

**PUBLIC ACCOUNTS COMMITTEE  
(1967-68)**

**TWENTY-THIRD REPORT  
(FOURTH LOK SABHA)**

**APPROPRIATION ACCOUNTS (RAILWAYS), 1965-66  
AND AUDIT REPORT (RAILWAYS), 1967.**



**LOK SABHA SECRETARIAT  
NEW DELHI**

April, 1968/Chaitra, 1890 (Saka)

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(1967-68)

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3. Shri C. K. Bhattacharyya
4. Sardar Buta Singh
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| Shri R. M. Bhargava    | . | . | . | <i>Under Secretary</i>  |

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

\*\*Ceased to be a Member of the Committee with effect from 1-4-1968.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Twenty-third Report on Appropriation Accounts (Railways), 1965-66 and Audit Report (Railways), 1967.

2. The Appropriation Accounts (Railways), 1965-66 together with the Audit Report thereon were laid on the Table of the House on 21st March, 1967. The Committee examined them at their sittings held on 1st (AN), 2nd (FN) & (AN) and 3rd (FN), February, 1968. The Committee considered and finalised this Report at their sitting held on 18th April, 1968 (AN). The Minutes of each sitting of the Committee form Part II\* of the Report.

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

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

5. They would also like to express their thanks to the Chairman and Members of the Railway Board and representatives of the Ministry of Works, Housing & Supply for the co-operation extended by them in giving information to the Committee during the course of their evidence.

NEW DELHI :  
April 19, 1968.  
*Chaitra 30, 1890 (Saka).*

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

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**I**

**COMMENTS ON THE APPROPRIATION ACCOUNTS, 1965-66  
AND CONNECTED DOCUMENTS.**

*Financial results—Para 6, page 9.*

The actual surplus of the Railways during the year 1965-66 amounted to Rs. 18.56 crores against Rs. 29.24 crores anticipated in the Budget for the year, as indicated below :—

| Particulars                                | Budget | Actuals | Variations |
|--|--------|---------|------------|
| (In crores of rupees)                      |        |         |            |
| 1. Gross Receipts . . . . .                | 716.17 | 733.76  | (+17.59    |
| <i>Deduct</i>                              |        |         |            |
| 2. (a) Revenue Expenditure . . . . .       | 571.03 | 598.92  | (+27.89    |
| (b) Payments to General Revenues . . . . . | 115.90 | 116.28  | (+00.38    |
| 3. Net surplus . . . . .                   | 29.24  | 18.56   | (—)10.68   |

(N.B.—The figures given under Budget do not take into account the figures of Revised Estimates and Supplementary provisions.)

1.2. The entire surplus was credited to the Railway Development Fund. The shortfall of Rs. 10.68 crores in the net surplus over the Budget anticipation was mainly due to increase in the working expenses being considerably more than the increase in the gross receipts as explained in the succeeding Paragraphs.

*Receipts—Para 7, Pages 9—10.*

1.3. The increase of Rs. 17.59 crores in the Gross Receipts was mainly due to increase in the goods earnings (Rs. 23.59 crores) which was partly set off by shortfall in passenger earnings (Rs. 2.33 crores) and in other earnings (Rs. 3.67 crores), as indicated below :—

| Particulars  | Budget | Actuals | Variations |
|--|--------|---------|------------|
| (In crores of rupees)  |        |         |            |
| 1. Goods earnings . . . . .  | 441.90 | 465.49  | (+23.59    |
| 2. Passenger earnings . . . . .                                    | 221.50 | 219.17  | (—) 2.33   |
| 3. Other earnings (including suspense and miscellaneous receipts). | 52.77  | 49.10   | (—) 3.67   |
| Gross Receipts . . . . .   | 716.17 | 773.76  | (+17.59    |

(N.B.—The figures given under Budget do not take into account the figures of Revised Estimates).

1.4. The variation between actuals and the Budget Estimates of goods earnings was the highest since 1961-62.

1.5. It was explained in the Budget for 1965-66 that the estimates of goods earnings took into account an increase of 10 million tonnes of originating traffic over 1964-65. The total anticipated goods traffic was 164 million tonnes of originating revenue earning traffic, apart from Railways' own traffic estimated at 42 million tonnes. The actual originating goods traffic materialised during the year was 162 million tonnes of revenue earning traffic and 41 million tonnes of Railways own traffic.

1.6. The Budget Estimates also included additional earnings of Rs. 6.90 crores expected to be realised as a result of selective increases in the freight rates of a few bulky commodities, of which a substantial tonnage was moving, partly offset by reductions in the rates applicable to certain commodities in the higher brackets of commodity classification, like cotton piece goods. Later, at the time of presenting the Revised Estimates for the year, along with the Budget for the following year, it was explained that, in the first nine months of the year, an improvement had been noticed over the proportionate targets for the period in certain relatively better rated traffic such as miscellaneous general goods as also an improvement in the lead of traffic. The Revised Estimates of goods earnings were, therefore, placed at Rs. 20.10 crores higher than Budget. The actuals, however, exceeded even the Revised Estimates by Rs. 3.49 crores.

1.7. During evidence, the Committee pointed out that in spite of a shortfall of about 2 million tonnes in the anticipated revenue earning traffic during the year 1965-66, the actual earnings from the goods traffic were more than the Budget Estimate by Rs. 23.59 crores. The Financial Commissioner, Ministry of Railways, stated that in regard to the gross receipts, the actual goods and passenger earnings depended on the general tempo of the economy. The crucial factor which governed the estimation of earnings was the level of traffic which they expected in any particular year, but their anticipation in increase in traffic were belied. He added "Almost every year sometimes that is in a plus direction and sometimes in the minus direction. Our earnings go up and down. The budget is thrown out of gear to some extent on the earnings side". The witness further stated that if the revised estimated figures were taken into account then the difference between the revised figures and the actuals was not much. The revised estimate of gross receipts was about Rs. 742 crores against the actuals of about Rs. 734 crores and the variation was only about 1%.

1.8. The Financial Commissioner also stated "In March, 1966, it was decided to change over the system of account of goods traffic entirely to the 'forwarded' basis as a result of the last stage of mechanisation. This resulted in the goods earnings being increased by about Rs. 7.5 crores with a corresponding increase in suspense also. If this book keeping adjustment were

ignored to assess the position comparatively with reference to the earlier years, it would be found that the variation of the actuals from the budget estimate of Rs. 441.90 crores under goods earnings is only about Rs. 16 crores. This compares favourably with the similar variation of Rs. 22 crores in 1964-65. So, this big difference which has been noticed by Audit during this year which they say has been highest since 1961-62, it is largely accounted for by a procedural accounting change by which Rs. 7.5 crores was the difference created."

1.9. The Additional Member (Finance) stated that the Budget Estimates were framed on certain assumption based on previous statistics and the actual lead of various commodities. The increase in the lead of commodities had contributed to the increase in revenue to the extent of about Rs. 10 crores.

1.10. The Committee pointed out that the revised estimates of goods earnings were placed at Rs. 20.10 crores higher than the Budget, but the actuals exceeded even the Revised Estimates by Rs. 3.49 crores. The committee enquired about the factors which had contributed towards an improvement in the lead of traffic and whether they could not be anticipated at the time of framing Budget Estimates. The Additional Member (Finance) stated "The particular pattern that the traffic is going to take—it is very difficult to forecast. For instance on account of congestion which occurred during the current year in the ports which are nearer U.P. and Bihar we had to move foodgrains traffic from ports as far distant as Madras and Kandla. Similarly there are various shifts in the pattern of traffic from time to time which it is not possible to anticipate. So this increase in lead is something which it is very difficult to anticipate except in respect of particular streams of traffic."

1.11. Asked, what were the better rated commodities in which there has been improvement in traffic compared to the Budget anticipations, the witness replied that some of these commodities were raw-cotton, raw-jute, manufactured jute, tea etc.

