159 cylinders out of the total 200 fitted in the locomotives (each locomotive is provided with 2 cylinders) supplied by the above firm had cracked. Similar cracking was also observed in about 90 cylinders out of the 268 supplied directly by another United Kingdom firm, for fitting into the 'W. G.' locomotives under manufacture by the Chittaranjan Locomotive Works.

24. A technical enquiry held in 1953 revealed that the cracking of cylinders was attributable mainly to defects in their design including a corehole 10" x 2" and the poor finish of the castings.

25. Attempts were made by the India Store Department, London in April and May, 1953 to obtain from the firm which manufactured 100 'W. G.' locomotives, 23 cylinders in replacement of those that cracked, but they were not successful and the same had to be purchased elsewhere. Again, in October, 1953, the India Store Department, London, claimed free replacement of 114, and 61 cracked cylinders respectively from the two firms on the ground that the design of the cylinders and the workmanship were defective. No satisfactory reply to the above reference was received from the firm which supplied the 'W. G.' cylinders directly to the Chittaranjan Locomotive Works. The firm which supplied 100 'W. G.' locomotives, however, repudiated the claim in December, 1953, on the following grounds—

- (i) The cylinders were manufactured by them in accordance with the drawings approved by the Consulting Engineers.
- (ii) They were at all stages of manufacture subject to inspection and requirements of the Inspecting Engineers.
- (iii) There was no guarantee clause in the agreement.

In the case of the firm which supplied cylinders directly to the Chittaranjan Locomotive Works, the cylinders were subject to that firm's inspection while, in the other case, the Consulting Engineers of the Railway Board who were responsible for the design acted as the Inspecting Engineers as well.

26. During the course of their examination, the Committee were informed by the Member (Engineering), Railway Board that all the specifications required for the 'W.G.' locomotives were made over to the Consulting Engineers by the Railway Board and they were asked to follow the 'W. P.' design as far as possible. The Consulting Engineers were responsible for designing the cylinders and producing the detailed drawings thereof taking into account (i) the comparatively larger steam load of a 'W. G.' cylinder and (ii) the fact that the cylinders were to be made of cast iron (the cylinders in 'W. P.' engines were of cast steel). The Committee learn, however, that the manufacturing firm adopted the design of 'W. P.'

locomotives previously manufactured by them, but instead of providing a stronger web for the comparatively larger steam load of a 'W. G.' cylinder, they actually reduced the thickness of the web and provided a corehole which weakened the web.

The contention of the firm of manufacturers was that the Consulting Engineers, as the Inspecting Engineers, approved the detailed drawings and did not point out any defects in the manufactured cylinders. In the opinion of the Committee, the responsibility for the defective manufacture of cylinders rested on the manufacturers and the approval of the detailed drawing by the Consulting Engineers could not absolve them from that responsibility. The Committee are glad that the Railway Board are also of the same opinion. They also note that the legal opinion 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. The Committee observe that the Director General, India Store Department, London has been instructed to present a claim for compensation from the manufacturers for the supply of defective cylinders. The Committee would like to be informed of the results in due course.

27. The Committee understand that this firm of manufacturers is a reputed firm of locomotive builders and is casting such cylinders by thousands. The firm could not, however, explain the cause of cracking of the cylinders in the present case. The Committee are surprised that such a firm would advance the absence of a formal guarantee clause in the agreement as an argument for repudiating the claim. While the Committee do not desire to go into the legal aspect, they would like to point out that under the established custom and usage in trade, the manufacturing firm was bound to deliver supplies which were free from defect. The Committee would express the hope that the Railway Board should be in a position to persuade the firm to conform to this practice, as it is continuing to enjoy the patronage of the Railway Board.

28. In reply to a question, the Committee were informed that the Consulting Engineers did not apprise the Railway Board when they agreed to the reduction in the thickness of the web in the cylinder. In the Committee's view, the firm of Consulting Engineers who had a dual role to play in respect of this contract, should have brought this fact to the notice of the Railway Board in their capacity as the Inspecting Engineers. The representative of the Railway Board informed the Committee that the Consulting Engineers accepted the responsibility for the design but not the liability. The Committee are unable to appreciate this stand. As regards the other firm which supplied cylinders directly to the Chittaranjan Locomotive Works, the cylinders were subject to that firm's inspection and as such, their responsibility cannot be waived. The Committee would suggest that the matter should be examined by the Railway Board in consultation with their legal advisers in London and further action taken. They would like to be informed of the progress in due course.

29. *Para 13—Avoidable expenditure on freight on 150 locomotives.*—This case relates to shipment to India of 100 locomotives from the United Kingdom and 50 locomotives from Continental

ports. In both the cases, quotations were originally received for the shipment of fully erected locomotives at £2,400 each. The quotations were open for acceptance till the 31st July, 1951 in the case of shipment of 100 locomotives from the United Kingdom to Bombay and till 14th November, 1951 in the case of shipment of 50 locomotives from Continental ports to Madras. The time for acceptance of the quotation in respect of the locomotives from the United Kingdom was extended to 30th November, 1951. In both the cases, the quotations were allowed to lapse and later, the India Store Department had to accept a new quotation at a higher rate of £2,475 per locomotive for the shipment.

30. Explaining the reasons for the non-acceptance by the Director General, India Store Department, London of the first quotation of £2,400 a locomotive from the United Kingdom to Bombay, the representative of the Ministry of Works, Housing and Supply (the Director General, India Store Department, London is under the administrative control of the Ministry of Works, Housing and Supply) stated in evidence that this quotation which was received through the brokers on the 26th June and was open till 31st July 1951 was considered to be high, as earlier in the year (1951) the Director General had paid freight at a lesser rate of £2,350 for a heavier type of locomotive. He, therefore, made further enquiries. As the enquiries and negotiations had not been completed till 31st July, 1951, the acceptance date was got extended upto the end of November, 1951. On the 28th November, a couple of days before the expiry date of the extended offer, the brokers wrote to the shipping company stating that the delivery period (which was originally the end of December, 1952) was likely to be extended to April, 1953, and asking them for the extension of the period of shipment at the rate of £2,400. On receipt of this letter from the brokers, the shipping company wrote to the Director General, India Store Department on the 3rd December, 1951 stating that "as no acceptance of their quotation has been received by the 30th November, the Lines must in accordance with their letter of the 19th November, withdraw their offer". In view of the extension of the delivery period, the company gave a revised quotation of £2,475 for a locomotive, the offer being open upto 17th December, 1951. Since the results of the enquiries which the Director General was making were not favourable and as there were signs that the freight rates might go up from March or April, 1952 because of an increase in the seamen's wages, the offer of £2,475 was accepted by the Director General in consultation with Finance. The Committee were also informed that the offer of the shipping company was on an "all or none basis".

31. The Committee desired to know whether the brokers were informed by the Director General, the indenter, about the extension in the delivery dates and the brokers wrote to the shipping company thereafter. The representative of the Ministry of Works, Housing and Supply could not give a categorical answer to this. Nor could he affirm that the letter was written by the broker with the concurrence of the Director General. The Comptroller and Auditor-General has stated in his Report that "from a discussion that followed between the representatives of the Company and the Brokers consequent upon the issue of this letter, the India Store

Department was given to understand that the letter was regarded as altering the position and making it unnecessary for the India Store Department to reply so promptly". The Committee are unable to understand how the Director General had acquiesced in such a view when the shipping company was addressed by the brokers not at his instance and the offer was open for acceptance by him till 30th November. They were informed that even according to the revised delivery schedule, only 25 locomotives out of the 100 contracted for, were to be delivered in the extended period. Therefore, in their view, it would have been possible to negotiate the contract with the Shipping Company at the original offer of £2,400, for the locomotives delivered upto the end of December, 1952, and at the higher freight for deliveries after that date. The Committee feel strengthened in their view by the following passage from a letter of 3rd December from the shipping company which the representative of the Ministry read out at the meeting:—

"I am sure that even had the £2,400 been applied by the Lines to the end of December, 1952, they would have asked for a higher figure than £2,475 for the extended period as it is only right that they should cover themselves when quoting so far ahead".

32. As regards the shipment of 50 locomotives to Madras from Continental ports, the Committee were told that the original offer of £2,400 was allowed to lapse because of a doubt whether there were adequate port facilities in Madras for transshipment. The Committee were informed by the Comptroller and Auditor-General that, according to the Director of Audit, London, although there were deficiencies in port facilities at Madras, with a little bit of foresight arrangements could have been made for unloading the locomotives in Madras. In fact, 10 locomotives were landed at Madras. Even granting that there was a doubt, the Committee are at a loss to understand why the position was not ascertained by the Director General from India and the offer of £2,400 accepted in time. In order to enable the Committee to examine the case fully, the Comptroller and Auditor-General agreed to ascertain the full facts of the case from the Director of Audit, London and place them before the Committee. They would like to await the same before expressing their final comments on this case.

33. Para 14—Central Railway—Purchase of Barsi Light Railway—
The Barsi Light Railway, 202.57 miles in length, owned by the Barsi Light Railway Co. Ltd., was opened to traffic in 1906. Under the contract, Government had the option to purchase the line with effect from 1st January, 1954. With a view to deciding whether the option should be exercised or not, the Railway Board, in February, 1952 asked the Central Railway Administration to carry out a technical-cum-financial examination of the line. On the 19th December, 1952, the Ministry of Railways issued notice that the line would be purchased on 1st January, 1954.

34. Towards the end of 1953, the Railway Board issued instructions to the Central Railway Administration, through whom the purchase of the Railway was conducted, for necessary arrangements being made with the Government Inspector of Railways for a

special inspection of the line and its assets, with reference to the contractual provisions and asking that technical officers of the Central Railway be also associated with it. The Inspection Report of the Government Inspector of Railways referred *inter alia* to certain arrears in the renewal of sleepers on certain sections, as compared to the programme drawn up by the Barsi Light Railway Company. The cost of these arrears of work which the Company had programmed to complete before the end of 1953 was about Rs. 4.99 lakhs. Certain certificates were also recorded by the officers of the ex-Barsi Light Railway Company on 31st December, 1953 and countersigned by the Government Inspector of Railways and two Officers of the Central Railway Administration on 7th January, 1954, stating that the assets of the Company had been maintained in good working condition and repair. On the basis of this certificate, and similar certificates in respect of past years, it was held by the Railway Board and the Central Railway Administration that no deduction was permissible from the purchase price payable to the Company under the contract for defective maintenance or omission to remedy depreciation in terms of the provisions of the contract.

35. The Barsi Light Railway Company was, accordingly, paid the entire capital expenditure on the line amounting to Rs. 1.78 crores without any deductions whatsoever either on account of defective maintenance or omission to remedy depreciation although, according to Audit, claims could have been enforced against the Company under the terms of the contract in respect of the following items, at least in part, if not to the full extent, on account of "omission to remedy depreciation":—

	(Rs. in Lakhs)
(i) Renewal of rapidly deteriorating sleepers .	4.99
(ii) Renewal of rapidly deteriorating sleepers-work programmed in continuation of (i) above and which should have been completed by 1954-55	4.02
(iii) Renewals of 35 lb. section rails on a length of 54 miles	14.27
(iv) Renewals of assets which had outlived their normal lives	16.47
	39.75

The payment on account of the first three items was, in fact, withheld in the first instance, but was made later on.

36. The Committee wanted to know why after withholding payment, the Railway Board did not press these claims. In extenuation, it was urged by the Railway Board that in the matter of purchase of this line, they were guided by the terms of the contract which the former Secretary of State for India had entered into with this Company and in accordance with Clause 28 thereof, they could have made only such deductions as were due to defective maintenance. It was added that in accordance with the advice tendered by the Ministry of Law, they could not recover any sums from the Company for remedying any depreciation. Another point which weighed with the Railway Board in giving up the claim against the

Company in so far as item (i) above was concerned was that the Railway Board had not given any notice to the Company before taking over that the maintenance of track etc. was defective and that the Company should have made it good. Therefore, in terms of the contract, the Railway Board could not deduct from the dues of the Company any amount on account of renewals which the Company had not undertaken even though they had programmed for it. In regard to other items referred to above, these really formed part of what was called depreciation and, therefore, no money could be deducted on their account from the amount due to the Company under the terms of the agreement.

37. The Committee called for a note from the Railway Board explaining the reasons as to why the special inspection of the rolling stock and permanent way was not 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. The Railway Board have submitted a detailed note with exhaustive enclosures. (Appendix VIII). The Committee could not find adequate time to go through the note and its enclosures as they reached them very late. They observe that there had been a lot of discussion in consultation with the Ministry of Law regarding the right of Government to effect deductions from the purchase price and the precise scope thereof in terms of the provisions of clauses 28 and 43 of the contract. Without expressing an opinion on the legal interpretation of the relevant clauses of the contract, the Committee would confine their observations to certain other important features of this case.

38. The technical *-cum-*financial inspection of the Barsi Light Railway carried out in 1952 disclosed that a large number of Company's assets, e.g., plant, machinery, rolling stock and permanent way and other structures had long passed their normal lives and that the Barsi Light Railway Company had drawn up a phased programme (at the rate of 10 miles every year from 1950-51 onwards) to renew the steel trough sleepers, as attempts at welding the cracks in them were unsuccessful. In fact the Company had renewed 16.9 miles by the end of 1951-52. It was also stated in the Report: "this rate of renewal is adequate and will have to be continued until all the steel sleepers are out of the road". Attention to this replacement of trough sleepers by wooden sleepers was also invited in the special examination of the condition of the assets of the Barsi Light Railway conducted in November, 1953. In the opinion of the Committee on the basis of this information, the Railway Administration should have issued before 31st December, 1953, the date of termination of the contract, a direction to the Company for arranging replacement of the over-aged assets and for the completion of the programme of sleeper renewals before the expiry of the contract or to accept liability for the uncompleted replacements on the date of the termination of the contract. No steps in that direction were, however, taken. On the other hand, the Railway Board held the view that the above inspection reports and those of the Government Inspector of Railways indicated that the Company's assets were generally maintained in good working condition and repairs. The Railway Board contended that unless there were some indications in the records that the actual condition of the overaged assets was

in any way defective or left anything to be desired, it was doubtful whether the cost of such deferred renewals could be claimed from the Company. The legal opinion on the matter has also been cited in support.

39. The Committee find it difficult to appreciate fully the stand taken by the Railway Board. They note from the extracts of the notings on the file of the Railway Board furnished to them, that the question of deduction in the purchase price under clause 28 of the Agreement with the Company was the subject of discussion between the Company and the Railway Administration much before the termination of the contract. If so, even as a measure of precaution, if not of practical prudence, the Railway Board, either themselves or through the Central Railway Administration, should have issued a direction to the Company in this connection as contemplated by the Agreement. Instead, the Railway Board were paying too much attention to the legal and technical aspect of the matter. For, after all, it was a business deal and it should have been clear from the beginning that for enforcing any recovery from the Company, be it for depreciation or defective maintenance, the issue of a direction to the Company before the termination of the contract was a *sine qua non*. In reply to a specific question from the Railway Board, the Ministry of Law have observed on 21st April 1954, that the Government could *suo moto* and independently of the Government Inspector, on the one hand, and the Government Engineer on the other, issue notice to the Company if certain repairs, alterations and improvements were considered necessary or desirable to meet the requirements of clause 28 of the contract. It is unfortunate that this question was not posed just a few months earlier. Again, for the same reason, the possibility of recovering the cost of uncompleted sleeper replacements from the Company by resorting to arbitration under Clause 47 of the contract was ruled out by the Ministry of Law. In that Ministry's words:

"In its* (technical-cum-financial survey in 1952) Report, the programme for sleeper replacement has been referred to with the comments 'the rate of renewal is adequate and will have to be continued until all the sleepers are out on the road'. No direction was issued to the Company as required by Article 28 of the contract; the report was not even communicated to the Company. The absence of any such notice issued either in 1952 or at the time of taking over will considerably weaken our case".

40. Legal position apart, even from a practical point of view, the indications were for the issue of a direction to the Company. For, the Barsi Light Railway was opened to traffic in 1906 i.e. nearly 50 years ago. According to the procedure in vogue in that Railway, the capital assets were maintained at their original value and were not depreciated; nor was there any depreciation fund. The reserve fund set up by the Company out of revenues of that Railway would not also be covered by the purchase price under the terms of the Agreement. Obviously no purchaser would be prepared to advance the capital at charge for the assets in what was in effect a second-hand deal.