**1.12. The Committee regret to note that there was marked variation between actuals and the budget estimates in respect of goods earnings.**

**1.13. The Committee need hardly emphasise that Budget estimates should be framed more realistically as the policy decisions of Government regarding variation in freight rates depend on these estimates. They desire that the Ministry of Railways should benefit by the experience gained in the previous years, analyse the reasons for such variations and try to reduce them to the minimum.**

*Revenue expenditure—Para 8, page 11-12.*

1.14. The details of the increase of Rs. 27.89 crores in the Revenue Expenditure over the anticipations in the Budget are as under :—

| Particulars  | Budget | Actuals | Variations |
|--|--------|---------|------------|
| (In crores of rupees)  |        |         |            |
| <b>A—Working Expenses—</b>   |        |         |            |
| (i) Staff-Administration including Labour Welfare and Operating.   | 168.46 | 176.76  | (+ ) 8.30  |
| (ii) Repairs and Maintenance .   | 146.37 | 157.58  | (+ ) 11.21 |
| (iii) Fuel . . . . .   | 94.74  | 101.05  | (+ ) 6.31  |
| (iv) Miscellaneous Expenses including operation other than staff and fuel payments to worked lines and suspense.                                       | 48.43  | 50.65   | (+ ) 2.22  |
| (v) Appropriation to Depreciation Reserve Fund.  | 85.00  | 85.00   | ..         |
| (iv) Appropriation to Pension Fund   | 12.00  | 12.00   | ..         |
| Total Working Expenses .   | 555.00 | 583.04  | (+ ) 28.04 |
| <b>B—Miscellaneous Expenditure such as cost of Railway Board and its attached offices, Surveys, Audit &amp; subsidy paid to Branch Line Companies.</b> | 5.03   | 5.14    | (+ ) 0.11  |
| <b>C—Open Line Works—Revenue . . . . .</b>   | 11.00  | 10.74   | (—) 0.26   |
| Total Revenue Expenditure .  | 571.03 | 598.92  | (+ ) 27.89 |

1.15. The increase in the Working Expenses under 'Staff' and 'Repairs and Maintenance' amounting to Rs. 19.51 crores. [c.f., Items (i) and (ii)] was attributed mainly to :—

- (a) Post budget enhancements in the rates of dearness allowance sanctioned with effect from 1st March, 1965 and 1st December, 1965 (Rs. 14.49 crores) and house rent allowance with effect from 1st July 1965 (Rs. 1.70 crores), and
- (b) Increased expenditure on repairs to Rolling Stock and Workshop Plant and Machinery arising partly from intensive utilisation of the Rolling Stock and partly from increase in prices (Rs. 5.44 crores).

1.16. The above increases were partly off set by savings mainly due to non-filling up of certain posts as a measure of economy (Rs. 2.37 crores).

1.17. The increase of Rs. 6.31 crores under 'Fuel' was attributed mainly to increased consumption of coal, diesel oil and electricity (Rs. 3.11 crores) and post Budget revision in the prices of coal and Customs/Excise duty on diesel oil (Rs. 2.74 crores).

1.18. The Financial Commissioner stated that the increase in the Revenue expenditure was mainly on account of post-budget factors. There had been increase in Dearness Allowance, rise in prices etc. The revised estimates disclosed a figure of Rs. 599.44 crores against the actuals of Rs. 598.52 crores.

1.19. The Committee enquired the reasons for the increase of Rs. 1.96 crores in expenditure on repairs to rolling stock and workshop plant and machinery in the South Eastern Railway. The witness stated "Under repairs and maintenance in the S.E. Railway the increase was mostly in the case of way & works and maintenance of locomotives. In way and works it was on repairs to service buildings and residential buildings. When repairs were undertaken they actually spent about Rs. 9 lakhs more than they had anticipated. On maintenance of locomotives the situation was that at the end of the year when they made up the workshop accounts they found that there was under-charging in the billing for work done in the workshops against the divisions and that came to about Rs. 6½ lakhs. Then there was slight increase in the average cost of standard unit of repair of locomotives for the periodical overhauls. Apparently the number of parts which were available and which were replaced were somewhat larger than we had anticipated."

1.20. The Committee enquired how the variations were confined only to South Eastern Railway. The witness stated, "They could not really foresee some of these variations. In the case of special repairs to locomotives involved in accident, the cost will vary from Railway to Railway. The slight increase in the average cost of standard unit of repairs to locomotives must have been probably due to more availability of parts which they could change than if the parts had not been there".

1.21. In a written note the Ministry of Railways have stated :—

"The expenditure on repairs to rolling stock and workshop machinery and plant in any particular year depends upon the condition as well as the number of rolling stock coming in for repairs. The extent to which actual repairs are required to be done varies substantially from coach to coach and wagon to wagon. An increase on one Railway in one year is, therefore, not strictly comparable with the position on other railways. The number of wagons given periodical overhaul in 1965-66 on the South Eastern Railway was more than was originally anticipated as also the receipt of debits for

repairs done to this railways' stock in other railways' workshops. It may, however, be added that there were sizeable increases on other Railways also, e.g. the Central (85 lakhs), the Southern (89 lakhs), Eastern (70 lakhs), Northern (59 lakhs) and North Eastern (49 lakhs) Railways. The increase over the budget estimates has to be viewed with reference to the fact that the budget estimates were framed in November/December 1964 several months before the commencement of the financial year (1965-66). The effect of post budget developments can only be provided in the revised/final estimates and this was duly done."

"The increase on South Eastern Railway cannot be ascribed due to lack of proper budgeting."

1-22. The Committee pointed out that there were savings of Rs. 2 crores due to non-filling up of certain posts on Central and Western Railways and enquired why there could not be substantial savings on other Railways. The witness stated, "The savings would reflect two or three factors levels of traffic, any extra provision that they had made for traffic which did not actually materialise in the way of extra traffic and for the staff which would be necessary to move it would also be another factor. The Central Railway is particularly sensitive to changes in the overall pattern of traffic on the other Railways because all the traffic from North, South, East and West has to pass through Central Railways. They have the biggest saving of Rs. 97 lakhs."

1-23. At the instance of the Committee, the Ministry of Railways have furnished a note which *inter alia* states :

"Provision is made by each Railway for expenditure on additional staff and filling up existing vacancies according to the level of traffic anticipated on that Railway, the vacancies proposed to be filled and other factors such as the availability of staff under each category and prospects of recruitment and training of staff etc. The actual utilisation of this provision would depend on the actual level of traffic which materialises on the Railway, and this is not uniform on all Railways. The saving due to this factor would also depend upon the additional provision made and the economy measures taken by the various administrations."

"There were sizeable savings on other Railways also namely, 39 lakhs on the Northern Railway, 7 lakhs on the Eastern Railway and 13 lakhs on the Southern Railway, although not so large as on the Central and Western Railways. On the South Eastern Railway, on the other hand, there was total increase of 24 lakhs resulting from engagement of Additional running and station staff as also organisational changes in the Personnel Branch."

“It may be added that this saving was over the original budget framed some months before the commencement of the financial year and the reduction in the expenditure during the course of the year was duly brought out in the year’s supplementary demand for grant submitted to the Parliament (Grant No. 4—27 lakhs; Grant No. 5—46 lakhs; Grant No. 6—13 lakhs).”

1·24 The Committee enquired the reasons for increase in the consumption of fuel. The witness replied, “So far as coal is concerned, consistently over a period of years, the proportion of higher grade coal received has been going down. It was 21% in 1961-62 and by 1965-66 it has probably come down to less than 10%. The price structure of the coal does not vary in the same proportion as the calorific value of the coal. The lower calorific value of the coal is, the more total expenditure on fuel goes up. It has no relation to traffic. Regarding variation under diesel there was increase in the duty on diesel oil.” He added, “Whenever there is an increase in the coal price, the electricity rates have been going up so far as the thermal supplies were concerned.”

1·25 In a note submitted to the Committee, the Ministry of Railways have stated :—

“The increase of 3·11 crores mentioned comprises increased consumption of coal (0·52 crore) and increase in consumption of diesel oil (2·30 crores) and an additional payment made by the Central Railway to M/s. . . . for electricity supplied and assistance rendered during 1964-65 and 1965-66 (Rs. 0·29 crore). (The last includes an arrear payment relating to the preceding year also. Expenditure on coal depends not only on the level of traffic but also on the quality of coal supplied. During the year under review, a larger proportion of supplies of coal was of inferior grades. The increased expenditure on diesel oil was due to more use of diesel locos. With the operation of mixed tractions on the same sections, faster and heavier trains are hauled by diesel and electric locos while steam locos are relegated to lower speed and lighter trains thereby increasing the coal consumption. The coal consumed in shunting services is also generally not in direct proportion to the increase in traffic.”

1·26 Asked whether on the basis of efficiency produced by certain drivers, the norm for supply of fuel was revised, the representative of the Ministry of Railways stated that the norm was fixed by experienced inspectors after taking into account a certain load over a section of a number of times and the fuel ration was issued to an individual driver on the basis of the norm.

1·27 The Committee enquired whether any attempt was made by the Railway Board to find out new methods which could be more beneficial and to disseminate them for the general benefit. The witness stated, “No,

Sir. The thing is that we know the optimum rates of firing for a particular service for a particular type of coal. In giving ration we have to make a little allowance to the drivers. The ration is more liberal and then those who save from this are rewarded."

1.28 The Committee are unhappy to note that there was an increase of Rs. 27.89 crores in Revenue expenditure over the budget estimates. They have already commented in the previous para upon the need for framing Budget estimates accurately. The Committee suggest that the Ministry of Railways (Railway Board) should keep a close watch over the increase in working expenses, particularly those on establishment and fuel. The Committee need hardly stress that, consistently with the needs of efficiency, the Railways should explore all avenues of effecting economies so as to keep the rise in working expenses under control.

*Savings in Grants and Appropriations—Para 10, page 13-14.*

1.29 (a) There was considerable reduction in the total amount of savings under voted Grants as compared to the previous year (Rs. 16.60 crores as against Rs. 41.66 crores in 1964-65). The substantial reduction in the total savings occurred mainly under 5 Grants, 3 of which related to expenditure on works. There was, however, an increase in the amount of savings under 3 other Grants as shown below :—

(In lakhs of rupees)

| No. & Name of the Grant                                 | Final Grant |         | Total amount of savings |         | Percentage of savings to final grants |         |
|---|-------------|---------|-------------------------|---------|---------------------------------------|---------|
|   | 1964-65     | 1965-66 | 1964-65                 | 1965-66 | 1964-65                               | 1965-66 |
| 1   | 2           | 3       | 4                       | 5       | 6                                     | 7       |
| 6. Revenue—Working Expenses—<br>Operating Staff         | 99,75       | 114,02  | 7                       | 73      | 0.1                                   | 0.6     |
| 9. Revenue—Working Expenses—<br>Miscellaneous Expenses. | 29,61       | 31,33   | 67                      | 92      | 2.3                                   | 2.9     |
| 10. Revenue—Working Expenses—<br>Labour Welfare         | 17,01       | 20,17   | 56                      | 1,26    | 3.3                                   | 6.3     |



1·30 A supplementary grant of Rs. 723 lakhs was obtained under Grant No. 6 in March, 1966. The final savings were Rs. 73 lakhs, that is about 10 per cent of the supplementary grant.

1·31 In respect of Grant No. 9 also, a supplementary grant of Rs. 136 lakhs was obtained in March, 1966 but the Grant closed with savings of Rs. 92 lakhs, that is, about 68 per cent of the supplementary grant.

1·32 The supplementary grant of Rs. 31 lakhs obtained in March, 1966 under Grant No. 13—Open Line Works—Revenue proved entirely unnecessary as the final savings under this Grant amounted to Rs. 55 lakhs. An amount of Rs. 11 lakhs of the savings was attributed to non-finalisation of plans and estimates by the South Eastern Railway. The recurring feature of savings under this Grant was commented upon in para 10(a) of the Audit Report, Railways, 1965 and Para 7 of the Audit Report, Railways, 1966.

1·33 The final savings of Rs. 159 lakhs under Grant No. 14—Construction of New Lines was about 59 per cent of the supplementary grant of Rs. 273 lakhs obtained in March, 1966.

1·34 (b) Bulk of the savings under charged expenditure occurred under 2 Appropriations, namely “No. 8—Revenue—Operation other than Staff and Fuel” and “No. 9—Revenue—Miscellaneous Expenses” which together accounted for Rs. 31·80 lakhs, that is, 91 per cent of the total saving of Rs. 34·88 lakhs. The following table would indicate that large savings occurred under these two Appropriations during the three previous years also. While the savings under Appropriation No. 9 are steadily coming down, the position in respect of Appropriation No. 8 is deteriorating year after year.

(In lakhs of rupees)

| Year    | Appropriation No. 8 | Appropriation No. 9 |
|---------|---------------------|---------------------|
| 1962-63 | 6·35                | 10·79               |
| 1963-64 | 24·95               | 9·58                |
| 1964-65 | 27·99               | 4·42                |
| 1965-66 | 29·65               | 2·15                |

1·35 No provision was made in the Budget under Appropriation No. 14—Construction of New Lines and No. 15—Open Line Works—Capital, Depreciation Reserve Fund and Development Fund. However, supplementary appropriations for Rs. 1·88 lakhs and Rs. 4·70 lakhs respectively

were obtained in March, 1966, of which Rs. 0·76 lakh and Rs. 0·70 lakh remained unutilised.

1·36 The Committee were informed that the supplementary demands were made on the basis of the data which was received from the Constituent formations. Referring to Grant No. 13, the Additional Member (Finance) stated that the saving under the Grant had been the lowest since its inception. The Committee enquired whether the Ministry of Railways had considered their past experience under the Grant while presenting the Supplementary Demands in March, 1966, particularly in view of the adverse comments in the Audit Reports (Railways), 1965 and 1966. The witness stated, "The past experience was gone into."

1·37 In reply to a question, the witness stated that the savings under Grant No. 10 Revenue—Labour Welfare, was on account of the provisions that had been made for reimbursement of school fees to the children of employees. This scheme was relatively new. They had made a provision of about Rs. 97 lakhs extra over what was utilised. Further they had restricted the recruitment of staff and therefore there was a saving of Rs. 47 lakhs on the provision for training of staff. A saving of Rs. 22 lakhs was on account of less expenditure on medicines and medical equipments.

1·38 Explaining the reasons of savings under Grant No. 6, the witness stated that due to variation in the level of traffic during the last two months of the year, less over-time allowance to running staff was paid.

1·39 Regarding savings under Grant No. 9, the witness stated "It contains the provision for Government contribution to the Provident Fund and special contribution to Provident Fund or gratuity paid at the time when a man retires. Sometimes there are delays in ascertaining the precise data on which we give this gratuity and there are also minor differences in the provision for Provident Fund. This went to Rs. 23 lakhs that year".

1·40 "There were certain debits for security patrolling of the railway track in Assam. . . . . They were adjusted along with minor variation. Savings on Civil Defence amounted to Rs. 18 lakhs."

1·41 "The next thing is incidental charges on stores which are debited to the Department late in the year on the basis of the value of the purchases. Then again the port charges and so forth which would vary with the particular imports, which come in the last two or three months. That amounted to Rs. 12 lakhs. But more than any of these there was a difference in demands payable and miscellaneous advances".

**1·42 The Committee are surprised to find that there were savings under a number of Grants in spite of the procedure adopted by the Ministry of Railways that "the Supplementary Demands are being framed on the basis of information available right up to the middle of January and that if any reduction in requirements becomes evident**

by about the third week of February, i.e. subsequent to the presentation of the Supplementary Grants, the amount of Supplementary Demands already presented is reduced accordingly or the Supplementary Demand is even withdrawn if such a course is indicated.”

1.43 The Committee feel that if the procedure outlined above is strictly enforced there should not be any occasion where the provision made in a Supplementary Grant proves unnecessary or greatly in excess of requirements.

*Excess Over Grants—Para 11, Pages 14—17 :*

1.44 There were excesses under 4 voted Grants totalling Rs. 1.64 crores. In respect of three of these Grants, namely, Nos. 5, 8 and 15, supplementary grants were obtained in March, 1966 for a total amount of Rs. 28.15 crores. During the previous two years also excesses occurred under Grants Nos. 5, 8 and 15 though supplementary grants were obtained during those years also towards the close of the years. The excesses were as shown below :—

| Year                 | Grant<br>No. 5 | Grant<br>No. 8 | Grant<br>No. 15                        |
|----------------------|----------------|----------------|--|
| (In lakhs of rupees) |                |                |  |
| 1963—64              | 33             | 60             | 707                                    |
| 1964—65              | 47             | 24             | 303                                    |
| 1965—66              | 05             | 8              | 80 (includes the former Grant No. 16). |

1.45 The Grant-wise details of excesses during 1965-66, which are comparatively small in each case but require to be regularised under Article 115 of the Constitution are as under :—

| No. & Name<br>of the Grant            | Final Grant | Actual<br>Expenditure | Excess    | Percentage of<br>excess to Final<br>Grant |
|---------------------------------------|-------------|-----------------------|-----------|---|
| 2. Revenue—Miscellaneous Expenditure. | 3,63,64,000 | 3,73,84,480           | 10,20,480 | 2.8                                       |

1.46. The excess which occurred under Miscellaneous Establishments attached to the Railway Board was mainly due to adjustment of heavier debits

in respect of Railways share of expenditure of Central Bureau of Investigation (Rs. 14 lakhs); partly counterbalanced by savings under publicity (Rs. 2 lakhs).

|   |                |                |           |     |
|---|----------------|----------------|-----------|-----|
| 5. Revenue                                | 1,78,77,14,000 | 1,79,42,27,624 | 65,13,624 | 0.4 |
| Working Expenses—Repairs and Maintenance. |                |                |           |     |

1.47 The Excess occurred under all the Railways except South Eastern and Western and was mainly on account of increased expenditure on periodical overhauls and other repairs to Rolling stock, Workshop Plant and Machinery chiefly due to increase in prices of materials (Rs. 28 lakhs); increased expenditure on maintenance of Electrical services (Rs. 20 lakhs), fluctuations in the adjustments under stock adjustment account (Rs. 7 lakhs), more expenditure on repairs to service building etc. (Rs. 4 lakhs) and expenditure incurred for the restoration of a line damaged in enemy action (Rs. 4 lakhs). The above excesses were partly counterbalanced by savings due to non-filling up of certain posts and less engagement of temporary labour (Rs. 5 lakhs).

|  |              |              |          |     |
|--|--------------|--------------|----------|-----|
| 8. Revenue-Working Expenses—Operation other than staff and Fuel. | 34,31,08,000 | 34,39,56,616 | 8,48,616 | 0.2 |
|--|--------------|--------------|----------|-----|