*Refers to the Barsi Light Railway Company.

41. The Railway Board have advanced in extenuation another argument, viz., after taking over the Barsi Light Railway by Government, a sum of Rs. 11,599 only had been spent on actual renewal of some sleepers on that Railway. The Committee consider this as hardly relevant to the point. In the matter of renewal of overaged equipment, it will not always be wise to draw conclusions from past expenditure on this account. Indeed, the Committee observe that the Railway Board have provided for extensive renewals in their programmes for 1955-56 and 1956-57 aggregating to Rs. 4.28 lakhs, as according to the Railway Administration the sleepers have now reached a stage when they cannot be further reconditioned.

42. During the course of their examination, the Committee wanted to know whether the Government Inspector of Railways was aware of the purpose of the special inspection which he was asked to conduct in December, 1953. In evidence, the Chief Government Inspector informed the Committee that no pointed instructions were issued to the Government Inspector about the purpose for the special inspection which was being undertaken. In their note the Railway Board have observed that the purpose of the enquiry should have been clear to the Inspector from the caption of the extract from the Railway Board's letter furnished to him. "Deduction on account of defective maintenance and depreciation". The Committee are surprised to find why the Central Railway Administration did not make the real purpose of the inspection clear to the Government Inspector instead of leaving him to understand it by implication.

43. The Committee consider that the Government Inspector of Railways was also not blameless in this case. After having himself conducted the special investigation as desired by the Railway Administration and having noticed the arrears in the re-sleeping programme, the Committee are amazed how he could countersign without any qualification the certificate of the Engineers of the Barsi Light Railway that the assets of that Railway were maintained in good working condition and repairs during the period ending 31st December, 1953. It was within his knowledge that the Railway was to be purchased by Government and he should have, therefore, been more careful in signing the certificate referred to above. The Committee would like to place on record their displeasure at the perfunctory manner in which the Government Inspector signed the certificate without realising for a moment the implications thereof.

44. In conclusion, the Committee are not satisfied with the manner in which this case had been handled and would suggest that a thorough investigation should be made into this case and responsibility fixed for the various lapses on the part of the persons concerned which led to the purchase of the Railway at a needlessly higher cost.

45. *Para 15—Western (Ex-Saurashtra) Railway—Non-recovery of interest and maintenance charges for sidings.*—In respect of the sidings provided for private parties, etc., on the ex-Saurashtra Railway, complete records were not maintained to show the sidings, the cost of construction and the interest and maintenance charges

recoverable from the parties. Before the formation of the ex-Saurashtra Railway, the lines constituting this Railway were owned by the ex-rulers of the States and no distinction was made in respect of the sidings provided for the Railway Departments and for other parties.

46. The control of the Railway passed on to the Central Government from 1st April, 1950. Although Audit drew the attention of the Railway Administration in July, 1950 to this unsatisfactory state of affairs, it was only in July, 1952, that the Western Railway Administration with which the Saurashtra Railway was merged, prepared an Inventory. It was found that out of the 79 sidings in all, agreements existed in respect of 32 only and that no recoveries for interest and maintenance charges were being made in respect of as many as 55; even for the remaining 24 sidings, the recoveries were being made at considerably lesser rates than due. The Committee regret to note that even after the lapse of about 6 years after the control passed on to the Central Government, the position is not satisfactory. Complete particulars of the costs of the sidings, their allocation between the Railway and the parties concerned, the dates of their opening, and the written agreements with the parties are not available in a large number of cases.

47. In evidence, the Committee were assured that these cases were under the active consideration of the Railway Administration.

48. The Committee would like to watch the progress made in this case through the subsequent Audit Reports.

49. **Para 17—Northern Railway—Wasteful Expenditure due to excessive sanction of clearers in the Loco Running Sheds of a Division.**—In this case, in calculating the number of clearers required from 1st January 1952 in the Loco Running Sheds of an ex-E. I. Railway Division, the Administration had made provision for leave reserve twice over, once on the basis of average actual absentees according to the procedure in force on the ex-E. I. Railway, and again at 20 per cent. of the staff thus worked out, in accordance with the orders issued by the Railway Board in August 1951 which were in supersession of the then existing procedure. This double provision resulting in an excess of 109 posts of clearers over the admissible number from 1st January, 1952, remained undetected in the Accounts Office where the revised strength was vetted in November, 1951. It came to light in the course of review by Audit of the strength of the Loco Running Sheds of the Division in August, 1953. As a result, fresh recruitment in vacancies of clearers was stopped by the Administration from 1954 and the sanctioned strength brought down to the correct basis in May, 1955. The expenditure of the staff engaged in excess was estimated over Rs. 2 lakhs. The Northern Railway Administration, however, contended that the staff actually employed was not in excess of requirements as the sanctions did not cover certain items of work which were also being done.

50. During the course of their examination, the Committee were informed by the representatives of the Railway Board that a Committee of three Joint Directors of the Board had been set up to investigate into this case. The Committee desired that a copy of the findings of this Departmental Committee together with a note on the action proposed to be taken against the staff who failed to detect the double provision for leave reserves in this case should be furnished to them.

51. The Railway Board have submitted a note (Appendix IX) together with a copy of the Report of the Departmental Committee. The Committee note that the terms of reference to the Departmental Committee were as follows:—

- “(a) To go into the case mentioned in para. 17 of Chapter II of the Railway Audit Report, 1955, on the Northern Railway, to obtain all the facts and to find out to what extent it could be established that excessive staff was being utilised on work for which the.....Division should legitimately have asked for posts and which would have been sanctioned.
- (b) To assess the exact amount of the loss, if any, incurred and fix responsibility for the issue of excessive sanction for cleaners”.

52. The Report of the Departmental Committee confirms “that a mistake was made in working out the requirements of cleaners; the mistake was fairly obvious and should have been detected by any one dealing with the case irrespective of his position”. The Committee would like to be informed in due course of the disciplinary action taken against the seven officials who were responsible for working out, proposing and accepting the erroneous assessment.

53. As regards the contention of the Northern Railway Administration that in actual practice the available cleaners must have been utilised for foot-plate cleaning or for night cleaning—two desirable items of work for which no staff was specifically sanctioned—the Committee observe from para. 7 (ii) (a) of the Report of the Departmental Committee that the latter was unable to say definitely whether the available cleaners were utilised in the manner claimed during the period January 1952 to June 1955, in the absence of authentic and corroborative evidence.

54. The Departmental Committee's Report also reveals that the demand for cleaners for the two items of work (foot-plate cleaning and night cleaning) appeared to have been made for the first time only in August, 1953 on receipt of the Audit objection regarding the incorrect sanction.

55. In the circumstances, the Committee find it difficult to accept the plea set forth by the Railway Board that the “presumption that the work of foot-plate cleaning and night cleaning was done seemed *prima facie* reasonable in the circumstances”. Nor can they subscribe to the conclusion that the “mistake in calculation which led to the incorrect sanction would not have resulted in wasteful expenditure at all” when, according to the Departmental Committee's Report, on an average, 68 cleaners per day were shown as “on hand” but not given any specific assignment.

56. Para 18.—Purchase of British Standard locomotive components and fittings in dollars (hard currency) instead of sterling.— In June, 1948, a contract for the supply of 470 locomotives was placed through the India Supply Mission, Washington, with manufacturers in Canada and U.S.A. In order to avoid any delay that might be caused in the supply of British standard locomotive components and fittings (technically called British “specialities”) to the manufacturers, it was proposed initially that the order for these “specialities” should be placed direct on the United Kingdom Manufacturers by the Director-General, India Store Department, London. Subsequently as a result of strong representation by the United States and Canadian manufacturers duly supported by the India Supply Mission, Washington, that unless they were allowed to place their own orders, there would be divided responsibility for delivering the locomotives in time. Also with a view to avoid possible excuses on the part of the American and Canadian Locomotive manufacturers for the late delivery of locomotives due to late supply of components from the U.K., it was decided that the American Locomotive builders be permitted to place their own orders for these “specialities” directly on suppliers in the United Kingdom instead of getting them through the Director-General, India Store Department, London.

57. Thus the main purpose for which permission was granted to the American locomotive builders to place their own orders for these “specialities” was that the delivery dates should be kept. Actually, however, the deliveries of locomotives from Canada were delayed very considerably and the American locomotives, though they were delivered in time were without the fittings. The American locomotive builders could not themselves procure the “specialities” and they had ultimately to invoke the help of the India Store Department, London to progress their contracts in the U.K. As a result, the deliveries of “specialities” fell behind the requirements and a large number of locomotives had to be shipped to India incomplete, i.e., without the fittings; and the fittings were shipped direct from the U.K. to India. The Locomotive manufacturers had also made certain alterations in the design in order to meet the American building practice and consequently the fittings which had already been ordered for according to standard designs, could not be used on these locomotives and substantial alterations were required to be made in the fittings as well. Still, payment (amounting to \$1.7 millions) for British made components and fittings had to be made in dollars. Further, because of considerable delay in deliveries (370 out of 470 locomotives were delivered after the date of devaluation of the Rupee in September, 1949), there had been a loss of Rs. 20 lakhs to Government on account of devaluation.

58. In evidence, it was admitted that the main purpose for permitting the American locomotive manufacturers to place their own orders on the U.K. manufacturers of components and fittings was not fulfilled. In extenuation, it was urged that the India Supply Mission could not anticipate the delay on the part of U.K. manufacturers in supplying the components and fittings.

59. Two points arise from this transaction : first, the justification for permitting the American manufacturers to place the order for components and fittings directly on the U.K. manufacturers involving payment therefor in dollars ; and secondly, the loss due to devaluation.

60. In the course of their examination, the Committee learnt that, in the opinion of the Financial Adviser to the India Supply Mission, there had been no adequate justification for not placing direct orders for the British ("specialities" by Government with the manufacturers in the U.K. It was urged on behalf of the India Supply Mission that at that time the British Manufacturers were disposed to give preference to purchasers from the dollar area, as dollar was in short supply; and with a view to avoid delay in the supply of the locomotives due to delay in the supply of components and fittings by the U.K. manufacturers, the India Supply Mission accepted the suggestion of the American manufacturers for placing the orders for the components and fittings direct on the U.K. manufacturers. In the end, the expectations of the India Supply Mission went wrong as subsequent events proved. The Committee are inclined to agree with the views of the Financial Adviser to the India Supply Mission in this case. In their opinion, procurement through the agency of the Director-General, India Store Department, London in the present case had two important advantages; viz., first, that it was an agency which was responsible to Government; and secondly it could progress the indent effectively being on the spot. The Committee are surprised how the India Supply Mission could overlook these considerations.

61. As for payment in dollars, the Committee were given to understand that there had been instances where payments were made in two currencies in respect of a single contract. In reply to a question whether in this case, payment in sterling for the "specialities" was considered by the India Supply Mission, especially when Government themselves were willing to procure them, the Committee were informed that this aspect was not perhaps considered. Actually, the American manufacturers experienced difficulty in obtaining the specialities in time and approached the Director-General, India Store Department, London for progressing their contract. The Committee are at a loss to understand why the India Supply Mission did not even at this stage retrieve the position either by cancelling the earlier arrangement or by stipulating on payment in sterling in respect of the "specialities".

62. In this matter, the Committee consider that the Railway Board also are not blameless. The Committee were informed that 240 out of the 470 locomotives were received in India without the components and fittings which had to be obtained from U.K. and fitted into the locomotives. The technical experts in the Ministry of Railways could, therefore, conceivably have accepted deliveries of the locomotives without their components and fittings. It is unfortunate that this possibility had not been indicated by the Railway Board to the India Supply Mission. In their opinion, if it had been done, it would have not only saved the payment in dollars but also have reduced, if not avoided, the loss of Rs. 20

lakhs entailed by the late delivery of the locomotives which was attributed to the delay in the procurement of specialities from the U.K.

63. In reply to a query by the Committee whether Government have gone into the question of claiming damages from the manufacturers for delay in delivery, the representatives of the Ministry of Works, Housing and Supply promised to look into the matter and submit a note to the Committee. That note is still awaited.

64. **Para 21—Non-revision of the rates of haulage of postal and non-postal vehicles run for the exclusive use of the Postal Department.**—The brief facts of this case are: The existing rates for the haulage of postal and non-postal vehicles were fixed with effect from 1st October, 1939, on the basis of an Award by the then Financial Commissioner, Railways and the Finance Officer, Communications. As the rates were based on the working expenses of Railways and were apportioned between 'Coaching' and 'Goods' traffic in proportion to the respective gross ton-miles, the Award envisaged a review of these rates every five years so that any increase or decrease in the working expenses could be reflected in the modified rates. These rates have been in force for about 16 years without any revision in spite of the fact that the working expenses on Railways have increased very substantially since 1939.

65. Attempts were made to conduct reviews of these rates in 1944, 1949 and 1954. But the Railway and Posts and Telegraphs Departments could not arrive at any settlement. In the meantime, the Posts and Telegraphs Department have claimed for the revision with effect from 1st September, 1947 of the rates for the rentals of telegraph wires which were also fixed in 1939 under the Award referred to above.

66. The Committee regret to observe that this question which concerns two of the Commercial Departments of the Government of India should have taken them so long for settlement. The Financial Commissioner, Railways and the Joint Secretary, Ministry of Finance (Communications) assured the Committee that they would give priority to this matter and soon arrive at a solution which would be acceptable to both the Departments.

67. **Points outstanding from previous Audit Reports.**—The Committee will now deal with Para 24 of the Audit Report which sets forth certain matters relating to previous Railway Audit Reports which are outstanding. As the Committee could not cover this para for want of time, they asked the Railway Board to furnish them written information stating the latest position in respect of each of the outstanding items and the notes submitted by the Railway Board in this behalf have been appended to this Report (Appendix X of Vol. II).

(A) Railway Audit Report, 1950

68. **Para 32—Ex. East Indian Railway—Hiring of a portion of the Esplanade Mansions, Calcutta, for the Public Relations and Publicity Offices.**—The question regarding the execution of the lease for these premises had been outstanding for the last 10 years. The Railway Board have explained that this had 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 relating to the enhancement of the rent. The Committee note that the lease has now been drawn up and sent by the Railway Administration to the new landlord for acceptance. The Committee should like to know in due course the ultimate outcome in this case.

(B) Railway Audit Report, 1951

69. **Inadequacy of rent realised for railway quarters.**—The question regarding the adequacy of the return on the expenditure incurred on residential buildings had been pending for the last few years. The Committee note that while the Railway Board have already issued orders for the recovery of rent at the rate of 10% of the Officers' emoluments or 6% of the capital cost whichever was less, so far as the Officers' quarters were concerned, they have not as yet issued similar orders in regard to the Class III and Class IV Staff quarters. The Committee would draw the attention of the Railway Board to the recommendations made by the Railway Convention Committee of 1954 in para 25(b) of their Report and emphasise that the Railway Board should urgently look into this matter of assessment of rent and ensure that a fair return of rent commensurate with the capital cost is obtained on all residential buildings.

(C) Railway Audit Report, 1953

70. (i) **Para 16—Vehicles reserved for the exclusive use of other Government Departments.**—The Committee note that the Railway Board issued instructions sometime in April, 1955 to all Railway Administrations in regard to the recovery of repairs and maintenance charges from the Ministry of Defence. The Committee should like to know, in due course, the amount of the claim outstanding against that Ministry on 31st March, 1956, and the steps taken to ensure recovery thereof.

71. (ii) **Para 29—North Eastern (ex-Assam) Railway—Non-payment of Railway dues by a commercial concern.**—This case relates to a firm 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 Administration have not been able to recover despite their best efforts to locate the whereabouts of this Company. The Committee would like to know the other steps the Railway Board contemplate to take to effect recovery in this case.

(D) Railway Audit Report, 1954

72. **Para 15—Annexure 'A' of the Appropriation Accounts of Railways in India for 1952-53 (Part II)—Statement of Unsanctioned Expenditure.**—The Committee note that there has been improvement in the clearance of undermentioned arrears. They would suggest that in the interest of current work the Railway Board should evolve an *ad hoc* procedure in consultation with Audit whereby the following arrears which date back to ten years or so

and which are not readily susceptible of verification with the vouchers in the Accounts Department at such a distant date, can be liquidated.