1.48 The excess occurred mainly on two Railways, namely, Central (Rs. 20 lakhs) and North Eastern (Rs. 11 lakhs) which was partly counterbalanced by savings on other Railways, particularly on Western Railway (Rs. 14 lakhs) and Eastern Railway (Rs. 12 lakhs). The net excess was chiefly due to more expenditure on clothing, stationery, printing and other stores (Rs. 18 lakh) and on electrical services for traction purposes (Rs. 4 lakhs), partly set off by savings resulting from less payment of compensation claims for goods lost or damaged (Rs. 7 lakhs) and adjustment of less credits for conference hire and penalty charges on interchanged stock (Rs. 7 lakhs).

|   |                |                |           |     |
|---|----------------|----------------|-----------|-----|
| 15. Open Line Works—Capital Depreciation Reserve Fund & Development Fund. | 5,33,82,39,000 | 5,34,62,70,640 | 80,31,640 | 0.1 |
|---|----------------|----------------|-----------|-----|

1.49 The excess occurred mainly under Stores Suspense (Rs. 65 lakhs), Manufacture Suspense (Rs. 43 lakhs) and Rolling Stock (Rs. 27 lakhs) partly set off by savings under Miscellaneous Advance—Capital (Rs. 53 lakhs) and under 'Works' (Rs. 2 lakhs) as per details given below :

1.50 (a) The bulk of the excess of Rs. 65 lakhs under 'Stores' related to three Railways, namely, Western (Rs. 70 lakhs) and Northeast Frontier and South Eastern Railways (Rs. 37 lakhs each) which was partly set off by savings on two production Units, that is, Chittaranjan Locomotive Works

Rs. 44 lakhs) and Integral Coach Factory (Rs. 38 lakhs) and was attributed to issues to Works etc., within the Grant being less than anticipated (Rs. 91 lakhs); more receipt of stores from manufactures into Stock (Rs. 40 lakhs) and of surplus stores returned from works etc. (Rs. 34 lakhs). The above excesses were partly counterbalanced by savings owing to less receipt of debits for cost of stores, customs duty etc., (Rs. 64 lakhs) and fluctuations in adjustment under 'Stock Adjustment Account' (Rs. 30 lakhs).

1.51 (b) The excess under "Manufacture Suspense" was mainly on Diesel Locomotive Works (Rs. 114 lakhs) and was due to adjustment of heavier debits for customs duty on imported stores towards the close of the year. This was partly counterbalanced by savings on Integral Coach Factory (Rs. 41 lakhs) and Chittaranjan Locomotive Works (Rs. 31 lakhs) resulting from less receipt of debits for customs duty (Rs. 47 lakhs) and more issues to works etc., within the grant (Rs. 19 lakhs).

1.52 (c) The excess of Rs. 27 lakhs under 'Rolling Stock' related to Railway Board's bulk orders for the purchase of Rolling Stock items and was on account of accelerated delivery of wheel sets and other component parts (Rs. 107 lakhs), partly counterbalanced by shortfall in the production of Rolling Stock (Rs. 25 lakhs), non-adjustment of certain payments made out of A.I.D. loans (Rs. 20 lakhs), revision in the allotment of stock (Rs. 22 lakhs) and non-receipt of certain debits for customs duty (Rs. 6 lakhs).

1.53 (d) The saving of Rs. 53 lakhs under 'Miscellaneous Advance Capital' occurred mainly on the Eastern (Rs. 28 lakhs) and Central (Rs. 21 lakhs) Railways owing chiefly to deferment of shipment of imported steel and payments therefor including sea freight etc., beyond 31st March, 1966 (Rs. 111 lakhs), partly counterbalanced by excesses resulting from more debits placed under this head in respect of cost of certain stores including customs duty, sea freight etc., pending clearance to final heads on receipt of full particulars (Rs. 41 lakhs) and more issues of stores from Depots for fabrications (Rs. 16 lakhs).

1.54 (e) The saving of Rs. 2 lakhs under 'Works' was made up of a saving under development Fund works (Rs. 14 lakhs) partly offset by excess under other works (Rs. 12 lakhs).

1.55 The Ministry of Railways (Railway Board) have furnished notes (Appendix I) explaining excesses over Voted Grants and charged Appropriations during 1965-66. It is stated, "only 4 Voted Grants namely Grants No. 2, 5, 8 and 15 were exceeded during the year 1965-66 and there was no excess under any of the 'Charged' Appropriations. As stated in the Audit Report itself, the excesses "are comparatively small in each case", being less than half of one per cent under Grants No. 5, 8, and 15 and 2.8% under Grant No. 2 (*vide* Annexure I).

1.56 Detailed explanation for excesses in each grant is given below:

*Grant No. 2; excess of Rs. 10,20,480 :*

- “(a) This Grant, as its name signifies, covers expenditure on a multitude of items like surveys, the Research Designs and Standards Organisation which is attached to, but not part of, the Ministry and other Central Establishments dealing with problems effecting the working of the Railways as a whole but not part of the Ministry—like the Railway Inspectorate, the Central Bureau of Investigation, the Railway Liaison Office and the Staff College at Baroda, the cost of Statutory Audit to name only a few.”
- “(b) The excess of Rs. 10 lakhs was over the final voted grant of Rs. 363.64 lakhs (Including a token supplementary grant of Rs. One thousand taken for obtaining Parliamentary approval for the electrification of a section on one of the Zonal Railways). The excess was, chiefly under ‘Misc. Establishments’ and occurred because the debit raised by the A.G.C.R. on account of the Railways’ share of expenditure relating to the Central Bureau of Investigation (other than the cost of the Railway Section Officers which is borne directly by the Railways) was about Rs. 14 lakhs more than the provision for this item of Rs. 31.52 lakhs in the final allotment which was made on the basis of the Revised Estimates furnished by the C.B.I. themselves.”
- “The original provision of Railways’ share of this expenditure advised by the C.B.I. (including the cost of R.S.Os which as explained above is directly borne by the Railways) was Rs. 35.27 lakhs or excluding the cost of R.S.Os, Rs. 31.36 lakhs; the corresponding revised estimate was Rs. 35.34 lakhs and due to the inability of the C.B.I. to advise final estimates for the year at the end of the financial year, the revised estimates of Rs. 35.34 lakhs was adopted for the purpose of final modification estimates which included a provision of Rs. 31.52 lakhs for the expenditure on the C.B.I. excluding that for the R.S.Os. Incidentally, although the debit is normally adjustable through the Reserve Bank of India, it was not adjusted before the bank’s books were closed towards the end of April, 1966, but was raised only in June, 1966, for proforma adjustment in the year’s accounts.”
- “Another small excess of Rs. 80 thousands occurred because the adjustments under ‘Miscellaneous Charges’ in respect of elimination of paise from the Provident Fund Accounts of the Railway employees was more than expected ; this adjustment could not be assessed earlier with greater precision as the amount had to be worked out with reference to the individual accounts of over one million railway employees subscribing to the Railway Provident Fund.”
- “These excesses were partly offset by savings of comparatively small magnitude aggregating 4 lakhs in which the main item of fluctuation was the expenditure under the head ‘Publicity’ (2 lakhs).”

“As shown in Annexures I and II, the excess actually requiring regularisation is Rs. 10,34,355 (after taking into account certain erroneous adjustments) in relation to the voted grant of Rs. 3,63,64,000 or 2.84%.”

**1.57 The Committee feel that, with a little more coordination with the Central Bureau of Investigation, the Railways could have got the details of debits likely to be raised against them during the year. The Committee hope that the Railways will maintain up to date their liability Registers so as to avoid a recurrence of such cases.**

1.58 *“Excess of Rs. 65,13,624 under Grant No. 5 :*

(a) This grant deals with expenditure on the repairs and maintenance of Railway assets over the entire system including Rolling Stock, Buildings, Track, Ferries, Electrical and Signal Equipment and Installations, Machinery etc.”

“The excess of Rs. 65 lakhs is only 0.36% of the final grant of Rs. 178.77 crores voted by Parliament. It occurred mainly on the Central (38 lakhs), the North Eastern (17 lakhs) and the Northern (14 lakhs) Railways and was partly reduced by savings mainly on the Western Railway (17 lakhs); the balance of the excess of Rs. 19 lakhs was shared by the Eastern, the Southern and the Northeast Frontier Railways and was partly offset by a small saving of Rs. 6 lakhs on the South Eastern Railway.”

“(b) The excess was the result of heavier expenditure (i) on shop and shed repairs on the basis of the actual condition of the stock taken up for repairs towards the close of the year and also the increase in prices of materials which could not be precisely assessed even towards the close of the year (28 lakhs), (ii) heavier expenditure on stores for the repair and maintenance of Electrical, and Signal and Tele-Communication assets due to more stores being used to make up train lighting deficiencies, increase in the prices of the materials and heavier receipts than expected of certain materials towards the close of the year (20 lakhs) and (iii) the aggregate of fluctuations in adjustments to the stock adjustment account in respect of differences discovered in the course of verification of stock, revision of prices of materials etc. (7 lakhs). A small excess of Rs. 4 lakhs each also occurred on account of (i) Increased expenditure on repairs to service and residential buildings, bridges etc., (ii) supply of certain materials indented for 1966-67 but received during the year contrary to expectations and (iii) more expenditure actually incurred for the re-opening of a line damaged in the September, 1965 hostilities.”