- (a) Incomplete and inaccurate postings in Works Registers remaining to be set right ;
 - (b) Reconciliation of Accounts Office Works Registers with Departmental Works Registers to be completed ;
 - (c) Rectification of the differences revealed by the reconciliation of Accounts Office Works Registers with Departmental Register.
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IV

OUTSTANDING RECOMMENDATIONS

73. The Committee shall now proceed to deal with some of the more important items outstanding from the previous Reports (as included in the Statement contained in Appendix II in respect of which the Railway Board have submitted to them memoranda¹ notes stating the action taken thereon.

74. **Manufacture of Locomotive and Boilers by TELCO.**—In Paras 56—61 of their Thirteenth Report, the Committee had dealt with—

- (i) Taking over TELCO as a State Undertaking ;
- (ii) Adjustment in the firm prices of locomotives of the over-payments made for initial and double normal depreciation ; and
- (iii) Appointing a team of technical experts by the Railway Board to go into the whole question of the costing system in force in TELCO who should also investigate whether the subsidiary business like the manufacture of trucks etc. which is a commercial venture undertaken by TELCO was not getting any benefit at the expense of the Railways.

The Railway Board have submitted a Memorandum (Appendix XI) on these points. They have reiterated their earlier stand that the payments made to TELCO were strictly in accordance with the contract and that the effect of allowing larger amounts for depreciation in the development period would be that the quantum of depreciation to be allowed in the post-development period would be less than what it would have been had the depreciation been spread equally over the entire life of the assets.

75. The Committee find themselves unable to be persuaded to accept the views expressed by the Railway Board. The Committee would recall here that at their sitting held on the 4th May, 1955, the then Financial Commissioner, Railways had assured the Committee that the over-payment made to the TELCO would be taken into account at the time of determination of the firm prices (c.f. para 139 of the Thirteenth Report). They are at a loss to understand why the Railway Board have taken a different view now. They consider the Railway Board's statement rather misleading for though the allowance for the depreciation for the post-development period might be correspondingly less, the excess payments made in the

development period could not be completely recouped in the post-development period inasmuch as the Agreement with the Company would expire in June, 1961.

76. As desired by the Committee, the Railway Board also furnished to them the following two statements (See Appendix XI A).

- (i) Statement showing comparison of TELCO'S prices of Locomotives (Metre Gauge) with imported prices—(A) Prices inclusive of initial and additional normal depreciation and (B) Prices exclusive of initial and additional normal depreciation.
- (ii) Statement showing prices of 'W.G.' Locomotives manufactured at Chittaranjan Loco. Works (Broad Gauge) *vis-a-vis* landed cost of a similar type of locomotive.

77. The Committee note that the TELCO'S price for a 'Y.G.' Loco was Rs. 5.2 lakhs and for 'Y.P.', Rs. 6.27 lakhs in 1953-54, against the landed cost of Rs. 3.52 lakhs of a similar imported locomotive. The price of a 'W.G.' Locomotive produced at Chittaranjan Locomotive Works in 1953-54 was Rs. 6.05 lakhs against the landed cost of Rs. 5.35 lakhs for a similar type of locomotive. If the interest on Capital were also taken into account, it would add to the cost about Rs. 67,000, thus bringing the cost of production to about Rs. 6.72 lakhs per locomotive at Chittaranjan. Thus the cost of production of a locomotive at the TELCO was very much higher than that of Chittaranjan *vis-a-vis* the landed cost of an identical/similar imported locomotive, notwithstanding the fact that production was established in the TELCO in 1945 and at Chittaranjan in 1949 i.e., 4 years later.

78. The Railway Board have now stated that the firm prices quoted by the TELCO for the supply of locomotives are considered by them to be excessive. An enquiry has, therefore, been entrusted to the Tariff Commission under Section 12(d) of the Tariff Commission Act, 1951. A copy of the Resolution issued by Government in this connection has been forwarded to the Committee [*vide* Appendix I (Vol I)]. The case has been succinctly summarised in the Resolution. The Committee desire that the additional payment of Rs. 1.14 crores on account of initial and double normal depreciation should also be brought to the notice of the Tariff Commission in the statement of the case which the Railway Board were preparing for being placed before the Commission.

79. The Railway Board assured the Committee that the enquiry entrusted to the Tariff Commission (which would be assisted by a technical expert from abroad) for determining the fair prices of locomotives and boilers manufactured by the TELCO would cover all the recommendations made by the Committee. Pending the result of the enquiry by the Tariff Commission, the Committee refrain from expressing any further opinion on this case. They trust that the Railway Board would apprise them in due course of the recommendations of the Tariff Commission on the various aspects of the matter and the Board's decisions thereon.

80. High percentage of remission of wharfage and demurrage charges.—While the Committee note from the Memorandum furnished by the Railway Board (Appendix XII) that as a result of the persistent efforts made by the Board, the percentage of remission of wharfage and demurrage charges had been brought down from 45% in 1950-51 to 20·54% in 1953-54, they nevertheless feel that there is still scope for further reduction. The Committee are glad to note that a strict watch would be exercised by the Railway Board on the scale of remissions in relation to the accruals of demurrage and wharfage charges and express the hope that better results would be achieved in future.

81. Amendment of the Payment of Wages Act to ensure the recovery of debits from the station traffic staff.—The Committee regret to note that this matter is pending for consideration by the Ministries of Railways and Labour for more than 5 years. They desire that the various implications arising from the recommendations made by the Committee in this case might be carefully examined at an inter-Ministerial meeting and the whole matter expedited. In the meantime, the Committee should like to know the extent of improvement effected in the recovery of outstandings of traffic debits since the Committee last examined this matter.

82. Winding up of the Railway Grainshop Organisation.—From the Memorandum (Appendix XIII) submitted by the Railway Board, the Committee note that there are at present 29,000 employees only who are still enjoying the grainshop concession. The Committee think that the considerable fall in the number of persons enjoying the grainshop concession is in itself a testimony to the waning popularity of the scheme; with the increase in production and stability in prices in the market, the need for these concessional grainshops should have disappeared. Further, it would not be an economic proposition to run an organisation for the benefit of a small segment of the staff. The Committee understand that the Railway Board propose to discuss this matter with the National Federation of Indian Railwaymen. The Committee would like to know, in due course, the final decision taken by the Railway Board to wind up this Organisation.

83. Infructuous expenditure in the purchase of Oil Tank Wagons.—This case was commented upon in Para 64 of the Thirteenth Report of the Committee. The Committee had suggested disciplinary action being taken by the Railway Board against their Officers through whose contributory negligence the loss had been caused to the Exchequer in this case. The Committee regret to say that they are not convinced by the explanations given by the Railway Board in their Memorandum (Appendix XIV). They observe from the note that the India Supply Mission, Washington specifically asked for the instruction of the Railway Board whether the price quoted for the wagons was to be paid inspite of the delay in delivery. The Railway Board had not only left the matter to the India Supply Mission "to negotiate any rebate that might be possible" but also did not care to pursue the case till it was settled. In extenuation, the Railway Board have stated 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

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on the officers". The Committee regret to mention that the Railway Board have taken too complacent a view of this matter. They would like to reiterate the recommendations made by them and desire that the Board should re-open the case and allocate responsibility for the failure in their Office which had culminated in this waste of public money.

84. Sale of cinders by the Railway Administrations.—From the note (Appendix XV) furnished by the Railway Board with reference to para 73 of their Thirteenth Report, the Committee observe that the Railway Board have accepted the recommendations made by the Indian Railway Fuel Committee in so far as these relate to the sale of cinders below 1/2" size. The Committee trust that necessary machinery would be set up, if not already in existence, to screen cinders of this size and to prevent the fraudulent admixture of cinders of 1/2" size and above with that below 1/2" in the Railway sheds, to ensure against any malpractices.

85. Overpayment of Special Pay on the Central (ex-G.I.P.) Railway.—In this case, which had been mentioned in Paras 195-196 of the Thirteenth Report of the Committee, an irregular payment amounting to Rs. 8,829 had resulted. From the note (Appendix XVI) submitted by the Railway Board, the Committee observe that the Board have already "set the procedure under the Discipline and Appeal Rules in motion" against the staff responsible for overpayment in this case. The Committee should like to know, in due course, the further developments in this case.

NEW DELHI;
The 28th May, 1956.

V. B. GANDHI,
Chairman,
Public Accounts Committee.

PART II

**Proceedings of the Sittings of the Public Accounts
Committee held on the 23rd, 24th and 25th January,
21st April and 28th May, 1956.**

Proceedings of the Fifteenth Sitting of the Public Accounts Committee held on Monday, the 23rd January, 1956

86. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shrimati Ammu Swaminadhan
4. Shri S. V. Ramaswamy
5. Shri K. G. Deshmukh
6. Shri Balwant Sinha Mehta
7. Shri C. D. Pande
8. Shri Diwan Chand Sharma
9. Shri Y. Gadilingana Gowd
10. Shri V. Boovaraghasamy
11. Dr. Indubhai B. Amin
12. Diwan Chaman Lall
13. Shri Ram Prasad Tamta
14. Shri Mohammad Valiulla.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri S. Gupta, *Additional Deputy Comptroller and Auditor-General (Railways.)*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri G. Pande, *Chairman, Railway Board.*

Shri P. C. Mukerjee, *Member (Engineering), Railway Board.*

Shri J. Dayal, *Financial Commissioner, Railways.*

Shri K. B. Mathur, *Member (Transportation) Railway Board.*

Shri K. P. Mushran, *Member (Staff), Railway Board.*

*The earlier Sittings relate to Consideration of the Appropriation Accounts (Civil), 1951-52 and Audit Report (Civil), 1953 and Audit Report (Civil), 1954—Part I etc.

Shri N. C. Deb, *Director, Finance (Accounts) Ministry of Railways (Rly. Board).*

Shri C. T. Venugopal, *Director, Finance (Expenditure), Railway Board.*

Shri Shiv Naubh Singh, *Deputy Secretary, Ministry of Finance (E.A. Deptt.).*

Appropriation Accounts of Railways in India, 1953-54 and Audit Report, 1955

MINISTRY OF RAILWAYS (RAILWAY BOARD)

87. **Para 3 of Audit Report—Supplementary Grants during 1953-54.**—The supplementary grant during the year aggregated to over Rs. 33 crores and constituted 6·07 per cent. of the original grants totalling about Rs. 547 crores. The Committee were informed that the Supplementary Grants were necessitated by the decision taken by the Government after the budget had been passed, to treat a part of the dearness allowance as pay for certain purposes and also by the opting of more staff for cash dearness allowance in lieu of concessional supply of foodgrains.

88. **Para 4 (ii) of Audit Report—Savings on Voted Grants.**—Savings occurred in twelve out of twenty voted grants—the two important cases being Grant No. 16—Open Line Works—Additions and Grant No. 17—Open Line Works—Replacements. The position in regard to the former was that against the original Grant of about Rs. 189 crores, a supplementary grant of Rs. 8 crores was obtained and the final expenditure was Rs. 195 crores resulting in a saving of Rs. 2 crores. Part of the supplementary grant taken was unnecessary. In the case of Grant No. 17, the position was even worse. The original grant was Rs. 43·5 crores. A supplementary grant of Rs. 2·7 crores was obtained. The total expenditure was only Rs. 41·7 crores resulting in a saving of Rs. 4·5 crores. The entire supplementary grant proved unnecessary. The saving in Grant No. 16 was attributed to the receipt of Rolling Stock being very much less than what was anticipated and it was contended that this was an item of expenditure over which the Railway had very little control. The saving in Grant No. 17 was mainly due to slow progress of works owing to non-receipt of materials to the extent anticipated and receipt of less debits for supply of materials.

89. The Committee drew the attention of the Railway Board to the following recommendation made by the P.A.C. in one of their earlier reports and enquired whether the Board had taken any action to implement the recommendation:—

“The Ministry of Finance should once again draw the attention of all the Ministries to this vital aspect of the matter and a procedure should be devised in consultation with the C.&A.G. whereby the indenting Departments should ascertain telegraphically the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against the appropriations.”

90. The Committee were told that the Board was getting monthly statement from the High Commissioner's Office in regard to stores obtained from abroad and that an attempt was made to make as accurate an assessment as possible of the receipt of stores during the year. The Railway Board agreed to examine the suggestion of the Committee that they should utilize the services of the Railway Adviser in U.K. for the purpose of proper assessment of receipt of stores.

91. While examining Grant No. 17, the Committee drew pointed attention to Para 45 on page 23 of the Appropriation Accounts of Railways, Part I—Review, where it had been recorded that out of 545 works on which a total expenditure of Rs. 38,73 lakhs was incurred, no specific provision was made in the budget for 427 works involving an expenditure of Rs. 28,39 lakhs. In reply to a query as to whether it was proper on the part of the Railway Administration to incur expenditure on works for which no specific provision was made in the budget, the Committee were informed that the Railway Board had powers to sanction reappropriation within a Grant from saving under one head to meet expenditure under another head unless it was for a "new service" in which case a token vote of Parliament had to be taken. While conceding that the Railway Board had the power to reappropriate funds, the Committee did not feel happy about the way in which this power was being used and expenditure incurred on works for which no specific provision was made in the budget. They, therefore, desired to reiterate the following recommendation made in Para 10 of their Thirteenth Report in similar circumstances in the case of the Posts and Telegraphs Department:—

"The Committee feel that the department could have taken up these works by obtaining supplementary grants or utilizing savings by taking a token vote."

The Finance Ministry's representative informed the Committee that this particular question has been taken up as a result of the recommendation of the Public Accounts Committee.

92. The Committee also suggested to the Railway Board that in future, the reviews should give details of savings under each category *viz.* due to slow progress of works, non-receipt of debits etc.

93. **Para 4 (iii) of Audit Report—Excesses over Voted Grants.**—One of the items contributing to the excess in Grant 7—Revenue Working Expenses—Operation (Fuel) was due to the write back of capital cost of an unremunerative colliery representing Rs. 41 lakhs. The representative of the Railway Board agreed to supply to the Committee the details of this sum of Rs. 41 lakhs in consultation with the Production Ministry. (See Appendix XVII).

94. **Para 6 of Audit Report—Breach of principles of expenditure control etc.**—In these cases it was reported that the cost of materials intended for various works was debited to the accounts of those works much in advance of the physical movement of the Stores from the Depots etc. The representatives of the Railway Board

agreed that this procedure was highly objectionable and said that they proposed to issue instructions for the discontinuance of the procedure in future.

95. Para 8 of Audit Report—Overpayment to a Manufacturing Company.—The facts of this case are briefly as follows:—

In September, 1948 the Ministry of Railways (Railway Board) entered into an agreement with an Indian Company for the supply of Pig Iron and its subsequent conversion into Cast Iron Sleepers. The Government paid to the Company for Pig Iron at a rate which was made up of:

- (a) Works cost plus profit, and
- (b) Place extra.

Place extra means the freight from the nearest port to destination levied on the despatches from the Company's works to the various destinations; and under the distribution arrangements of steel, the place extra is recoverable irrespective of whether any actual railway freight is incurred or not by the main producer.

The Pig Iron supplied in this case was used at the Company's Work itself and was not moved at all. The question of paying any freight in the shape of place extra did not, therefore, arise. The Iron and Steel Controller to whom this matter was referred had also expressed the opinion that 'Place Extra' paid by the Railway was in excess of the fair retention price to which only the Company were entitled. The total freight reported to have been paid to the Company in excess was Rs. 10,03,410.

96. The Committee first wanted to know why although the overpayment to the Company was brought to notice of the Railway Board by Audit as early as 1st May, 1952, the question of refund was not taken up by the Board till the 18th June, 1954, after a lapse of 2 years.

The Financial Commissioner, Railways explained that soon after the receipt of the Audit objection, discussions took place between the Ministry of Railways, the Office of the C. & A. G. and the Ministry of Commerce & Industry and action could be taken only after these discussions. He added that further discussions were necessary with the Commerce & Industry Ministry, the Comptroller and Auditor General and the Railway Board in the light of a recent examination of the case further. The Committee, however, felt distressed at the delay that was taking place.

97. The Committee were informed that the Railway Board actually wrote to the Company on the 18th June, 1954 for the refund of the excess freight paid to them but the Company had repudiated the claim on the ground that under the terms of the contract they were not liable to pay back the "Place extra". The Financial Commissioner also informed the Committee that the tentative opinion of the Law Ministry was that under the terms of the contract, Government could not establish a case for the recovery of the amount from the Company. He added that the matter was, however, being reviewed to see how best a case could be made out for recovering this amount from the Company.