“The above excesses were partly offset by savings resulting from less engagement of temporary labour and non-operation of certain post (5 lakhs).”

“(c) As shown in Annexures I and II the excess actually requiring regularisation is Rs. 66,74,139 (after taking into account certain erroneous adjustments) in relation to the voted grant of Rs. 1,78,77,14,000 or 0.37%.”

1.59 **The Committee feel that there is scope for improvement in the preparation of repair estimates, which should take into consideration not only the actual condition of the stock likely to be taken up for repairs, but also the likely increase in prices based on past experience. The Committee hope that the Railway Board will take suitable measures to prepare repair estimates more realistically so as to obviate such cases in future.**

1.60 *“Excess of Rs. 8,48,616 under Grant No. 8 :*

(a) This Grant is for miscellaneous operational working expenses, covering such items as compensation for goods lost or damaged including amounts kept in suspense pending settlement of inter-Railway liability ; stationery, forms and printed tickets, handling, collection and delivery of goods and expenses at joint stations; clothing and stores, electrical general services, etc. The excess of Rs. 8 lakhs is about 0.24% of the final grant of Rs. 34.31 crores (which included a supplementary grant of Rs. 2.31 crores). In 1964-65 the excess under this grant was Rs. 24 lakhs, i.e. 0.8% of the final grant of Rs. 31.55 crores.”

“(b) The excess of Rs. 8 lakhs (including suspense) is shared by the Central (24 lakhs), the North Eastern (12 lakhs) and the Southern (5 lakhs) Railways and was partly reduced by savings on the remaining Railways—chiefly the Eastern (11 lakhs) the Western (14 lakhs) and the Northeast Frontier (5 lakhs) Railways.”

“The net excess was chiefly due to heavier expenditure towards the close of the year on stationery, forms and tickets and other consumable stores etc., owing partly to adjustment of heavier debits, due to increase in prices, on the Central, the North Eastern and the Western Railways (18 lakhs). There were also heavier debits for supply of clothing on the South Eastern Railway (10 lakhs) but this was partly reduced by fluctuations in adjustments through stock adjustment account (9 lakhs). Another small excess of Rs. 4 lakhs occurred on electrical services other than staff, current for traction purposes etc. but these excesses were partly offset by savings resulting from fluctuations in the payment of compensation for goods lost or damaged and under adjustments of conference hire and penalty charges on interchanged stock (7 lakhs each).”

“(c) After including the amount of misclassifications indicated in Annexures I and II, the excess actually works out to Rs. 9,55,653 in relation to the voted grant of Rs. 34,31,08,000 or 0.28%.”



1.61 *“Excess of Rs. 80,31,640 under Grant No. 15 :*

- (a) This grant covers (i) Expenditure charged to capital on additions to Railway assets like Rolling Stock, Machinery and Works and on transactions under Stores, Manufacture and Miscellaneous Advances (Suspense), (ii) Expenditure charged to the Depreciation Reserve Fund on the replacement of such assets and (iii) Expenditure charged to the Development Fund on amenities for passengers and other railway users, staff welfare works, including the cost of quarters for class III and Class IV staff costing above Rs. 25,000 each and unremunerative operating improvements costing more than Rs. three lakhs each.
- “(b) The net excess of Rs. 80 lakhs occurred on the Central (48 lakhs), the Eastern (35 lakhs), the Northern (21 lakhs), the North Eastern (42 lakhs), the Northeast Frontier (43 lakhs) and the Western (73 lakhs) Railways and the D.L.W. (99 lakhs); this was partly off set by savings under the Southern (49 lakhs), the South Eastern (66 lakhs) Railways besides the C.L.W. (81 lakhs) and the I.C.F. (84 lakhs).”
- “(c) The detailed heads of grants under which the excess occurred were “Stores Suspense” (65 lakhs), Manufacture Suspense (43 lakhs), Rolling Stock (27 lakhs) and other Works (12 lakhs) and was partly off set by savings under Miscellaneous advances (53 lakhs) and Development Fund Works (14 lakhs).”
- “(d) *Stores Suspense*: The excess of Rs. 65 lakhs under Stores Suspense was chiefly on account of more materials being returned from Works and Workshops to stock towards the close of the year (82 lakhs) [Northern (48 lakhs), Western (19 lakhs) and Northeast Frontier (15 lakhs)] and fluctuations in issues adjusted within the grant (28 lakhs), [Western (50 lakhs), C.L.W. (25 lakhs), Northeast Frontier (22 lakhs) partly reduced by Northern (63 lakhs) and Integral Coach Factory (6 lakhs)]. These excesses were partly offset by savings on account of fluctuations in the adjustments under the head “Stock Adjustment Account” on the Western Railways (30 lakhs) and in respect of adjustment of materials and debits therefor (29 lakhs) [Chittaranjan Locomotive Works (75 lakhs) and Integral Coach Factory (41 lakhs), partly offset by increase under Northern (50 lakhs) and South Eastern (37 lakhs)]. The balance of the excess was the aggregate of minor variations under manufactured materials received for stock etc. (14 lakhs).”
- “The excess of Rs. 43 lakhs under ‘Manufacture Suspense’ was chiefly on account of adjustment of heavy debits for customs duty received towards the close of the year (67 lakhs) [D.L.W. (114 lakhs) and I.C.F. (47 lakhs)] manufactured stores sent for Stock on the Northern Railway being less than expected (36 lakhs). These excesses were

partly off set by savings resulting from fluctuations in issues to works etc. within the grant (28 lakhs), [C.L.W. (17 lakhs), South Eastern (9 lakhs), I.C.F. (2 lakhs)] and under drawal of materials for manufacture (20 lakhs). [Western (12 lakhs), C.L.W. (11 lakhs) and South Eastern (7 lakhs) partly offset by Northern (10 lakhs)] and more materials returned to stores from shops towards the close of the year (14 lakhs)."

"The excess of Rs. 27 lakhs under 'Rolling Stock' was chiefly attributable to the Railway Board's bulk orders for the purchase of rolling stock and occurred owing to accelerated delivery of wheel sets and other component parts (1,07 lakhs); partly reduced by less production of rolling stock (25 lakhs), revision in allotment of stock (22 lakhs), non-adjustment of certain payments made out of A.I.D. Loans (20 lakhs) and non-receipt of certain debits for customs duty (6 lakhs)."

"The excess of Rs. 12 lakhs under 'Works' was the aggregate of minor variations resulting from progress of works depending *inter alia* on receipt of materials etc."

"The saving of Rs. 53 lakhs under the Miscellaneous Advances—Capital was due chiefly to :—

- (i) Less debits adjusted under this head for the cost of imported steel, sea freight etc., owing to the shipments and payments being deferred beyond the financial year contrary to expectations (111 lakhs)—Eastern Railway.
- (ii) Less debits adjusted under this head for imported materials etc. (21 lakhs)—Central Railway.
- (iii) Less raw material issued for fabrication, towards the close of the year than expected (10 lakhs)—South Eastern Railway."

"These savings were partly offset by excesses on account of :—

- (a) More debits placed under Suspense for cost of imported materials, indigenous wheels, wagons and sleepers etc., and customs duty, sea freight etc. (39 lakhs)—Eastern Railway.
- (b) Debits relating to payments made by High Commissioner, London not being cleared to final heads for want of full particulars (23 lakhs)—Eastern Railway.
- (c) More issues of stores for fabrication etc. towards the close of the year (16 lakhs)—Eastern Railway.
- (d) Aggregate of minor variations (11 lakhs)."

"The saving of Rs. 14 lakhs under Development Fund was the result of minor variations in the progress of work depending on the receipt of materials and debits therefor."

"As shown in Annexures I and II, the excess actually requiring regularisation is Rs. 77,85,167 (after taking into account certain erroneous adjustments) and is only 0.15% of the Voted Grant of Rs. 5,33,82,39,000."

1.62 The Committee find that excess expenditure occurred under Grants Nos. 2, 5, 8 and 15 during 1965-66. The total excess expenditure during this year amounted to Rs. 164.49 lakhs after taking into account a sum of Rs. 0.35 lakh representing certain mis-classifications in the accounts. The Committee regret that excess expenditure has continued to occur during the last three years, viz., 1963-65, 1964-65 and 1965-66 on Grants Nos. 5, 8 and 15 despite the fact that large amounts were obtained by way of Supplementary Grants towards the close of the year. The Committee feel that had a proper assessment been made about the expenditure to be incurred on repairs to various assets and purchase of stores at the time of preparing estimates for supplementary grants, these excesses could have been avoided. The Railways should also keep up to date their liability registers so that they are able to keep a watch over the liabilities to be met by them during the year. The Committee stress that all efforts should be made by the Ministry of Railways to keep the expenditure within the funds granted by Parliament.

1.63 The Committee recommend that, subject to these observations, the excess expenditure of Rs. 1,64,49,314 under voted Grants Nos. 2, 5, 8 and 15 incurred during 1965-66 be regularised by Parliament in the manner prescribed by Article 115 of the Constitution.

*Unnecessary provision in the budget for a work— Para 12, page 17.*

1.64 The entire provision of Rs. 10 lakhs for the work "Provision of Tokenless Block working on Barauni-Katihar Section" on the North Eastern Railway was surrendered in March, 1966 as the work could not be commenced due to late receipt of import licence for signalling materials.

1.65 The above work was first included in the Budget for 1962-63 as a new item with a provision of Rs. 0.5 lakh. The work was treated as "work in progress" in the Budget documents of the subsequent years but the provisions as under were surrendered year after year :—

|         | In lakhs of<br>rupees |
|---------|-----------------------|
| 1962-63 | 0.5                   |
| 1963-64 | 2.0                   |
| 1964-65 | 0.5                   |
| 1965-66 | 10.0                  |

1.66 The Committee asked why this work was being shown in the Budget estimates since 1963-64 as 'work-in-progress' when the execution of the work had not actually been commenced till 1965-66. The witness stated, "Whenever an item has been included in the budget of the previous year and we expect at the time we submit the budget for the next year that some expenditure would have been incurred, we show it as 'work-in-progress' because at the time we prepare our works programme which we submit along with the budget we have only information of actual expenditure upto December or so and if we expect to incur some expenditure between January and March on a particular work, then we show it as work in progress."

1.67 At the instance of the Committee, the Ministry of Railways have furnished a note. It is stated :

"Once a work has been included in the Works Programme, it is shown in subsequent years as a "Work in Progress' if any expenditure is expected to be incurred on the work irrespective of whether the work has been commenced or not. This work was approved and included in the Works Programme of 1962-63 as a 'New Work' and in the subsequent years it was anticipated that some expenditure would be incurred and it was shown as a 'Work in Progress'".

1.68 Regarding chronological account of the progress of work, the following information is given :—

- (i) Work considered for inclusion in the Works Programme meeting of 1962-63 in October-November, 1961.
- (ii) Work included in the Works Programme of 1962-63 as item No. 43 of Pink Book for 1962-63.
- (iii) Board's approval for inviting tender involving foreign exchange of 5.48 crores asked for on 13-3-1963.
- (iv) Board's approval for issue of tender received on 26-4-63.
- (v) Tender issued on 31-5-63.
- (vi) Tender opened on 20-11-63.
- (vii) Abstract Estimate sanctioned *vide* Railway Board's letter No. 63/W3/SG/105 dated 23-11-63 for Rs. 19.97, 520/-.
- (viii) Tender approved by G.M. on 19-12-64. The delay in approval of the tender by G.M. was due to the fact that the offers made by both the tenderers were not only incomplete, but also required a large number of clarifications to enable finalisation of the tender. Considerable correspondence had to be carried on with the firms to clarify the various points. Though M/s..... is a firm in India, they had to refer most of the points raised by N.E. Railway to their principals M/s..... and it took considerable time in getting

replies to the references made. Only on receipt of all the relevant information, the Tender Committee could finally meet on 22 & 23-10-64 and take a final decision.

- (ix) Board approached for release of foreign exchange on 22-12-64.
  - (x) Foreign exchange release received on 30-3-65.
  - (xi) Letter of acceptance issued on 30-3-65.
  - (xii) Import licence application asked to be submitted by the firm to the Railway on 1-4-65.
  - (xiii) Import licence application sent by firm on 5-5-65.
  - (xiv) Import licence application forwarded to RLO/New Delhi on 21-5-65.
  - (xv) Import licence issued on 2-11-65.
  - (xvi) 50% of the indigenous materials was supplied by November 67 which was the delivery date as per the contract.
  - (xvii) The imported coded track circuit equipment was inspected by the Joint Railway Adviser in U.K. in October 1967. The contractor could not manufacture the equipment and put up for inspection earlier; as based on the performance of similar equipment on Gonda-Barabanki section, the contractor was asked to make some modifications to the equipment.
  - (xviii) Equipment cleared from the customs in February, 1968.
  - (xix) Work expected to be completed by 30-9-68, as all the materials are expected to be supplied by the firm before 30-4-68. All the stores are being supplied by M/s....., except the signalling tables, which have already been arranged by the Railway".
- "The anticipated traffic upto the end of 1965-66 has been achieved, but no specific bottleneck on this account has been faced. The effect on account of delay of this work so far has not been acute, due to slow materialisation of additional traffic, caused by the general economic recession in the country. However, the section is now working to capacity, and it is proposed to brush through this work expeditiously".

1.69 In reply to a question, the Chairman, Railway Board, stated that during the busy season they had been able to meet the traffic by extending the diesels upto Thana Bilpur or even a little beyond.

1.70 **The Committee consider that unless work is actually commenced and expenditure incurred from the provisions made in this behalf by Parliament, it should not be treated as a work in progress.**

1.71 The committee cannot but express unhappiness at the gross delay which has occurred in the execution of this operational scheme for provision of Tokenless Block working on 'Barauni-Katihar Section' on the North Eastern Railway. They consider that if the work had been properly processed, there would have been no occasion to rush through the work at this late stage to cope with the increased traffic.

*Expenditure held under objection—Para 13—Pages 17-18.*

1.72 The total amount of expenditure held under objection as at the end of the year (and not regularised upto 15th October, 1966) was Rs. 105.90 crores representing an increase of Rs. 8.72 crores over that at the end of the previous year. Of this amount, Rs. 18.92 crores have been pending regularisation for more than 3 years as indicated below:—

| <i>Category</i>          | <i>No. of cases</i> | <i>Amount (In crores of rupees)</i> | <i>Remarks</i>  |
|--------------------------|---------------------|-------------------------------------|---|
| 1. Want of estimates     | 24                  | 15.87                               | Represents expenditure on works undertaken without obtaining sanction to detailed/construction estimates.       |
| 2. Excess over estimates | 32                  | 2.39                                | Represents expenditure on works incurred in excess of the detailed estimates sanctioned by competent authority. |
| 3. Miscellaneous items   | 4                   | 0.66                                |   |

1.73 Nine of the works mentioned against items (1) and (2) above were completed on varying dates between December, 1958 and March, 1964, that is, two years before the close of the financial year under report. In respect of these cases completion reports have not been finalised till 15th October, 1966. In one case the estimate sent to the Railway Board for sanction on 19th March, 1964 was returned to the Railway Administration on 4th September, 1966 (that is, after a lapse of nearly 2½ years) for recasting. In two other cases detailed statements showing excesses over estimates sent to the Railway Board in July and September, 1965 are stated to be still pending regularisation.

1.74 The Committee asked whether the circumstances under which an expenditure of Rs. 70.99 crores was incurred without obtaining sanction of the detailed estimates were unavoidable. The Additional Member (Finance) stated "The rules require that normally expenditure should not be incurred before the sanction of detailed estimates, but from time to time circumstances"

have arisen where we have had to proceed on the basis of abstract estimates and prepare the detailed estimates later on. There are cases where urgency certificates have had to be issued relaxing this rule from time to time."

1.75 He added "out of Rs. 70.99 crores outstanding on 15th October, the present position is that Rs. 48.24 crores has been cleared and the balance of about Rs. 22.75 crores is under clearance. Against the figure of Rs. 30.89 crores excess which was outstanding, Rs. 16.86 crores has been cleared and Rs. 14.03 crores is under clearance."

1.76 The Committee pointed out that some times the revised estimates were delayed unnecessarily so that the completion report and the revised estimates were submitted together and enquired whether it had led to a tendency among the officers not to prepare the revised estimates in time. The representative of the Railway Board stated "The excess usually occurs only towards the closing stage of the work."

1.77 The Committee pointed out that one estimate sent to the Railway Board for sanction was returned for recasting after 2½ years to the Railway Administration and two other estimates sent to the Board in July and September, 1965 were pending regularisation even by February, 1967. Asked why there was so much delay, the witness stated "Actually any excess over the estimate goes up for scrutiny periodically, first, at the divisional level and then at the headquarters' level and then at the Railway Boards' level at half-yearly intervals and every time pressure is applied to see that these excesses are regularised as soon as possible."

1.78 At the instance of the Committee, the Ministry of Railways have furnished a note stating the reasons for the inordinate delay of more than 3 years in respect of 60 items amounting to Rs. 18.92 crores in regularising the expenditure particularly by Central and Southern Eastern Railways. It is stated *inter alia* in the note that :

"Expenditure awaiting regularisation, particularly the older items, have been continuously under scrutiny by the Railways. These items are reviewed regularly in the periodical meetings of divisional officers at divisional headquarters and of the Principal officers with the General Managers at the headquarters of the Zonal Railways etc. The Railway Board also review the outstandings through half yearly reviews received from the Zonal Railways and other units and the annual statement of unsanctioned expenditure received from them for incorporation in the Appropriation Accounts, and have from time to time impressed upon Railway Administrations the importance of clearing such objections promptly. In regard to the outstandings for 1965-66, the Railways were addressed in March 1967 and again in the first week of September 1967 stressing the need for special action for regularising the outstanding without further delay, and the personal attention of the General Manager's concerned was also drawn to the important outstanding items, in a D. O. letter dated 7-9-1967 from the Additional Member(Finance)."