Intervening at this stage, the Member (Traffic), Railway Board informed the Committee that recently it had come to the notice of the Board that the Iron & Steel Controller had a mechanism for adjusting such freight charges through the Steel Equalisation Fund. Explaining the mechanism, he observed that if the companies recovered excess freight charges from the public as compared with what they actually spent, then they had to pay back the excess recovery into the Equalisation Fund; if, on the other hand, the companies recovered less, then they were reimbursed the difference from out of the Steel Equalisation Fund. The freight element in the present case had, however, not been taken into account by the Iron and Steel Controller for adjustment through the Equalisation Fund; and the question had to be examined why the transaction was excluded and if there was no particular reason for its exclusion whether the adjustment could not now be made through that Fund. The Financial Commissioner was, however, of the view that the matter was not so simple. Further, he observed that before they could decide upon the mode of recovery, it should be established that there had been an over payment. In support he pointed out that under the contract, the "commercial price" was to be paid to the Company. The Comptroller and Auditor General remarked that there was some justification for the hesitation of the Financial Commissioner to fall in with the suggestion for adjustment of the excess payment through the Equalisation Fund as according to the Iron and Steel Controller, there was no Government decision to bring Pig Iron within the scope of the adjustment of the Equalisation Fund.

98. After some discussion, the Committee agreed to the request of the Financial Commissioner for time till end of April 1956, by which time he said he would examine the case from all aspects and submit to the Committee a detailed note and to postpone further consideration of the matter until the receipt of the note promised by the Financial Commissioner.

(At this stage Shri V. B. Gandhi, Chairman had to leave the sitting because of some urgent work, Shrimati Ammu Swaminadhan was chosen from amongst the Members present to act as Chairman for the rest of the day's sitting).

99. Para 10 of Audit Report—Irregularities in Stores Purchase.— In this case, irregularities in stores purchases were committed by the General Manager, Chief Mechanical Engineer, Financial Adviser and Chief Accounts Officer and Controller of Stores of the Saurashtra Railway after its integration with the Indian Railway System. The facts of the case are that in January, 1952 an anonymous report was received that in contravention of the rules and regulations, certain payments aggregating Rs. 5 lakhs had been made by six cheques on the 29th December, 1951. Departmental investigations started immediately on the basis of this complaint, brought to light the following irregularities:—

1. Purchase of stores of the value of about Rs. 9.25 lakhs and brought under the purview of local purchase provisions by the deliberate splitting up of orders.

2. Abnormally high rates paid for such purchases.
3. Purchase made on the basis of market rates indicated in a letter alleged to have been issued by the Director of Supplies, Bombay, which was subsequently found to be a forged document.
4. Purchases made without any indents from the consuming departments.
5. Indents prepared and ante-dated subsequent to the placing of orders to provide necessary cover.
6. The dates of purchase orders altered so as to make it appear that the purchases were unconnected and made on different dates.
7. Orders placed on firms who were not dealing in the type of stores to be purchased.
8. 90 percent payment made on the authority of receipts for stores issued by the Clearing Agents who were a firm of Radio dealers, without proper inspection certificates. It transpired that though the payments were made in December, 1951, the stores were actually sent to the indentors in January and February, 1952.

The total estimated loss resulting from this transaction aggregated to Rs. 5,23,792.

100. As a result of departmental investigation carried out between January and April, 1952 which disclosed the above irregularities, the ex-General Manager, the ex-Chief Mechanical Engineer and the ex-Financial Adviser and Chief Accounts Officer were suspended from service with effect from the 14th May, 1952. Charge sheets were then issued in October, 1952 against these three officers as also the then Controller of Stores who was placed under suspension from the 25th January, 1954. Disciplinary action against them is still pending.

101. The Committee wanted to know why although more than 3 years had elapsed since these Officers were charge-sheeted, it had not been possible to finalise disciplinary action against them. They also remarked that in such a serious case involving misappropriation and forgery, there should not have been such a long delay (from 1952 to 1956) in finalising the disciplinary action and wanted to be informed briefly of the various stages of the progress of the case right from April 1952 when the departmental investigations were started.

102. The first enquiry, which was in the nature of a fact-finding inquiry was ordered immediately on receipt of the anonymous letter in January, 1952. Financial Adviser and Chief Accounts Officer and Controller of Stores, who were asked to ascertain the facts submitted a Report in May, 1952. As a result of this Report, the General Manager, the Chief Mechanical Engineer and the Financial Adviser and Chief Accounts Officer of the ex. Indian State Railway were immediately suspended from 14th May, 1952. Charge sheets were served on these Officers in October, 1952 and the Officers submitted their defence in February, 1953. The statements submitted by the Officers together with the remarks of the General Manager were forwarded to the Railway Board in June, 1953. The Railway Board

appointed a Committee consisting of Senior Officers to conduct an inquiry into the charges against these Officers. The Committee commenced its work in September, 1953, completed recording evidence in February, 1954 and submitted its Report to the Railway Board in July, 1954. The Railway Board took quite some time to go through the voluminous evidence. The provisional conclusion that these Officers were guilty of serious charges and that two of them should be dismissed and two removed from service was arrived at and show-cause notice were served in January, 1955. Replies to the second show-cause notices were received from these Officers in July and August, 1955 and the General Manager forwarded these replies to the Railway Board in November and December, 1955. The Railway Board, it was stated would shortly be referring the case to the Union Public Service Commission for advice.

103. The Committee could not feel convinced that there were any valid reasons for the delay that had occurred at each and every stage of its progress. For instance, there was delay of about six months in the Railway Board's Office itself in coming to the provisional conclusion that two of the Officers should be dismissed and two removed from service after the Departmental Committee had submitted its report. The Committee could not also see any justification for the replies to the second show-cause notices to be routed through the General Manager and the delay that had occurred in the latter's Office in transmitting the replies to the Railway Board. The Committee could not also understand why the time limit prescribed for the Officers to reply to the charge-sheets could not be strictly adhered to. They also felt that when the enquiry made by the Departmental Committee revealed that the Officers concerned had forged documents, apart from the Departmental action, the case should have been reported to the Special Police Establishment for seeing whether a criminal case could not also have been made. They also felt that the delay in finalising departmental action might have a prejudicial effect on the criminal proceedings that might have to be instituted.

104. The Committee had not finished examination of the case when they adjourned for the day at 1 P.M. to meet again at 10 AM. on the 24th January, 1956.

**Proceedings of the Sixteenth Sitting of the Public Accounts
Committee held on Tuesday the 24th January, 1956.**

105. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shrimati Ammu Swaminadhan
4. Shri S. V. Ramaswamy
5. Shri K. G. Deshmukh
6. Shri Balwant Sinha Mehta
7. Shri C. D. Pande
8. Shri Diwan Chand Sharma
9. Shri Y. Gadilingana Gowd
10. Shri V. Boovaraghasamy
11. Dr. Indubhai B. Amin
12. Diwan Chaman Lall
13. Shri Ram Prasad Tamta
14. Shri Mohammad Valliulla

Shri A. K. Chanda, *Comptroller and Auditor-General of
India.*

Shri S. Gupta, *Additional Deputy Comptroller and Auditor-
General (Railways).*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Shri G. Pande, *Chairman, Railway Board.*

Shri P. C. Mukerjee, *Member (Engineering), Railway
Board.*

Shri J. Dayal, *Financial Commissioner, Railways.*

Shri K. B. Mathur, *Member (Transportation), Railway
Board.*

Shri K. P. Mushran, *Member (Staff), Railway Board.*

Shri N. C. Deb, *Director, Finance (Accounts), Ministry
of Railways (Railway Board).*

Shri C. T. Venugopal, *Director, Finance (Expenditure) Ministry of Railways (Railway Board).*

Shri Karnail Singh, *General Manager, Chittaranjan Locomotive Works, Chittaranjan.*

Shri K. Sadagopan, *Chief Administrative Officer, Integral Coach Factory, Perambur.*

(Ministry of Communications)

Shri M. M. Philip, I.C.S., *Secretary.*

Shri D. C. Das, I.C.S., *Joint Secretary.*

Shri P. N. Mubayi, *Chief Government Inspector of Railways.*

Shri B. R. Batra, *Director-General, Posts and Telegraphs.*

Shri H. R. Thadani, *Chief Engineer, Posts and Telegraphs.*

(Ministry of Works, Housing and Supply)

Shri M. R. Sachdev, I.C.S., *Secretary.*

[Ministry of Finance (Communication Division)]

Shri R. Narayanaswami, *Joint Secretary.*

[Ministry of Finance (R & E Division)]

Shri K. L. Ghei, *Joint Secretary.*

[Ministry of Finance (E.A. Department)]

Shri Shiv Naubh Singh, *Deputy Secretary.*

Appropriation Accounts of the Railways in India for 1953-54 and Audit Report, 1955—continued.

106. Para 14 of Audit Report—Central Railway—Purchase of Barsi Light Railway.—The facts of the case reported here are briefly as follows:

The Barsi Light Railway, 202·57 miles in length and owned by a Company was opened to traffic in 1906. Under the contract with the Company Government had the option to purchase the line with effect from the 1st January, 1954. After a technical-cum-financial examination of the line undertaken by the Central Railway Administration which submitted its report in June, 1952, the Ministry of Railways issued notice in December, 1952 that the line would be purchased on the 1st January, 1954.

The Barsi Light Railway Company was paid the entire capital expenditure on the line amounting to Rs. 1·78 crores, without any deductions whatsoever either on account of defective maintenance or omission to remedy depreciation, although, under the terms of the contract with the Company, claims could have been enforced

against them, atleast in part, if not to the full extent, on account of "omission to remedy depreciation" as explained by the Ministry of law on the following specific items:—

(i) Renewal of rapidly deteriorating sleepers	Rs. 4.99 lakhs.
(ii) Renewal of rapidly deteriorating sleepers—work programmed in continuation of (i) above and which should have been completed by 1954-55	Rs. 4.02 lakhs.
(iii) Renewals of 35 lb. section rails on a length of 54 miles	Rs. 14.27 lakhs.
(iv) Renewals of assets which had outlived their normal lives	Rs. 16.47 lakhs.
TOTAL	<u>Rs. 39.75 lakhs.</u>

107. The Committee desired to know why after withholding payment on account of the first three items in the first instance, the Railway Board decided not to press these claims and paid the entire amount to the Company.

The representative of the Railway Board explained that so far as the purchase of the Barsi Light Railway was concerned, the Board were guided by the terms of the contract which the Secretary of State for India had entered into with the Company and according to clause 28 of the contract, they could have made only such deductions as were due to defective maintenance. The Ministry of Law were also consulted and according to the advice given by them the Railway Board could not deduct any sums from the Company for remedying any depreciation.

In regard to the giving up of claims in respect of the three items mentioned earlier, the Ministry of Railways stated that the first item referred to renewals of 20½ miles of sleepers which the Company had planned in a way although they said later on that they were not bound to have that done. The other point which weighed in favour of giving up the claim was that no notice as such had been given to the Company prior to taking over this Railway that the maintenance was defective which they had to make good. In regard to the other items, it was explained that they were really part of what was called depreciation and, therefore, no money could be deducted on their account from the money due to the Company under the terms of the agreement.

108. At this stage, the Comptroller and Auditor-General intervened and to illustrate the fact that the sleepers required renewals, read out to the Committee the following passage from a letter written on the 1st February, 1950 by the Indian Director of the Company to the Board of Directors:

"The XEN (Basu) tells me that the condition of the sleepers is deteriorating. The life of the steel sleepers for depreciation purposes is 35 years and these have been on the line for 44 to 53 years. He showed me some taken out of the track at Pandharpur as unfit for further use. Besides, having lost weight through corrosion, the lugs of sleepers

and the metal adjoining had weakened and developed cracks. Some cracks had been welded in the past and further doctoring is uneconomical."

In reply to a query whether the Railway Board were aware of this correspondence and, if so, whether the facts revealed here were taken into account before deciding not to claim any deduction, which was permissible under clause 28 of the terms of contract from the Company the representative of the Railway Board replied that this letter came to their notice only after the Barsi Light Railway had been taken over by Government.

109. The Committee then drew the attention of the Railway Board to the specific provision in clause 28 of the agreement, under which 'if at the termination of the contract any repairs, alterations or improvements shall be necessary or desirable to satisfy any or either of the above requirements the cost of such repairs, alterations or improvements shall be certified by the said Government Inspector or the said Government Engineer, as the case may be, and the Secretary of State shall be at liberty to deduct such sum so certified', and, enquired whether on the basis of the Government Inspector's report that renewals and replacements were in arrear, Government had not the right in terms of clause 28 of the agreement to make a suitable deduction in the purchase price.

110. The next point the Committee raised was whether the Government Inspector of Railways before he undertook the inspection of the line was informed of the safeguarding clause in the agreement and asked to report specifically on these points so that it would give Government an opportunity to reduce the purchase price suitably.

The Chief Government Inspector of Railways informed the Committee that no advice was given to the Government Inspector with regard to the terms of the contract. The inspection was merely with reference to the safety of the track. In reply to a question whether the inspection would have been more detailed and a little more specific, if it was made known to the Inspector before hand that the purpose of the inspection was to arrive at some kind of evaluation of the assets of the Company, which were to be taken over, the Chief Government Inspector replied in the affirmative.

111. The Comptroller and Auditor-General informed the Committee that it was on record that the Railway Board were unable to enforce recovery because of their failure to take adequate action in 1952 at the time of issuing notices to and again at the time of taking over the assets of the Barsi Light Railway. He also stated that the Central Railway were asked to set up a Committee to investigate and allocate the responsibility for this failure. The Committee wanted to know whether suitable disciplinary action had been taken against the persons concerned (see Apper.dix VIII).

112. The Committee concluded the examination of this case by the observation that a special inspection with a view to arriving at the valuation of the assets should have been undertaken in early 1953 and notice issued to the Company regarding deficiencies before the termination of the contract as stipulated therein. The Committee suggested that it would be worthwhile for the Board to investigate atleast why such an inspection was not undertaken.

113. Para 21 of Audit Report—Non-revision of the rate of haulage of postal and non-postal vehicles run for the exclusive use of the Postal Department.—The existing rates for the haulage of postal and non-postal vehicles were fixed with effect from 1st October, 1939 on the basis of an Award by the then Financial Commissioner, Railways and the Finance Officer, Communications. The Award envisaged a review of these rates every five years so that any increase or decrease in the working expenses of the Railways could be reflected in the modified rates. The rates prescribed in 1939 have worked for a period of over fifteen years without any revision in spite of the fact that the working expenses on Railways had increased very substantially since then.

The Railway Board and the Posts and Telegraphs Department could not arrive at a method acceptable to both for the apportionment of the working expenses which would yield results equitable to both. The Railway Board said that the revision under the new method proposed by them should take effect from the 1st September, 1947. The Posts and Telegraphs Department did not agree to the new method and suggested that the haulage rates should be worked out on the basis prescribed in the Award in 1939. In the meantime, the Posts and Telegraphs Department were pressing the Railways for the revision from 1st September, 1947 of the rates of rentals of telegraph wires which were also fixed under the 1939 Award.

114. The Financial Commissioner, Railways informed the Committee that he and the Joint Secretary, Finance (Communications) would be having a final discussion soon, and the decision arrived at between themselves would be acceptable both to the Railways and the Posts and Telegraphs Department. He said that the question of giving retrospective effect to the decision taken would also be discussed.

The Financial Commissioner agreed to submit to the Committee a report of the discussions by the first week of June, 1956.

115. Para 12 of Audit Report—Supply of Defective Cylinders.—A contract for 100 'W.G.' locomotives was placed by the India Store Department, London, with a firm in the United Kingdom. The deliveries were to commence in January, 1950 and were to be completed by September, 1952. The locomotives were put on rails in India from September, 1950 onwards. Between July, 1952 and middle of 1955, about 159 cylinders out of the total of 200 fitted in the locomotives supplied by the above firm had cracked. Similar cracking was observed in about 90 cylinders out of the 268 supplied directly by another U.K. firm for fitting into the W.G. locomotives under manufacture by the Chittaranjan Locomotive Works.

The cracking of the cylinders was attributable mainly to defects in their design, including a corehole 10" × 2" and the poor finish of the castings.

The manufacturing firm adopted the design of 'W.P.' locomotives previously manufactured by them, but instead of providing a stronger web for the comparatively larger steam load of a "W.G." cylinder, they actually reduced the thickness of the web and provided a corehole which weakened the web.

116. Attempts made by the India Store Department to obtain replacement from the firm were not successful. The firm which supplied 100 'W.G.' locomotives repudiated the claim in December, 1953 on the following grounds:—

- (i) The cylinders were manufactured by them in accordance with the drawings approved by the Consulting Engineers.
- (ii) They were at all stages of manufacture subject to the inspection and requirements of the Inspecting Engineers.
- (iii) There was no guarantee clause in the agreement.

117. The Member (Engineering), Railway Board, gave a brief history of the ordering of locomotives just after the war. He also explained that with the exception of the cylinders, 'W.G.' and 'W.P.' locomotives were similar in all respects. The only difference was that the cylinders for the W.G. Locomotives had to be a little more powerful because the steam pressure was greater in the W.G. type than in the W.P. types. The 'W.P.' drawings were utilised in preparing the designs for the 'W.G.' locomotives. He further stated that the Consulting Engineers while accepting the responsibility for the designs, according to the terms of conditions, refused to accept liability for the defects and pointed out that since Railway's own inspecting officers were also in the picture, they were partly responsible for not having checked up properly. In the Railway Board's opinion, the Company was liable for having put up cylinders which **did not stand the test of actual working**. The representative of the Railway Board stated that authorities in London had been instructed to press the claim against the Company for these defective cylinders.

118. The Committee then wanted to know what was the total expenditure which the Railways had to incur on account of the replacement and repairing of these cracked cylinders. Since the information could not be made available at the meeting, it was decided that the Railway Board should inform the Committee, in due course, of the overall financial commitments separately for replacement, repairs, patching etc.

119. In reply to another question whether the Consulting Engineers obtained the concurrence of the Railway Board for the changes in the design, the Committee were told that they did not.

On the question of responsibility relating to the 100 W.G. cylinders purchased through the I.S.D., London, the Railway Board said that as the responsibility of accepting the design finally was with the Consulting Engineers, they thought they could probably get the damages from the Consulting Engineers. It, however, transpired that no damages could be claimed unless they accepted the liability.

120. Regarding the prospects of effecting any recoveries, the Committee were informed that the Legal Adviser to the High Commissioner who was consulted had stated that although there was no **guarantee clause**—because in those days, in 1948, there was no guarantee clause in the general conditions of contract—under the Sale of Goods Act, 1893, enacted by the British Parliament and

under the established custom and usage of the country, the manufacturing firms were bound to supply goods which were suitable. The Railway Board, it was stated had directed the I.S.D., London to take up the matter with the firm.

121. Para 13 of the Audit Report—Avoidable expenditure on freight on 150 locomotives.—This case relates to shipment to India of 100 locomotives from U.K. and 50 locomotives from Continental ports. In both cases, quotations were originally received for the shipment of fully erected locomotives at £2,400 each. The quotations were open for acceptance till the 31st July, 1951 in the case of shipment of 100 locomotives from U.K. to Bombay and till 14th November, 1951 in the case of shipment of 50 locomotives from Continental ports to Madras. In both cases, the quotation was allowed to lapse and later the I.S.D. had to accept quotation at a higher rate of £2,475 for the shipment of each locomotive.

The explanation of the representative of the Ministry of W. H. & S. for the non-acceptance by the I.S.D. of the earlier quotation of £2,400 on locomotives was as follows:—

These quotations submitted on the 26th January, 1951 were open till the 31st July, 1951. Earlier in the year (1951) for heavier type of locomotives, the I.S.D. had paid a lesser freight of £2,350 each. The D.G., I.S.D., London, thought that this offer of £2,400 was on the high side. So he did not accept the offer straightaway but made further enquiries. The offer was kept open till 30th November, 1951. Then it was brought to the notice of the Company by the Brokers on the 28th November, 1951 that the delivery period (which was the end of December, 1952) would have to be extended to April, 1953. Thereupon the Company treated it as a new contract and gave the revised quotation of £2,475 for each locomotive. Since the enquiries which the D.G., I.S.D., was making revealed that no other quotation would be available till about March or April, 1952 and that there were signs that the freight rates would rise further from March or April, he decided to accept the offer of £2,475 in consultation with Finance. The representative of the W. H. & S. Ministry also informed the Committee that the offer of the Shipping Company was on an "all-or-none basis" and in support of this, he read out the following passage from a letter dated the 3rd December, 1951 from the shippers to the D.G., I.S.D.:—

"This special quotation is made on the understanding that it covers shipment of the whole contract and the lines reserve the right to withdraw the quotation in the event of any lesser quantity than that specified being offered."

122. The Committee held the view that it would have been possible to have the delivery period extended with the firm as on previous two occasions and negotiate with them to pay £2,400 each for locomotives delivered upto the end of December, 1952 and the higher rate for those delivered after that date. The Ministry's representative expressed a doubt whether this could have been done.

123. Another point which the Committee made was that if the Brokers had not written to the Company on the 28th November, 1951 (two days before the expiry of the offer), there would have been no question of a revised offer by the Company. The Committee

wanted to know whether the Brokers had any authority to write the letter to the Company about the extended period of delivery without consulting the I.S.D.

124. Reverting to the question of shipment of 50 locomotives from Continental ports to Madras, where the original offer for shipment at £2,400 a locomotive was allowed to lapse because of a doubt whether there were adequate transshipment facilities at Madras, the Committee were informed by the Comptroller and Auditor General that according to the Director of Audit, London, although there were deficiencies in port facilities at Madras, with a little bit of foresight, arrangements could have been made for unloading the locomotives at Madras.

The representative of the Ministry stated that all concerned were aware that facilities existed in Madras Port but the reasons for the non-acceptance of the original offer were that at that time the only shipping company which could provide unloading facilities was the Hansa Line which was not allowed to operate then. The other reason was that, as in the case of U.K. deliveries, the delivery period was extended.

125. Intervening, the Comptroller and Auditor General said that further enquiry would produce no useful results. He undertook to write to the Director of Audit, London the views expressed by the representative of the Ministry of W. H. & S. before the Committee in regard to both the shipment from the U.K. and Continental ports and thereafter place the entire matter before the Committee.

126. The Committee then adjourned at 1 P.M. to meet again at 10 A.M. on the 25th January, 1956.

**Proceedings of the Seventeenth sitting of the Public Accounts
Committee held on Wednesday, the 25th January, 1956.**

127. The Committee sat from 10 A.M. to 1-10 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman*

MEMBERS

2. Shri Kamal Kumar Basu
3. Shrimati Ammu Swaminadhan
4. Shri S. V. Ramaswamy
5. Shri K. G. Deshmukh
6. Shri Balwant Sinha Mehta
7. Shri C. D. Pande
8. Shri Diwan Chand Sharma
9. Shri Y. Gadilingana Gowd
10. Shri V. Boovaraghasamy
11. Dr. Indubhai B. Amin
12. Shrimati Violet Alva
13. Diwan Chaman Lall
14. Shri Mohammad Valiulla.

Shri A. K. Chanda, *Comptroller and Auditor-General of
India.*

Shri S. Gupta, *Additional Deputy Comptroller and Auditor-
General (Railways).*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

[Ministry of Railways (Railway Board)]

Shri G. Pande, *Chairman, Railway Board.*

Shri P. C. Mukerjee, *Member (Engineering), Railway Board.*

Shri J. Dayal, *Financial Commissioner, Railways.*

Shri K. B. Mathur, *Member (Transportation), Railway
Board.*

Shri K. P. Mushran, *Member (Staff), Railway Board.*

Shri N. C. Deb, *Director, Finance (Accounts).*

Shri C. T. Venugopal, *Director, Finance (Expenditure).*

Shri Karnail Singh, *General Manager, Chittaranjan Locomo-
tive Works, Chittaranjan.*

Shri K. Sadagopan, *Chief Administrative Officer, Integral Coach Factory, Perambur.*

(Ministry of Works, Housing and Supply)

Shri M. R. Sachdev, I.C.S., *Secretary.*

[Ministry of Finance (F. & A. Division)]

Shri K. L. Ghei, *Joint Secretary.*

[Ministry of Finance (E.A. Deptt.)

Shri Shiv Naubh Singh, *Deputy Secretary.*

Appropriation Accounts of the Railways in India for 1953-54 and Audit Report, 1955—contd.

128. *Para 18 of Audit Report—Purchase of British Standard locomotive components and fittings in dollars (hard currency) instead of sterling.*—A contract for the supply of 470 locomotives was placed through the I.S.M., Washington with manufacturers in Canada and United States. It was proposed initially that in order to avoid any delay that might be caused in the supply of British standard locomotive components and fittings (technically called British “specialities”) to the manufacturers, the order for these should be placed direct on the U.K. manufacturers by the D.G., I.S.D., London. Subsequently as a result of strong representation by the United States and Canadian manufacturers, that unless they were allowed to place their own orders, there would be divided responsibility in supplying the locomotives. This was supported by the I.S.M. at Washington and it was decided that the American locomotive builders be permitted to place their own orders for these “specialities” on suppliers in the U.K. instead of getting them through the D.G., I.S.D., London.

The main purpose for which permission was granted to the American locomotive builders to place orders for these “specialities” was that the delivery dates would be kept up. Actually, however, the deliveries of locomotives from Canada were delayed very considerably and the American locomotives though they were delivered in time were without the fittings. The American locomotive builders could not themselves procure the “specialities” and they had ultimately to invoke the help of the India Store Department, London to progress their contracts in the United Kingdom. As a result, the deliveries of “specialities” fell behind the requirements and a large number of locomotives had to be shipped to India incomplete, *i.e.*, without the fittings, which had to be shipped direct from the United Kingdom to India.

The cost of the British “specialities” amounting to \$ 1·7 millions was included in the total cost of the locomotives which was \$55·2 millions. India paid in dollars for these stores which it could have done in sterling. Further, Government was put to a loss of Rs. 20 lakhs on account of devaluation as 370 out of 470 locomotives were delivered after September, 1949 (the date of devaluation) because of considerable delay in the deliveries of the locomotives.

129. The Committee raised the question whether at the time of agreeing to the request of the United States and Canadian manufacturers that they should be permitted to place their own orders for

the British "specialities", Government could not have stipulated that in regard to these "specialities" payment would be made only in sterling especially when Government were willing to get these "specialities" themselves. The Committee were informed by the representative of the Ministry of W. H. & S. that he did not think that this question was considered. He said that the contract was placed with the manufacturers in dollar areas and had to be paid in dollar and the I.S.M., Washington got the approval of the Railway Board. The C. & A.G. pointed out that there were instances when payments have been made in two currencies in respect of a single contract and the representative of the Ministry of W. H. & S. agreed that this could have been possible. When asked why such an arrangement was not made in this case particularly when the bulk of the supply was made after devaluation and thereby payment in dollars for these "specialities" had cost the Railway Board more, it was stated that this aspect was not considered then.

The next point raised by the Committee was whether the Finance Ministry was consulted specifically on the question of placing orders for the British "specialities" in dollars when they could be obtained with sterling. The Financial Commissioner informed the Committee that probably this was not specifically put to Finance as the idea was to get both locomotives as well as specialities through the manufacturers of locomotives and fasten responsibility on them for timely delivery. The C. & A.G. then brought to the notice of the Committee that the Financial Counsellor to the I.S.M. did in fact write to the Finance Ministry criticising the payment in dollars for stores that could have been purchased with sterling.

130. The Committee then wanted to know whether the American manufacturers were approached with a view to cancelling the arrangement and reverting to the initial idea of obtaining the fittings ourselves directly from the U.K. when there was delay in the receipt of these "specialities". The reply was in the negative.

131. In regard to the question of claiming damages from the firms concerned for the delay in the delivery of the locomotives under the terms of the contract, the representative of the Ministry of W. H. & S. stated that he would check up whether any action was taken and send to the Committee a further note stating whether on account of the delay in supplies, any action was taken to recover damages in this case. He added, however, that it was not the usual practice to have in the I.S.M. contracts, provision for claiming damages on account of default.

132. Paras 10 and 11 of the Audit Report—Irregularities in Stores Purchases and Building certain Rail-Cars and Trailers.—The Committee then took up for further consideration the case regarding irregularities in stores purchases committed by the General Manager, Chief Mechanical Engineer, Financial Adviser and Chief Accounts Officer and the Controller of Stores, Saurashtra Railway. With reference to the request made by a Member that the Railway Board should submit to the Committee the findings of the Departmental Enquiry Committee and a note on the action taken by the Board on them, the Chairman explained that while the Railway Board had no objection in placing all that information before the Committee, they

Board

felt that in view of the fact that they would be shortly presenting to the U.P.S.C. their findings on the departmental proceedings against the officers involved for the latter's recommendations, the Committee might wait till the U.P.S.C.'s recommendations were received when all papers would be placed before them.

133. One of the Members of the Committee then asked that the findings of the Departmental Enquiry Committee should be made available to them.

The Chairman pointed out that it was for the Executive and not for the Committee to award punishment; but it was open to the Committee to see whether the punishment awarded was adequate or not and, therefore, he thought that the purpose of the Committee would be best served if all the papers were made available to them after completion of all the Departmental Proceedings, as suggested by the Railway Board.

After further discussion, it was ultimately agreed that it would meet the point if the information required by the Member was made available at this stage only to the Chairman in consonance with the usual practice.

It was decided to postpone further consideration of the cases reported in paras 10 and 11 of the Audit Report until after the receipt of complete papers from the Railway Board.

134. Para 9 of Audit Report—Agreement with a foreign firm.—The two points dealt with in this paragraph are:—

- (i) Payment to a Swiss firm of a sum of Swiss Francs 217,000 on account of export quota fee (3½ per cent.) paid by the firm to the Swiss Government; and
- (ii) Payment to the firm of an amount of Swiss Francs 122,295 on account of Bankers' Clearing fees levied by Swiss Government Compensation Office in the process of remittance of payments in Swiss Currency to the Supplier's Bank.

135. The Comptroller and Auditor-General said that as a result of the discussions which he had with the Ministry of Finance, he would not like to press the second point regarding the Swiss Clearing Office fees on remittance from India to the Swiss firm through clearing channels. The position was that unless one had free Swiss Francs, one had either to ship gold or to buy Swiss currency in the open market. There was, therefore, no other alternative except to buying Swiss currency through the clearing-house in this case. The clearing charges had, therefore, to be met.

136. In a note submitted to the Committee (Appendix VI) the Railway Board had stated that "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." The Committee, therefore, raised this point as to why Government did not exercise this option of paying in dollars instead of purchasing Francs at a disadvantage to Government. The Financial Commissioner, Railways said that the payment in dollars was not specifically considered.

137. In regard to the payment of export quota fee, the facts are as follows:—

In 1948, the Swiss Government introduced the levy of export quota fee on all exports to sterling areas for the purpose of subsidising their imports. This levy was, however, discontinued from the 25th October, 1949 on the devaluation of sterling. An order for the supply of first 50 coaches under the Technical Aid Agreement was placed by the Government of India on the Swiss firm in December, 1949, but before the receipt of this order, the firm obtained on the 7th October, 1949 a permit from the Swiss Government for the export of the above coaches and the Railway Board authorised the High Commissioner of India, London, on 3rd September, 1953 to reimburse the firm an amount of Swiss Francs 217,000 on account of the export quota fee—3½ per cent. on Swiss Francs 6,200,000—paid by the firm to the Swiss Government. As the deliveries against the first order of 50 coaches were not expected to commence until after the 31st March, 1951 and the Indo-Swiss Trade Agreement for the period from 1st March, 1949 to 28th February, 1950 already provided for an export quota in which the requirements of the Railways 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 October, 1949 in anticipation of the formal order of the Government of India. If, as it appeared, the firm had paid the fees to the Swiss Government under a misapprehension, it was for them to make representation to their Government and claim refund.

138. The Financial Commissioner, Railways, explained that the opinion of the Attorney-General was that the payment of the export quota fee was incidental to the whole transaction and that was why it became necessary to make it. Intervening the C. & A. G. said that his point of view was not put properly before the Attorney-General. The Attorney-General's opinion was that if an export fee was payable for obtaining the licence, then that would be a charge on the Government of India. This was not disputed. The C. & A.G's point was that it was not necessary to pay the export fee at all, because the period in which the supplies materialised was long after this levy had been discontinued and that the payment of this levy before even firm orders were placed was not necessary for meeting this contract. This was a different issue altogether from the issue placed before the Attorney-General.