“A substantial part (81%) of the outstanding amount has since been cleared.”

“Some items under objection for ‘Want of Estimates’ relating to the Central and South Eastern Railways have remained outstanding, because the detailed estimates were either under preparation or under scrutiny by/correspondence with the competent sanctioning authority. In regard to items of ‘Excess over Estimates’, the works of which excess has occurred are generally in an advance stage of completion and the excess can, under the rules, be regularised through the Completion Reports after adjustments have been made for credits for released/surplus material etc., which reduce or eliminates the excess. The closing adjustments relating to major works generally take some time, and these items could not be cleared earlier.”

“The 60 cases referred to in the Audit Report are listed in the Statements at Appendix-II and the progress in the regularisation of the expenditure is indicated against each. The clearance so far made is indicated below :

| Outstandings as per Audit Report               |                                 | Category                   | Clearance                  |                                 |        |
|--|---------------------------------|----------------------------|----------------------------|---------------------------------|--------|
| No. of Items                                   | Amount<br>(in crores of rupees) |                            | No. of cases               | Amount<br>(in crores of rupees) |        |
| <i>All Indian Government Railways</i>          |                                 |                            |                            |                                 |        |
| 24   | 15.87                           | 1. Want of Estimates .     | 20                         | 13.96                           |        |
| 32   | 2.39                            | 2. Excess over Estimates . | 17                         | 1.44                            |        |
| 4  | 0.66                            | 3. Miscellaneous.          | ..                         | ..                              |        |
| 60   | 18.92                           |                            | 37                         | 15.40                           |        |
| <i>Central and South Eastern Railways only</i> |                                 |                            |                            |                                 |        |
| Central  | 16                              | 7.06                       | 1. Want of Estimates .     | 16                              | 6.75*  |
|  | 13                              | 1.45                       | 2. Excess over Estimates.  | 8                               | 0.78** |
|  | 2                               | 0.53                       | 3. Miscellaneous . .       | ..                              | ..     |
|  | 31                              | 9.04                       |                            | 24                              | 7.53   |
| South Eastern                                  | 2                               | 3.48                       | 1. Want of Estimates .     | 1                               | 2.65   |
|  | 14                              | 0.56                       | 2. Excess over Estimates . | 8                               | 0.37   |
|  | ..                              | ..                         | 3. Miscellaneous . .       | ..                              | ..     |
|  | 16                              | 4.04                       |                            | 9                               | 3.02   |

\*Part amount relating to one item is outstanding.

\*\*Part amount relating to three items are outstanding.



1.79 The Committee are glad to note that out of an expenditure of Rs. 105.90 crores held under objection for want of estimates, excess over estimates and for miscellaneous items, the Railways have been able to regularise expenditure to the extent of Rs. 69.12 crores leaving an amount of Rs. 36.78 crores which is required to be regularised. The Committee stress that the drive for clearance of items held under objection should be sustained and all these items cleared at an early date. They also desire that suitable action should be taken to ensure that in future work is not undertaken without sanction to detailed estimates by the competent authority. Where work is started on an urgency certificate it should be ensured that the detailed estimates are sanctioned within a reasonable period.

1.80 As regards work involving excess over estimates, the Committee desire that the revised estimates should be prepared where necessary and the sanction of a competent authority obtained to settle these matters expeditiously.

*Losses—Para 14, page 18-19.*

1.81 The losses adjusted in the accounts for the year are mentioned in "Annexure 'H' to the Appropriation Accounts of Railways in India—Part II—Detailed Accounts." The Total amount of losses adjusted during the year was Rs. 184 lakhs. The break up is as below:—

| Reasons for losses   | (In lakhs<br>of rupees) |
|--|-------------------------|
| 1. Damage to Railway properties caused by Accidents*   | 64                      |
| 2. Thefts (including theft of fittings)**  | 50                      |
| 3. Loss arising from civil disturbances***   | 36                      |
| 4. Losses attributed to natural calamities such as breaches, fire  | 18                      |
| 5. Inefficient balances under suspense heads and irrecoverable overpayments to staff, contractors etc., written off. | 3                       |
| 6. Other losses  | 13                      |
| TOTAL  | 184                     |

\*The losses due to accidents occurred mainly on five Railways, namely the Central (Rs. 23.1 lakhs), South Eastern (Rs. 17.6 lakhs), Western (Rs. 10.5 lakhs), Southern (Rs. 6.6 lakhs) and Northern (Rs. 6.2 lakhs) Railways.

\*\*During the year under report the total loss attributed to thefts registered an increase of 61 per cent over that of the previous year. Bulk of the loss occurred on four Railways as shown below:—

|             |   | (In lakhs of rupees) |         |
|-------------|---|----------------------|---------|
|             |   | 1964-65              | 1965-66 |
| 1. Eastern  | . | 0.7                  | 14.1    |
| 2. Southern | . | 10.6                 | 13.8    |
| 3. Central  | . | 11.8                 | 11.2    |
| 4. Northern | . | 5.2                  | 7.8     |
| TOTAL       |   | 28.3                 | 46.9    |

\*\*\*The entire loss on account of civil disturbances related to Southern Railway.

1.82 The Committee asked the reasons for high incidence of thefts on the Eastern, Southern, Central and Northern Railways. The Additional Member (Finance) stated, "A part of the increase in the figures shown under theft is because of the rise in prices. Secondly, part of the increase is also because they include the figures which used to be merged in the replacement expenditure. They are now being shown separately because we have issued instructions that the location of these shortages when the stock goes into the shops should be much more thorough. So all these appear under thefts. To some extent there has been increase in vandalism of one kind and another and also theft of electric bulbs etc. But it is not because there is any slackness on the part of the Railways." The Chairman, Railway Board, added "They would now try to intensify plain clothes intelligence work and we are going to concentrate on this type of thing and try to discover the receivers of such stolen property and smash up the gangs." In reply to a query, the witness stated "Most thefts take place in the industrial areas like Bombay, Shalimar and Howrah. In fact we have employed some detective staff at the Victoria Terminus and recently we came to know certain things."

1.83 The Committee enquired the reasons for the phenomenal increase in the loss due to accidents on the Central, South Eastern and Western Railways. The Chairman, Railway Board, replied that more sophisticated rolling stock was now in use. The cost of diesel locomotive was Rs. 21 or Rs. 22 lakhs, while the cost of a steam locomotive was Rs. 4.5 lakhs.

1.84 Asked whether these losses were due to human failure, the Chairman, Railway Board stated that a very big drive had been undertaken after the Kunzru Committee's report. The incidence of accidents was now on the decrease. They had appointed safety instructions and also intensified safety camps.

1.85 The Committee are concerned to note that losses amounting to Rs. 184 lakhs were adjusted during 1965-66. They find that out of the total loss of Rs. 184 lakhs, the loss of Rs. 64 lakhs was due to accidents and Rs. 50 lakhs on account of thefts.

1.86 The total loss attributed to thefts registered an increase of Rs. 19 lakhs or 61% over that of the previous year. The Committee stress that security measures on the Railways should be tightened so as to reduce to the minimum losses on account of theft.

1.87 The Railways should also intensify their drive to educate the staff in safety precautions and modernise their signalling and other equipment to eliminate accidents.

## II

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

*Integral Coach Factory—Heavy expenditure on premature renewals due to extensive use of a new type of flooring material for coaches—Para 18 Pages 25-26*

2.1 The Administration decided in 1961 to use a compressed jute insulation board known as 'Barmil' (an indigenous product marketed by a Calcutta firm) in place of the standard cork (an imported material) as underlay in the flooring of EMU coaches to be manufactured for use on Eastern Railway. The Research, Designs and Standards Organisation of the Railways, stated in July, 1961 that Barmil boards had high water absorption and had certain other drawbacks and hence their use was not recommended. The Administration, nevertheless, decided in August, 1961 to use these boards in view of the foreign exchange involved in the import of cork and also because action to procure Barmil had already been initiated and any change would seriously hamper production. The boards to be used were stated to be a special product made to suit the purpose. Accordingly, orders were placed in September, 1961 for the supply of these boards for the initial 72 coaches. The cost of flooring with Barmil boards overlaid with Aluminium chequered sheets was estimated to be Rs. 5,167 per coach as against the cost of conventional cork flooring and Ferobestos top (also imported) of Rs. 8,772 per coach.

2.2 Subsequent detailed tests conducted by the Research, Designs and Standards Organisation revealed that, apart from water absorption, Barmil boards retained the water absorbed for long periods. In view of the foreign exchange difficulties, however, they recommended the use of Barmil boards for 'large scale trials' (March, 1962). They further stated that it was necessary "to take all possible precautions to minimise seepage of water to the boards and to employ adequate protective measures". In June, 1962, they again recommended that large scale practical trials "under actual working conditions" should be carried out. However, no detailed trials under actual working conditions were undertaken and the only precaution taken against the seepage of water was that the joints in the Aluminium chequered sheets were sealed with a water sealing composition.