139. The legal aspect apart, the Committee wanted to know whether the approval of the Railway Board was obtained to the payment of the 3½% export quota fee, when according to the terms of the contract the firm had to be paid only cost *plus* 10 per cent. The Committee were informed that the approval of the Ministry of Railways was not specifically sought.

140. Considering all the aspects of the case, the Committee felt that the firm need not have rushed in to get the export licence in advance of the receipt of formal order from the Railway Board by paying an export fee of 3½%. The representative of the Railway Board, however, felt that although the firm should have asked for the approval before doing so, they did this in good faith. In fact,

the problem was put before the then Chief Commissioner, Railways who was in Switzerland then and our Ambassador and they told the firm that necessary arrangements should be made on the assumption that the firm would have to make the supplies.

The Committee felt that the Railway Board should make further efforts in consultation with our Ambassador in Switzerland to get a refund of the export quota fee paid to the firm.

141. Para 15 of Audit Report—Western (ex-Saurashtra) Railway—Non-recovery of interest and maintenance charges for sidings.—The control of this Railway line passed on to the Central Government from 1st April, 1950 and it merged into the Western Railway system in November, 1951. In July, 1952 the Western Railway Administration prepared an inventory and it was found that that Railway had in all 79 sidings, but agreements existed in respect of 32 only, that no recoveries for interest and maintenance charges were being made in respect of as many as 55 sidings and that even for the remaining 24, the recoveries were being made at considerably lesser rates than due. Even now the position is not satisfactory. Complete particulars of the cost of sidings, their allocation between the Railway and the parties concerned, the dates of their opening, and the written agreements with parties were not available in a large number of cases.

Final agreements have not yet been executed and against claims aggregating about Rs. 2 lakhs preferred by the Railway Administration between April, 1953, and July, 1955 for interest and maintenance charges from 1st April, 1950 to 31st March, 1955, only a sum of Rs. 55,000 has been recovered so far.

142. The Committee wanted to know why the amount recovered upto July, 1955 was only Rs. 50,154 and why it was taking such a long time to finalise the agreements etc.

143. The representative of the Ministry of Railways explained that out of the 79 sidings, there were 16 sidings for which interest and maintenance charges were not being recovered owing to special privileges accorded in the old set-up to ex-State Rulers. There were 2 port sidings, which belonged to the ex-Maharajas themselves and therefore, no charges were levied. There were 9 sidings in respect of which agreements were under consideration of the ex-Rulers, but were not finalised. Saloon sidings numbering 11 were for the ex-Maharajas themselves and as these sidings were all on their property, there was no question of any payment. There were other sidings for which recoveries were made at the old rates.

In respect of all these sidings, an assessment totalling about Rs. 2 lakhs was made by the Western Railway from 1951 to 31st July, 1955 and to end of December something like Rs. 55,000 and odd had been recovered. The Committee were informed that in respect of the port sidings for which Rs. 17,795 were due, the Railway Administration was in correspondence with the Saurashtra Government, who had accepted the right of the Railways to recover these charges. In regard to a sum of Rs. 20,400 in respect of the 11 saloon-sidings, the matter was still under correspondence between the Railway Administration and the Saurashtra Government who were supporting the claims of the ex-Rulers that they should be exempted from

payment of these dues and the Committee were told that it might be necessary to consult the Ministry of Home Affairs before a decision could be taken in this matter. A sum of about Rs. 49,000 was recoverable in respect of sidings for which interest and maintenance charges were not being recovered owing to special privileges accorded by the ex-State Rulers and this amount is yet to be recovered. For sidings, for which execution of agreements were under consideration at the time of integration but not finalised, out of a recoverable amount of about Rs. 45,000, about Rs. 16,000 had already been recovered.

In reply to a query about the settlement of disputes between the users of the sidings and the Railway Administration, it was explained that in certain cases the parties were questioning the ownership of the Railways. The Railways, it may be added, have decided that the onus of the proof that the property belonged to any particular party other than the Railways should be with the parties concerned and if they could not establish their ownership, the claim of the Railways should prevail.

The Committee were assured that the Railways would pursue and finalise the whole matter expeditiously.

144. Para 16 of Audit Report—Southern Railway—Loss incurred on the working of the Sagara-Talaguppa Railway.—The area covered by this Railway is well served by good roads and there is no prospect of rail traffic improving. The dismantlement of this line was suggested by the Southern Railway Administration to the Railway Board in July, 1952 and again in December, 1954 though the Mysore State did not favour this proposal. The retention of this unremunerative line is causing a loss of more than a lakh and quarter of rupees per annum.

145. The Financial Commissioner, Railways explained to the Committee that serious consideration was being given to the question of dismantling this line. The C. & A. G. drew the attention of the Committee to one of the recommendations made by the Railway Convention Committee that in the interest of the general economic development of the country, it might be necessary to undertake construction of unremunerative lines also. He counselled the Railway Ministry that merely on account of the unproductivity, a line should not be dismantled. There might be other variety of reasons for retaining it. The representative of the Railway Board assured the Committee that all factors would be taken into account in arriving at a decision in this case.

146. Para 17 of Audit Report—Northern Railway—Wasteful expenditure due to excessive sanction of cleaners in the Loco. Running Sheds of a Division.—This case relates to double provision for leave reserves of cleaners. As a result 109 cleaners were provided for in excess of the admissible number from 1st January, 1952 resulting in an unnecessary expenditure of Rs. 2 lakhs.

The Committee were informed by the Railway Board that a Committee of three Joint Directors of the Board had been set up with instructions to go into the matter fully to find out who was responsible for the excess and to what extent the staff were legitimately

employed on other jobs. They expected the *report of the Committee to be ready by March, 1956.

147. Para 22 of Audit Report—North Eastern Ex-Oudh Tirhut) Railway—Unsatisfactory state of stores priced ledgers.—The work in connection with the posting of receipts and issue vouchers in the Stores Priced ledgers had fallen into arrears in the Accounts Office for the past several years. The reconciliation of the balances in these ledgers with the general books of the Railways was also in arrears since 1949. The correct valuation of stores issued from stock could not, therefore, be checked and the balances in the priced ledgers did not represent the true position.

In regard to the present position about the arrears, the Committee were informed that out of the arrears of 32,243 items on 31st December, 1953, 18,270 had since been cleared leaving a balance of 13,973 yet to be cleared on 31st December, 1955. The Committee were also informed of the disciplinary action taken against the Accounts Officer and the subordinate staff. In the case of the Accounts Officer, the displeasure of the General Manager was communicated to him and this was considered by the Railway Board to be quite an adequate punishment as it affected his whole career.

148. Para 23—Outstanding Objections and Inspection Reports.—The Committee were told that the number of outstanding objections had since been brought down. The C. & A.G. pointed out that the position was constantly under review by Audit and any abnormalities would be brought to the notice of the Committee.

It was decided that matters which could not be covered for want of the time would be taken up again sometime towards the end of March, 1956.

149. The Committee then adjourned *sine die*.

*See Appendix IX.

**Proceedings of the *Twentieth Sitting of the Public Accounts
Committee held on Saturday, the 21st April, 1956**

150. The Committee sat from 3-15 to 5 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri U. Srinivasa Malliah
3. Shri Kamal Kumar Basu
4. Shrimati Ammu Swaminadhan
5. Shri S. V. Ramaswamy
6. Shri K. G. Deshmukh
7. Shri Diwan Chand Sharma
8. Shri Y. Gadilingana Gowd
9. Shri Uma Charan Patnaik
10. Shri V. Boovaraghasamy
11. Shrimati Violet Alva.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri S. Gupta, *Additional Deputy Comptroller and Auditor-General (Railways).*

Shri P. D. Seth, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

[Ministry of Railways (Railway Board)]

Shri G. Pande, *Chairman, Railway Board.*

Shri P. C. Mukerjee, *Member, Engineering.*

Shri J. Dayal, *Financial Commissioner.*

Shri K. B. Mathur, *Member, Transportation.*

Shri K. P. Mushran, *Member, Staff.*

Shri N. C. Deb, *Director, Finance (Accounts)*

Shri C. T. Venugopal, *Director, Finance (Expenditure).*

Shri S. R. Kalyanaraman, *Director, Traffic (General).*

[Ministry of Finance (E.A. Deptt.)]

Shri Shiv Naubh Singh, *Deputy Secretary.*

*Eighteenth and Nineteenth sittings relate to the consideration of the Audit Reports on the Accounts of the Damodar Valley Corporation for 1952-53 and 1953-54.

MINISTRY OF RAILWAYS (RAILWAY BOARD)

151. At the outset, the Chairman pointed out to the representatives of the Railway Board that some of the notes etc. called for by the Committee had been furnished by them at the last moment with the result that the Members had no time to go through them and thus make use of the information set out therein. He emphasised that all such notes etc. should invariably be submitted to the Committee sufficiently in advance. The Chairman, Railway Board expressed his regret for the delay caused in the submission of some of the notes and assured the Committee that they would do their best to eliminate such delays in future.

152. The Committee then took up consideration of the Memorandum (Appendix XI) on the subject of Manufacture of locomotives and boilers by TELCO furnished by the Railway Board pursuant to action taken by them on the recommendations made by the Committee in Para 61 of their Thirteenth Report, and wanted to know the present level of the cost of production of Y.G. and Y.P. Locos. at TELCO and the ex-factory cost of such locos imported from abroad; the cost of production at Chittaranjan Loco. Works as compared with that of locos. purchased from overseas and the percentage of components which had been manufactured both at Chittaranjan and at TELCO. The Financial Commissioner, Railways stated that the TELCO had claimed the price of Rs. 5.2 lakhs for a Y. G. Loco. in 1953-54 and for Y. P.. Rs. 6.27 lakhs against the landed cost of Rs. 3.52 lakhs which after excluding the freight and customs duty came to about Rs. 2.9 lakhs.

Continuing further, the Financial Commissioner, Railways stated that since the price quoted by TELCO was on the high side, they thought it better to refer the matter to the Tariff Commission. Referring to the price of a W. G. Loco produced at C. L. W., he said that in 1954-55 it was Rs. 5.31 lakhs. This figure excluded the interest on capital which, if taken into account would add to the cost by about Rs. 67,000 thus bringing the production cost of a locomotive to about Rs. 6 lakhs. The landed cost of a similar type of locomotive worked out to Rs. 5.25 lakhs approximately in 1954-55.

153. While pointing out the amount of disparity between the cost of production of a loco. at TELCO and C. L. W. *vis-a-vis* that of identical specifications imported from abroad, the C. & A. G. summed up to say that whereas at Chittaranjan where the production was established in the year 1949, the cost of production was only 15% higher than the landed cost of a similar type of a B. G. Engine, in the case of TELCO., where production was established much earlier *viz.* in 1945 the cost of production was nearly 100% higher than the landed cost of a comparable locomotive.

Referring to the percentage of components manufactured at TELCO and the C. L. W., the Financial Commissioners, Railways stated that the latest figure was 75% and 83% respectively.

154. While the representatives of the Railway Board agreed with the Committee that the question of taking over of TELCO by Government, as previously suggested by the Committee, was a matter to be considered by the Railway Board, they suggested that they must

await the result of the enquiry by the Tariff Commission which was likely to be completed within a period of four months. The Member, Engineering, Railway Board informed the Committee that the Tariff Commission had secured the services of a Locomotive Expert from abroad who was shortly coming to assist the Commission in their inquiry. The Railway Board, he said, were preparing their statement of case to be submitted to the Commission.

155. The Financial Commissioner, Railways invited the attention of the Committee to the reasons already enumerated in the Board's memorandum, for the high cost of production by the TELCO, which were:—

- (a) defects in the calculation of cost of production and profit admissible;
- (b) inclusion of special charges which could be justified only during the period of development and not when the factory had more or less attained the stage of stable production; and
- (c) higher capital costs on account of additional capacity lying idle.

When asked whether during the remaining five years of the contract entered into with TELCO, the cost of production would come down, the Financial Commissioner, Railways stated that if the production increased and the type of engines for which orders were placed was standardised, it should result in a reduction in cost. He contended that so long as the number of locos produced was small, the cost was bound to be high. Further, in the initial period, many difficulties were bound to be experienced and when the initial period was over, a reduction in the cost should result which according to him was expected to take place.

When asked whether it was a wise step for the Railway Board to have asked the TELCO to expand their capacity in the light of their past performance, the Financial Commissioner, Railways stated that there were certain points to be considered in this connection; the TELCO had pleaded their inability to quote lower prices which were based on their actual cost of production and contended *inter alia* that the Railway Board's insistence on 75% of the components being produced indigenously, the procedure and set up of Railway Board's inspection at their works as also the uneconomic size of boiler orders placed on them, impeded their production and as such, these factors were partly responsible for the high cost of their production. He added that some of the circumstances had undoubtedly changed, for example, the TELCO's contention did no longer hold any good, *viz.*, uneconomic size of boilers for which orders were placed with them.

In conclusion he said that the case in all its facets would be placed before the Tariff Commission and the decision of the Tariff Commission might be awaited.

156. *Loss on account of freight charges on the Assam Rail Link.*—The Committee then proceeded to take up consideration of the Memorandum regarding the loss on account of freight charges amounting to Rs. 16,36,850 on Assam Rail Link, as furnished by the

Railway Board at the instance of the Committee (Appendix XVIII). Explaining the background of the case, the Member (Traffic). Railway Board stated that the Assam Oil Company had been given the benefit of some special freight rate for the transport of petroleum products to upcountry stations beyond the then E. B. Railway, as early as the thirties. Later on, during the last War, the freight rates were enhanced and accordingly an increase of 12½% was made in the case of transport of oil. After the Partition, these rates were enhanced on account of rise in transport costs and also due to the East Bengal (Pakistan Railway) beginning to follow an independent rating policy over their portion of the through route—the percentage of increase being 44. Then the Assam Rail Link was opened sometime in December, 1949 and movement through Pakistan was stopped. Since this route was a circuitous one, the Railway Board decided that the traffic should be charged with a ceiling 25% above the then existing rates *via* the East Bengal (Pakistan) Railway from December, 1949. On a representation being made by the Oil Company early in January, 1950 that the rate charged was two times of what they were paying before and that it should be revised, an assurance was given to them by the Board that the matter was under examination and when the question was settled, the whole thing would be operative with retrospective effect from 1st January, 1950. As the Co. was paying the freight at the enhanced rate under protest, this decision led to the refund in question. Later, owing to the setting up of two oil refineries in the country, the position underwent a change. It was considered that this Co. should not be given any preferential treatment in respect of freight charges and it was decided in May, 1955 that the special rates should be cancelled. As the Committee had not much time to study the various implications arising from the Railway Board's Memorandum on this subject which was furnished to them very late, they deferred further consideration of the matter.

157. The Committee then adjourned till 3 P.M. on the 25th April, 1956.

Proceedings of the *Twenty-eighth sitting of the Public Accounts Committee held on Monday, the 28th May, 1956.

158. The Committee sat from 3 to 5 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Ramananda Das
3. Shrimati Ammu Swaminadhan
4. Shri S. V. Ramaswamy
5. Shri K. G. Deshmukh
6. Shri Balwant Sinha Mehta
7. Shri Y. Gadilingana Gowd
8. Shri Uma Charan Patnaik
9. Shri V. Boovaraghasamy
10. Shrimati Violet Alva
11. Shri P. S. Rajagopal Naidu
12. Shri Mohammad Valiulla
13. Shri V. K. Dhage.

Shri S. Gupta, *Additional Deputy Comptroller and Auditor-General (Railways).*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

159. The Committee took up consideration of the Draft Seventeenth Report on the Appropriation Accounts (Railways), 1953-54 and approved it.

160. The Committee authorised the Chairman to present this Report to the Lok Sabha during the next session of Parliament.

161. The Committee then adjourned till Wednesday, the 27th June, 1956.

*Twenty-first to Twenty-fifth Sittings relate to the Defence Services Accounts, 1953-54 and Twenty-Sixth and Twenty-Seventh Sittings relate to the consideration of the Draft 16th Report on the Accounts (Civil).

APPENDICES

APPENDIX I

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE & INDUSTRY

New Delhi, the 10th October, 1955

RESOLUTION

Prices of Locomotives and Boilers

No. Eng. Ind. 17(17)/55.—By an agreement, dated the 20th August, 1947, between the Railway Board and the Tata Sons, Ltd., the Tata Locomotive and Engineering Co., Ltd. (TELCO) undertook the manufacture and sale of boilers and locomotives at Tatanagar. The Agreement came into force for a period of 16 years from the 1st June, 1945 and provided for a certain phasing of manufacture. The Railway Board undertook to buy the production of the TELCO factory subject to certain terms and conditions, one of which was that when the factory would go into full production the Board would buy at the rate of 50 locomotives and 50 boilers per annum. It was also agreed that if the factory achieved a higher rate of production and offered a larger number of locomotives and boilers in a year, the Board would be prepared to purchase such surplus production in preference to imports from abroad. The Agreement also provided the manner in which prices payable by the Railway Board for boilers and locomotives supplied by the Company from time to time should be determined.

2. Certain firm prices have been quoted by the Tata Locomotive and Engineering Co. Ltd., for the supply of Locomotives and boilers during the periods from the 1st February, 1954, to the 31st March, 1955 and from the 1st April, 1955, to the 31st March, 1956. These prices are considerably higher than those quoted by foreign firms.

3. The Railway Board consider these prices to be excessive. In their view this may be due to a variety of factors, such as,—

- (a) defects in the calculation of cost of production and profit admissible ;
- (b) inclusion of special charges which could be justified only during the period of development and not when the factory has more or less attained the stage of stable production ;
- (c) higher capital costs on account of additional capacity lying idle.

4. TELCO, on their side, plead their inability to quote lower prices which are based on their actual cost of production and contend, *inter alia*, that the Railway Board's insistence on 75% of the components being produced indigenously, the procedure and set

up of Railway Board's inspection at their Works as also the uneconomic size of boiler orders placed on them impede their production and as such are partly responsible for the high cost of their production.

5. It is desirable that the arguments and counter-arguments referred to above should be examined carefully before a decision is reached as regards the prices to be paid to the firm for its locomotives and boilers. Government have, therefore, decided that the necessary enquiry should be conducted by the Tariff Commission under Section 12(d) of the Tariff Commission Act, 1951 (L of 1951). The Commission is accordingly requested to conduct the necessary enquiry and submit its recommendations on;

- (i) what should be the fair prices of locomotives and boilers manufactured by Telco since the 1st February, 1954 ;
- (ii) for what period the prices recommended should hold good; and
- (iii) how the prices should be revised from time to time in future.

6. In conducting the enquiry, the Tariff Commission is requested to pay special attention to—

- (a) the costing system in force in the Telco,
- (b) the effect of subsidiary business like the manufacture of trucks, etc., on the progress and cost of manufacture of boilers and locomotives,
- (c) the apportionment of idle time of men and machines among the various accounts,

and also to examine in particular the steps required—

- (i) to achieve the maximum economy in production, and to attain enhanced productivity and efficiency, and
- (ii) to maximise the utilisation of indigenous material and capacity in the manufacturing processes, in the locomotives industry in India.

7. The Commission in its enquiry will be assisted by one or two technical experts of high calibre.

ORDER

Ordered, that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India.

H. V. R. IENGAR,

Secretary to the Government of India.

APPENDIX II

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee

Accounts (Railways)

Serial No.	Para No. of the Report	Ministry/Department concerned	Particulars of Item	Remarks of the Ministry	Comments of the Committee
1	2	3	4	5	6
1	22 (X)*	Railways	It is high time that the Railway Board investigated into the causes of the high percentage in the amount of total demurrage and wharfage charges waived by the various Railway Administrations and take necessary steps to reduce it.	A memorandum has been submitted. (See Appendix XII).	See Para 80 of the Report.
2	34 (X)	Labour <hr style="width: 50%; margin: 0;"/> Railways	The Ministry of Labour should bring forth a measure to amend the payment of Wages Act during the next session of Parliament as any delay involved in the amendment of the existing provisions of the Act is likely to accumulate further the outstanding debits against the station staff and it will not be possible to effect the recoveries when they become very old.	The Ministry of Labour have stated : "A reference on this subject was made to the Ministry of Railways (Railway Board) by the Ministry of Labour on 11-11-54. The fact that the amendment of the Payment of the Wages Act will not be of any help in realising outstanding arrears has also been brought to the notice of the Ministry of Railways. After examination of the recommendations made by the P.A.C., the Railway Board have issued detailed instructions to the Railways	See Para 81 of the Report.

*Denotes Tenth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) 1950-51.

with a view to securing an expeditious recovery of admitted debits from staff and providing for certain special steps to be taken in this direction. The matter is receiving their further attention and it is understood that they intend putting forward specific proposals for the amendment of the relevant provisions of the Payment of Wages Act so as to specifically bring the traffic debits within the scope of the enforceable recoveries".

The Ministry of Railways (Railway Board) have stated:

"The Railway Board have communicated their views in the matter to the Ministry of Labour".

3 12 (XI)* Irrigation & Power
Railways.

The Committee do not see why the Railways Department should not be debited their share of the cost of the bridge forthwith. The question of apportionment of the expenditure incurred on the construction of the Mahanadi Bridge between the respective Ministries should be carefully gone into in consultation with the C. & A. G. of India and an agreed settlement arrived at. The Committee should be informed in due course of the action taken in the matter.

The Ministry of I. & P. have stated :

"The Railway Ministry have agreed to bear its share of the expenditure subject to any advice which may be given by the C. & A. G. The shares of the Ministry of Railways and Transport are being worked out and the C. & A. G. will be consulted before finalization".

Report of compliance may be awaited.

		The Committee would, however, suggest that no part of this expenditure should be debited to the Hirakud Dam Project either by way of its share of the construction cost or of interest on the special outlay thereon.	The Ministry of Railways have stated : "Subject to any advice which might be given by the C. & A. G. with whom it is proposed to discuss the matter further, the Railway Ministry has agreed at this stage to bear its share of the expenditure as suggested by the P. A. C.		
4	45 (XIII)**	Railways	The Committee recommend that the excesses over voted grants and charged appropriations pointed out in this para be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.	The Committee's recommendations regarding regularisation of excesses over voted grants and charged expenditure has been noted.	No Comments.
5	47 (XIII)	Do.	The Committee would watch the results of the measures taken by the Railway Board as a result of the recommendations made in Para 13 of their Tenth Report towards improvement in the standard of budgeting and control of expenditure on the Railways.	The memorandum enumerating the measures taken by the Railway Board to improve the Standard of budgeting was submitted to the committee only in March, 1955; the results of these measures will be apparent only in subsequent years.	See Paras 6-7 of the Report.
6	49 (XIII)	Do.	In view of the high proportion of establishment costs and the fact that a great majority of the staff have opted for the grant of Dearness Allowance in cash, the Railway Board should earnestly consider the question of winding up, without incurring any further losses, the Grain-shops Organisation.	Memorandum submitted. (See Appendix XIII).	See Para 82 of the Report.

*Denotes Eleventh Report of the Public Accounts Committee on Hirakud Dam Project.

**Denotes Thirteenth Report of the Public Accounts Committee on the Appropriation Account (Railways), 1951-52 and 1952-53.

- 7 56 (XIII) Railways . . . The Committees are doubtful whether the provisions of the existing clause 5 (v) of the First schedule to the contract entered into by the Railway Board with TELCO for manufacture and sale of locomotive boilers and locomotives required by Government should be invoked for recouping the excess payments already made to TELCO on account of the inclusion of initial and additional normal depreciation in the cost of production of locomotives and boilers, as there was no agreement for such a course being taken through any price formula or for effecting cash recoveries from the Company. The Railway Board should carefully watch this and the Committee would also like Audit to make a particular mention of this aspect in their future Reports.
- 8 57 (XIII) Railways . . . While entering into contracts with any company in future instead of giving any concession through letters, Government should invariably make specific provision in this behalf either in the agreement itself or execute a supplemental agreement, if need be.
- 9 58 (XIII) Railways . . . The Committee are unable to accept the view of the Financial Commissioner, Railways that the payment of Rs. 1.14 crores made to TELCO on account of initial and double depreciation was an advance payment of the depreciation as it would in any case have been paid by 1961. In the view of the Committee, it is not an 'advance payment' but an 'additional payment' especially when this additional depreciation

A memorandum has been submitted. (See Appendix XI).

See Paras 74—79 of the Report.

had also been allowed on equipment etc. which had been purchased over a period of years after the agreement. Obviously, the additional depreciation on such assets will not be extinguishable by 1961. The Committee note the point made by the Financial Commissioner that these payments would be taken into account at the time of determination of the firm price and await the note promised to be submitted to them on the subject.

10 60 (XIII) Railways

A team of technical experts should be appointed by the Railway Board to go into the whole question of the costing system in force in TELCO and also examine the extent to which the indigenous material and capacity are being utilized by the Company in the manufacturing processes. They should particularly investigate whether the subsidiary business like the manufacture of trucks etc., which is a commercial venture undertaken by TELCO, was not getting any benefit at the expense of the Railways and whether these activities were not hampering the progress of manufacture of the boilers and locomotives according to the time schedule laid down in the agreement, and if so, to what extent. The investigation should also include the apportionment of idle time of the machines among the various accounts.

The Committee were perturbed to note from the Railway Board's Memorandum that owing to the delay in the manufacture of boilers and locomotives, higher prices had to be paid by Government. The Railway Board should assess the magnitude of the loss and inform the Committee of the steps proposed to be taken to recover the loss from the Company.

11 61 (XIII) Railways

The Committee note the considerations urged by the Railway Board for Government not taking over TELCO and welcome the assurance given by the Financial Commissioner, Railways 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 would like to watch the future development in this case before coming to any conclusions.

Without commenting in the wisdom of diverting a part of the installed capacity of purposes other than those for which it was intended, the Committee would draw attention to the fact that this diversion of capacity has retarded the attainment of self-sufficiency in the matter of manufacture of locomotives and boilers for the Indian Railways.

11-A 59 (XIII)

Do.

On being informed by the Financial Commissioner of Railways that the cost of production at TELCO was 33-1/3 per cent. higher than the landed cost of an identical type of locomotive, while at Chittaranjan Locomotive work, it was 20 per cent. higher, the 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.

A note has been submitted.
See Appendix XI A)

See paras 74 to 79 of the Report.

12 64 (XIII)

Do.

The Committee should like to know who were the officers responsible in the Railway Board

Memorandum has been submitted (See Appendix XIV)

See para 83 of the Report.

for not pursuing the case relating to the purchase of oil tank wagons, referred to in para 26 of the Audit Report, 1953 and finding out from the I.S.M., Washington what action had been taken by them in claiming rebate from the Canadian firm on account of the late delivery of the wagons. The Committee should also like to know what action the Railway Board propose to take against them for the loss caused to the Exchequer through their contributory negligence.

The Committee are surprised that negotiations had not been conducted in this case with the Belgian firm before finalising the deal with the Canadian firm. They are not satisfied with the justification put forward for the favourable treatment accorded to the Canadian firm. The Committee wish to record their dissatisfaction over the manner in which this transaction was handled by the Railway Board.

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13 66(XIII) W.H. & S.
Railways

(i) In the case referred to in para 27 of the Audit Report (Railways), 1953 relating to the purchase of defective and unserviceable rails, the I.S.M., Washington failed to observe the elementary principles of prudence in placing reliance, without verification, on the statement of the foreign firm concerned about the shipment of the rails. The Committee would like to express their disapprobation over the perfunctory manner in which the Mission handled this transaction from the very start.

The Ministry of Railways have Further Report may stated : be awaited.

“The Ministry of Railways are not concerned”.

The Ministry of W. H. & S. have stated :

“The matter is under examination”.

(ii) The Ministry of Works, Housing & Supply should have consulted the indenter, *viz.*, the Ministry of Railways before asking the I.S.M. to go ahead and place the order with the firm.

(iii) While the contract contained a provision that the firm was responsible for any defect or fault detected by the purchaser in the stores on their arrival in India, the Committee failed understand why the claim could not be preferred earlier against the firm and earnest attempts made to effect recovery. The Committee would like to know the action taken against the officials responsible for the delay in preferring the claim.

(iv) It is somewhat extraordinary that the inspection contract was placed on the same private firm which had been hired by the supplying firm in connection with the purchase of these very rails. The Committee are perturbed that the salutary principle that the Inspectors should not in any way be connected with the purchase of the particular goods has been departed from in this case.

The Inspection Reports were also reported to contain an unusual type of statement that they covered only the condition of rails seen by the Inspector and reflected his best judgement and no liability was accepted for defects that might have been over looked by him or for efforts of judgement or for claims that might ensure from the ultimate receiver of the merchandise. It passes the comprehension of the Committee how Inspection Reports based on random inspection, particularly when the goods were second hand, were accepted by the I.S.M., Washington.

This case (relating to the purchase of un-serviceable rails) has been grossly mishandled by the I.S.M., Washington and requires

The Ministry of Railways have Further Report may
stated : be awaited.

- further detailed investigation. It is a said commentary on the working of the Purchase Wing of the Mission. The Committee would like to have a fuller report on the transaction and what action is proposed to be taken against other officials at fault.
- 15 69 (XII) Railways
W. H. & S.
- The debit for Rs. 7 lakhs representing the value of totally unserviceable rails which was lying under 'Suspense' should be adjusted as a valid charge against the Railway concerned without requiring the Ministry of Works, Housing & Supply to insist on too Meticulous a fulfilment of the normal requirements of the supplies conforming to original specifications which it is in any case now impossible to do.
- 16 70 (XIII) Railways
- 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.
- 17 71 (XIII) Do.
- The Railway Board should re-examine this case and take action against the officers responsible for helping the Engineer to escape.
- The Railway Board should issue instructions to all the Railway Administrations that the Code rules which require that provisional payments should be made only in very exceptional cases and that such payments should not exceed a period of 3 months, should be strictly adhered to by them.
- "Ministry of Railways are not concerned".
The Ministry of W.H.& S. have stated :
"The matter is under examination".
- The Ministry of W. H. & S. No comments. have stated :
"The matter is under examination".
- "The Ministry of Railways have stated :
"The debit of Rs. 7 lakhs is being accepted as recommended by the Committee".
- A Memorandum has been submitted. No comments.
(See Appendix XIX)
- Necessary instructions have already been issued. (Railway Board letter No. 55-ACS—Insp./56/2 dt. 5-12-1955).
(See Appendix XX)

1	2	3	4	5	6
18	72 (XIII)	Railways	The Railway Board should issue clear instructions for the strict adherence by the Railway Administration of the prescribed procedure for the calling of tenders.	Necessary instruction have been issued. [Railway Board letter No. 55-B (C) 2498-35 & 36/XIII dt. 13-1-56]. (See Appendix XXI)	No comments.
19	73 (XIII)	Do.	The Railway Board should review the procedure with respect to the sale of cinder without inviting quotations etc. and submit a note to the Committee stating the measures adopted or proposed to be adopted to prevent any abuse of powers vested in the subordinate authorities in this behalf.	Memorandum submitted. (See Appendix XV)	See para 84. of the Report
20	74 (XIII)	Do.	The Railway Board should pay unremitting attention towards the progressive reduction in the accumulation of 'surplus stores' and 'scrap' the balance in stock of which is still on the high side. The Committee hope that the next year's Audit report will present a better picture in this behalf.	As recommended by the PAC, the position has been included in the Railway Audit Report, 1955 <i>vide</i> para 20.	No comments.
21	76 (XIII)	Do.	As soon as a decision is reached on the question relating to <i>ex-post-facto</i> sanction by competent authority for regularisation of expenditure incurred without proper sanction the Railway Board should take necessary steps to regularise the unauthorised expenditure in the case referred to in Para 18 of the Audit Report 1954.	Noted. Sanction will issue under the procedure that may be evolved.	No comments.
22	78 (XIII)	Do.	The Railway Board should examine whether the sum of 217,000 Swiss Francs is not reimbursable to the Government of India by the Swiss Firm Schlieren in view of the fact that	}	

				the Swiss Government had discontinued the levy of export cess from October, 1949 and the exports to India did not materialise till 1951		
23	79	(XIII)	Do.	The Railway Board should examine and submit a note to the Committee on the justifiability of the payment of the sum of 117,363 Swiss Francs having been made to Schlieren on account of the bankers' clearing fees which should not be included in the cost of production or 'firm price'.	Memorandum submitted. (See Appendix VI)	See paras 10-13 of the Report.
24	81	(XIII)	Do.	The Committee regard the explanations given by the Railway Board for not taking disciplinary action against the Officers responsible in their Office, for the delay in the disposal of the case, commented upon in Para 19 of their Tenth Report, as unsatisfactory and express their displeasure over the manner in which the Board have handled this case. On the Board's own admission, there was actually delay of 8 months in their office after the case became ripe for decision, which does not reflect well on the working of the Board. The Railway Board should re-examine the case and take disciplinary action against the persons at fault.	A Memorandum has been submitted. (See Appendix XXII)	No comments.
25	82	(XIII)	Do.	The Committee would like to know the action taken against the Transportation Inspector (Commercial) in the case commented upon in Para 21 of their Tenth Report.	A Memorandum has been submitted. (See Appendix XXIII)	No comments.
26	83	(XIII)	Do	The Committee should like to watch further results in the matter of economy effected by the regrouping of Railways. They at the same time would suggest that the Railway Board should evolve some method by which to segregate the financial effect, if any that may have arisen out of the regrouping.	The question of evolving a method for segregating the financial effect of regrouping is under consideration in consultation with audit.	Further Report may be awaited.

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27	195-196-P (XIII) Railways	<p>The Committee pointed out that although the irregularity disclosed in para 9 of Audit Report (Railways), 1954 came to notice in August, 1951, the question of fixing responsibility was still under consideration of the Railway Administration. The representative of the Railway Board stated that they had just received the explanations of the officials concerned and after examining them, they would decide in the course of the next few days what action should be taken against them.</p>	<p>A note has been submitted. (See Appendix XVI)</p>	<p>See para 85 of the Report.</p>	

APPENDIX III

Summary of the Main Conclusions/Recommendations of the Seventeenth Report of the Public Accounts Committee on the Appropriation Accounts (Railways), 1953-54

S. No.	Para No. of the Report	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	4 (Introduction).	Railways All Other Ministries.	Delays in the submission of notes containing information called for by the Committee not only hamper the work of the Committee but also in many cases involving serious financial and procedural irregularities prevent them from recording their findings in time on merits, or otherwise, of such cases. The Committee strongly disapprove of such delays. They also view with like disfavour the submission of notes at the last moment. The Committee, therefore, emphasize that as already recommended by them in Para 5 of Introduction to their Sixteenth Report, the Ministries concerned should make it a point to submit the notes etc. called for by the Committee by the prescribed date. In cases, where it is not possible to adhere to these dates, the Ministries should invariably inform the Committee before-hand the special circumstances which prevented them from furnishing the requisite information by the specified dates. To enable them to fulfil this requirement, the Railway Board should impress upon the various Railway Administrations that priority should be given in the matter of supplying to the Board information called for by the Committee.
2	5 (Introduction).	Railways Finance.	An early decision should be arrived at in the matter of action to be taken when expenditure had been incurred without the sanction of the competent authority and <i>ex-post-facto</i> sanction thereof was refused by the Ministry of Finance or the Finance Branch of the Railway Board's Office, as the case may be, as suggested by the Committee in Para 5 of their Thirteenth Report (1954-55).
3	5	Railways.	The excesses over the seven voted grants which occurred in the year under report, as referred to in Para 5 (iv) of the Report be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

1	2	3	4
4	6	<u>Railways</u> All other Ministries	<p>The procedure for debiting the cost of materials intended for various works to the accounts of those works much in advance of the physical movement of the stores from the Stores Depots is highly objectionable as it results in 'fictitious adjustments' in the accounts and is attendant with grave risks of fraud, embezzlement etc.</p> <p>The Railway Board should impress upon all Railway Administrations the need to ensure that such an irregularity does not occur in future and that issue of stores, especially in the month of March, is confined to what can reasonably be expected to be utilised and despatched before the end of that month.</p>
5	7	<u>Railways</u> All Other Ministries.	<p>The Committee would once again reiterate the recommendations made by them in recent years that a suitable procedure should be devised by the large spending Ministries like the Ministry of Railways, whereby they should be able to ascertain telegraphically, if necessary, from the Purchase Missions abroad about the precise position in regard to the supplies within the financial year and estimate the total requirements as accurately as possible. In the opinion of the Committee, the position should improve if the Railway Adviser attached to the Indian High Commission in London is entrusted with the task of chasing the indents placed with the various suppliers and manufacturers in the U. K. and the Continent and thus keeping a constant progress check over them.</p>
6	8	Railways	<p>Proper vigilance on the use of savings for the commencement of any new work not contemplated in the original budget should be exercised.</p> <p>In the future Reviews on the Appropriation Accounts (Railways), the Railway Board should split up the important savings under the various Grants into suitable categories <i>e.g.</i>, non-receipt of supplies and/or debits therefor, slow progress of works etc. and give details under each category to enable the Committee to appraise the overall utilisation of savings properly.</p>
7	9	Railways	<p>The question of recovery of the freight amounting to Rs. 10 lakhs paid in excess to the Indian Company, as commented upon in Para 8 of the Audit Report (Railways), 1955 has been very much delayed. It should be pushed to an early decision and a detailed note submitted to the Committee as soon as the settlement with the firm has been arrived at.</p>

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8	13	Railways.	<p>'SCHLIEREN' (the Swiss firm with whom the Railway Board entered into a contract for the manufacture of all-metal light-weight coaches) should not have rushed on its own for obtaining the export quota from the Swiss Government on 7th October, 1949, by payment of 3½% levy, as the order for the supply of first 50 coaches under the agreement was placed by the Railway Board on the Company only in December, 1949, i.e., after the levy had been discontinued and the deliveries were not expected to commence until after 31-3-51. In the view of the Committee, the necessity for the payment of the export quota levy amounting to 217,000 Swiss Francs early in October, 1949, was neither established nor urgent because the formal order was not received by the Company at that time and the supplies were to commence only after 18 months from that date. The Railway Board should make further efforts to get a refund of the payment made to the Company on account of the export quota fee.</p>
9	17	Do.	<p>Even after three years since some of the high-ranking Officers of the <i>ex-Saurashtra</i> Railways had been suspended and charge-sheeted for the various financial irregularities committed by them in the matter of stores purchases, as disclosed in Para 10 of the Audit Report, it had not been possible to finalise disciplinary action against them, although the charges, involving misappropriation and forgery, were of a very serious nature warranting criminal action. (The total estimated loss in this case has been reported as Rs. 5,23,792).</p>
	19		<p>The Committee are distressed to see the routine manner in which this case has been dealt with by the Railway Board. They are at a loss to understand why when the Report of the Departmental Committee which investigated this case revealed that the Officers concerned had forged documents which called for criminal investigation, the case had not been reported to the Police for concurrent action. In the opinion of the Committee, delay in finalising the Departmental action might have a prejudicial effect due to loss of evidence such as may be available on the criminal proceedings that might have to be instituted</p>
	20		<p>The Railway Board should pursue this case, which has been referred to the U. P. S. C. for advice, vigorously.</p>
10	22	Railways	<p>The same Officers (General Manager and the Chief Mechanical Engineer) who were involved in the case referred to against</p>

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			S. No. 9 are reported to be responsible for the irregularities disclosed in Para 11 of the Audit Report also. The disciplinary action against them should be expedited.
11	26	Railways.	The Committee should be informed of the result of the claim for compensation from the manufacturers for the supply of defective cylinders to be lodged by the Director-General, India Store Department, London.
			The Committee are surprised that this reputed firm of manufacturers should advance the absence of a formal guarantee clause in the agreement as an argument for repudiating the claim for defective supply of cylinders, as under the established custom and usage in trade, the manufacturing firm was bound to deliver supplies which were free from defect.
	28		As regards the responsibility of the Consulting Engineers in the above case and of the other firm which supplied cylinders direct to the Chittaranjan Locomotive Works, the Railway Board should examine the legal aspects of the matter in consultation with Director-General, India Store Department, London and take further action to claim compensation from them.
12	32	Comptroller and Auditor-General.	The Committee await a detailed note setting forth the full facts of the case.
13	38	Railways	The technical- <i>cum</i> -financial inspection of the Barsi Light Railway (which was purchased by the Government with effect from 1st January, 1954) carried out in 1952 disclosed that a large number of the Company's assets, <i>e.g.</i> , plant, machinery, rolling stock and permanent way and other structures had long passed their normal lives and that the Barsi Light Railway had drawn up a phased programme to renew the steel trough sleepers. Attention to this replacement of trough sleepers by wooden sleepers was also invited in the special inspection of the condition of the assets of the Barsi Light Railway conducted in November, 1953. On the basis of this information in their possession, the Railway Administration should have as a measure of precaution or prudence issued before 31-12-1953 (the date of termination of the contract), a direction to the Company as required by clause 28 of the contract for arranging replacement of the overaged assets and for the completion of the programme of sleeper renewals before the expiry of contract or to accept liability

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			for the uncompleted replacements on the date of the termination of the contract.
14	42	Railways.	The Central Railway Administration did not make the real purpose of the special inspection of the Barsi Light Railway in December, 1957 clear to the Government Inspector of Railways. 3
15	43-44	<u>Railways</u> Communications.	The fact that the Railway was to be purchased by Government was within the Government Inspector's knowledge and he should have been more careful in countersigning the certificate of the Engineers of the Barsi Light Railway that the assets of that Railway were maintained in good working condition and repairs during the period ending 31st December, 1953, without any qualification. The Committee place on record their displeasure at the perfunctory manner in which the Government Inspector signed the certificate without realising for a moment the implications thereof. The Committee are distressed over the manner in which this case has been handled and would suggest that a thorough investigation should be made into this case and responsibility fixed for the various lapses on the part of the persons concerned which led to the purchase of the Railway at a higher cost.
16	48	<u>Railways</u> Comptroller and Auditor General.	The progress made in effecting recovery of the outstanding amount on account of interest and maintenance charges for sidings provided by the Western Railway in the ex-Saurashtra Railway region should be indicated in the subsequent years' Audit Reports.
17	52	Railways.	The action taken against the officials who were responsible for working out, proposing and accepting the erroneous assessment of the number of cleaners required in the Loco. Running Sheds, which resulted in an excess expenditure estimated over Rs. 2 lakhs, should be intimated to the Committee.
18	60	<u>Railways</u> W. H. & S.	(i) The India Supply Mission, Washington should not have accepted the suggestion of the American manufacturers in placing the orders for the components and fittings direct on the U. K. manufacturers. In the opinion of the Committee, the India Supply Mission overlooked two important considerations in the procurement of such stores through the Director-General, India Store Department, London viz., first, that it was an agency which

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			was responsible to Government; and secondly, it could progress the indent effectively being on the spot.
	61		(ii) The India Supply Mission failed to press the question of payment in sterling for 'specialities' ordered in this case from the U. K. by cancelling the earlier arrangement even at the time when the assistance of the Director General, India Store Department, London was invoked by the American manufacturers to progress their contract for the specialities. This had resulted in payment to the tune of 1.7 million dollars for British made components and fittings.
	62		(iii) In view of the fact that 240 out of the 470 locomotives were received in India without the components and fittings which had to be obtained from U. K. and fitted into the locomotives, the technical experts of the Railway Board could, therefore, conceivably have accepted deliveries of the locomotives without their components and fittings. It is unfortunate that this possibility had not been indicated by the Railway Board to the India Supply Mission. If it had been done, it would not have only saved the payment for the 'specialities' in dollars but also have reduced, if not avoided, the loss of Rs. 20 lakhs entailed by the late delivery of the locomotives which was attributed to the delay in the procurement of 'specialities' from the U. K.
	63		(iv) The Committee await a note from the Works, Housing and Supply Ministry about the claiming of damages from the Company for delayed deliveries in this case.
19	64	Railways Communications D. G. P. & T.	An early settlement should be made between the Railway and Posts and Telegraphs Departments about the revision of the rates of haulage of postal and non-postal vehicles run for the exclusive use of the Postal Department which has been pending for more than 16 years.
20	68	Railways.	A report about the finalisation of the lease in respect of the hiring of a portion of the Esplanade Mansions, Calcutta for the Public Relations and Publicity Offices which had been outstanding for the last 10 years should be furnished to the Committee in due course.

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21	69	Railways.	The Committee would draw the attention of the Railway Board to the recommendations made by the Railway Convention Committee of 1954 in Para 25(b) of their Report and emphasise that the Railway Board should urgently look into the matter of assessment of rent in regard to the Class III and Class IV staff quarters and thus ensure that a fair return of rent commensurate with the capital cost is obtained on all residential buildings.
22	70	Do.	A report about the amount of claim on account of repairs and maintenance charges recoverable in respect of vehicles reserved for the exclusive use of the Ministry of Defence as outstanding on 31-3-56 and the steps taken to ensure recovery thereof should be furnished to the Committee in due course.
23	71	Do.	The Committee should be informed of the steps the Railway Board contemplate to effect recovery of Rs. 1.07 lakhs outstanding from a firm of contractors which was working the Shillong out-agency on the old Assam Railway.
24	72	Do.	<p>In the interest of current work, the Railway Board should evolve an <i>ad hoc</i> procedure in consultation with Audit whereby the following arrears which date back to ten years or so and which are not readily susceptible of verification with the vouchers in the Accounts Department at such a distant date can be liquidated :</p> <ul style="list-style-type: none"> (a) Incomplete and inaccurate postings in Works Registers remaining to be set right ; (b) Reconciliation of Accounts Office Works Registers with Departmental Works Registers to be completed ; (c) Rectification of the differences revealed by the reconciliation of Accounts Office Works Registers with Departmental Registers.
25	74-75	Do.	(i) The Committee are unable to accept the view reiterated by the Railway Board that the payments made to TELCO. on account of initial and double normal depreciation were strictly in accordance with the contract and that the effect of allowing larger amounts for depreciation in the development period would be that the quantum of depreciation to be allowed in the post-development period would be less than what it would have been had the depreciation been spread equally over the

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			entire life of the assets. The Committee consider the Railway Board's statement as 'misleading' for the reason that, though the allowance for the depreciation for the post-development period might be correspondingly less, the excess payments made in the development period could not be completely recouped in the post-development period inasmuch as the Agreement with the Company would expire in June, 1961.
	79		(ii) The Railway Board should apprise the Committee of the recommendations made by the Tariff Commission on the question of fixation of firm prices of locomotives, and boilers manufactured by the TELCO. and other cognate matters as also the decisions taken by the Board thereon.
26	80	Railways.	The Committee look forward to see further reduction in the scale of remissions in relation to the accruals of demurrage and wharfage charges as a result of the measures taken by the Railway Board.
27	81	Do. — Labour.	The implications arising from the recommendations made by the Committee in the matter of amendment of the Payment of Wages Act to ensure the recovery of traffic debits from the station staff should be carefully examined at an inter-Ministerial meeting and the matter expedited. In the meantime, the Committee should like to know the extent of improvement effected in the recovery of outstandings of traffic debits since the Committee last examined this matter.
28	82	Railways.	In view of the considerable fall in the number of Railway staff enjoying the grainshop concession, the need for the continuance of the concessional grainshops should have disappeared. The final decision taken by the Board to wind up this organisation should be communicated to the Committee.
29	83	Do.	The Railway Board seem to have taken a too complacent view of the disciplinary aspect of the case involving infructuous expenditure in the purchase of oil tank wagons commented upon in Para 64 of the Thirteenth Report of the Committee. The Railway Board should re-examine the case as previously recommended by the Committee and allocate responsibility for the failure in their office in not following up this case which had culminated in the waste of public money.

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30	84	Railways.	The Committee trust that necessary machinery would be set up, if not already in existence, to screen cinders of below $\frac{1}{2}$ " size and to prevent the fraudulent admixture of cinders of $\frac{1}{2}$ " size and above with that below $\frac{1}{2}$ " in the Railway sheds to ensure against any malpractices.
31	85	Do.	In the case relating to overpayment of special pay on the Central (<i>ex-G.I.P.</i>) Railway amounting to Rs. 8,829 referred to in Paras 195-196 of the Thirteenth Report, a further report about the disciplinary action taken against the persons responsible should be submitted to the Committee.