2.3 Later, in February, 1963, the firm suggested that the floor boards should be coated with bitumen on both sides. A similar suggestion was also made by the Research, Designs and Standards Organisation at about the same time and was reiterated on a number of subsequent occasions but this process was introduced only in coaches turned out after September, 1964, upto which time a total number of 260 coaches had been turned out and sent to the Eastern Railway.

2.4 The coaches were put on the suburban services in the Sealdah area. At the time of periodical overhaul of the first formation of 4 coaches in April 1965, it was found that the underlay of the floor had perished and there were white powder deposits. The Eastern Railway Administration then undertook a random check of the coaches and reported that the flooring of 160 coaches was completely perished and that of 56 other coaches partially damaged. It was decided that the flooring of all these coaches as well as of the 44 coaches, which had not been put in service by April, 1965, should be renewed. 98 coaches have so far been renewed at an estimated cost of Rs. 5.26 lakhs.

2.5 Subsequent trials by the Integral Coach Factory Administration revealed that even bitumenised Barmil was not a satisfactory underlay for flooring as water seepage had taken place when the flooring was subjected to a high pressure water jet for 4 days. It was also felt that bitumenised Barmil was expensive and increased the tare weight. It was, therefore, decided in July, 1965 to eliminate the use of the Barmil boards and instead use wooden boards with Aluminium chequered plates on top.

2.6 The Administration had in all procured Barmil boards equivalent to the requirements of 592 coaches valued at Rs. 11.84 lakhs of which orders for material worth Rs. 6.48 lakhs were placed after November, 1963. 356 coaches were turned out with these boards. Part of the material was thereafter utilised for endwall panelling in coaches and part of it was transferred to Eastern Railway leaving a balance valued at Rs. 2.37 lakhs with the Administration (July, 1966.)

2.7 The Committee asked whether the Administration examined the suitability of the material before initiating procurement action. The representative of the Railway Board stated: "At the outset, I would like to submit that infructuous expenditure was incurred. I would, however, crave your indulgence to give a little background of this case. In all coaches that we construct, we have always used indigenous material. But in all electric coaches of which we have to be very particular about weights, we have to provide a special type of underlay flooring which has to be very light because of axle load considerations. This has always been imported. There are two imported items, one is imported cork and the other is ferrobestos. When the Calcutta Electrification was being done, we thought we would build these coaches in the Integral Coach Factory. A serious attempt was made to eliminate these imports. In trying to do that, for the top covering which was ferrobestos, we provided aluminium chequered board. This indigenous substitution was a complete success. About the underlay which was the imported cork, we did not have a proper substitute and whatever pressed wood that was available in the country was offered. There was a company in Calcutta which offered this composition giving us certain details of the required lightness, weight and hygroscopic properties and we accepted it. But the experiment did not prove a success. I would only submit that for the flooring of the coaches as such, the top was a success and the underlay was not a success".

2.8 When pointed out that the advice of the Railways own Research, Designs and Standards Organisation to test the indigenous material before use was ignored and that imports might be eliminated only when suitable and economical substitute was available, the witness replied, "We admit both of them. The only thing was that a very large number of electrical multiple coaches were required, and if we could make a break through we would be doing a good thing. Secondly, we do not make electrical multiple coaches continuously. Therefore, there were no chances of making prototype tests and waiting for the results and then proving it a success which we normally do for Indianisation of any imported item. We had to go on building at the rate of 4 coaches from 1961 onwards rising to 16 coaches a month for the whole of the Calcutta electrified area".

**2.9 The Committee are perturbed to note that the Integral Coach Factory went in for bulk use of Barmil in place of imported material for the underlay in the flooring of the E.M.U. coaches without satisfying themselves fully about the suitability of the material. The result is that the underlay in the flooring of as many as 260 coaches had to be renewed. The renewal of 98 coaches has already cost the Railways as much as Rs. 5.26 lakhs. The Committee consider that the Railways should not have gone in for the extensive use of Barmil without first making sure that it fulfilled all essential requirements. The Committee also feel that the Research, Designs and Standards Organisation should not have recommended "large scale trials" without watching closely the results of an experiment carried out with this material in a limited number of coaches so as to reduce the chances of infructuous expenditure to the minimum. The Committee stress that the Railway Board should take adequate action in consultation with their manufacturing units and research organisation to ensure that such costly lapses in the name of substitution of an indigenous material do not take place.**

*Chittaranjan Locomotive Works—Loss in the manufacture of Aluminium Bronze fitting—  
Para 19 pages 26-27*

2.10 The Administration undertook, in December, 1960, the manufacture of aluminium bronze fittings required for overhead traction for the Railway Electrification Project to be used as substitute for imported fittings. The fittings were supplied to the Railway Electrification Project Administration at a fixed rate of 25 per cent over the imported cost of the fittings obtaining at that time. It was expected that the cost of production would initially be higher than this fixed rate but would gradually come down below the fixed rate, eventually wiping out the accumulated loss.

2.11 As the fittings were manufactured, it was noticed that number of them were defective and out of a total of 3.08 lakhs fittings manufactured upto March, 1966 as many as 35,000 were rejected by Chittaranjan Locomotiv

**Works inspecting staff themselves and another 75,000 by the inspecting staff of the Railway Electrification Project. The total rejections work out to about 36 per cent of the production and the loss suffered by the Administration on the manufacture of these defective fittings works out to Rs. 5.99 lakhs after giving credit for the metal value of the rejected fittings.**

2.12 The anticipation that the cost of production would eventually come down did not also materialise and it was noticed, in April, 1966, that the cost at which the fittings were manufactured by the Administration was more than double the prices of imported articles at the time of commencement of production and much higher than the current prices.

2.13 The production was, therefore stopped with effect from April, 1966. The loss due to the difference between the cost of production and the fixed selling rate during the years 1960 to 1966 was of the order of Rs. 8.90 lakhs.

2.14 The Ministry of Railways stated (January, 1967) that in assessing the loss, the administrative and township overheads should not be taken into account as they would have been incurred even if the manufacture of the aluminium bronze fittings had not been taken up.

2.15 During evidence the Committee desired to know the reasons for the high percentage of defective fittings. The member (mechanical) Railway Board stated that these fittings were manufactured of an alloy aluminium-bronze. The casting of such alloys was not known in the country. When the Calcutta Electrification increased their tempo of electrification they approached every sector for these fittings but without success. "Therefore, after a lot of pressure, the Chittaranjan Locomotive Workshops, where capacity was available for casting as such, where we had a research and design office on the metallurgical side, felt that they could take on a developmental order and try to substitute the imported material". The witness added that there were 36 items which were being obtained, and Chittaranjan accepted the manufacture on a trial basis of ten items. The development was done, and the initial supplies were a success according to the standards that were laid down for the manufacture and inspection by the railway electrification. Unfortunately, some time in 1964 there was an accident, and a breakage of one of the parts when that was investigated it was discovered that the quality of casting should be improved. As the inspection was tightened rejections became heavy.

2.16 In reply to a question, the witness stated; the defects came to notice after the tightening up of the standards in 1964, and that with further development the quality of the product had improved to the standards required by the railway electrification.

2.17 The Committee were informed that the market rate of these fittings was Rs. 23.5 per kg. in 1965, while the selling price to the railway electrification by Chittaranjan workshop was Rs. 22 per kg. Explaining the reasons for high

cost of production the witness stated, that the reason was the costing system that was adopted before and also the high overheads that were there in the section in which the fittings were originally being manufactured. The section was the brass foundry in Chittaranjan workshops, where the overheads ranged to 2200%. When the work was transferred to a separate section and dealt with separately, the overheads came down considerably. The witness added; "therefore the over-all cost came down but the actual cost of production of castings was like this ; 1962—Rs. 57 per kg; 1964—Rs. 20; 1965—Rs. 12; 1966 before the work was stopped, the cost of production was Rs. 12 per kg." High overhead charges in the brass foundry, the witness stated were due to high cost of materials.

2.18 In reply to a question the witness stated that the cost of manufacture had come down considerably and was even less than the cost at which the item was being purchased from the market.

2.19 The Ministry have stated in a written note ;

- "The manufacture of Aluminium Bronze fittings was stopped after March, 1966, due to;
- (a) uncertainty over the electrification programme during the 4th Plan, and, therefore, minimum economical outturn from Aluminium Bronze Shop could not be guaranteed; and
  - (b) the private industry having by then developed the capacity to manufacture these fittings."

The Committee had desired to know :

- (i) how the cost of manufacture of Aluminium Bronze Fittings in Chittaranjan Locomotive Works compared with the price of the imported fittings;
- (ii) the production and cost year-wise since the manufacture of Aluminium Bronze Fittings was taken up in December, 1960; and
- (iii) the total number of fittings rejected, their percentage to the number manufactured and the net infructuous expenditure incurred, after giving credit for the metal value of the rejected fittings.

2.20 The Ministry have in their note stated :

"Aluminium Bronze fittings required for overhead traction were being imported by the Railway Electrification. Therefore, with a view to saving foreign exchange, Railway Electrification decided in 1958 to locate capacity for indigenous manufacture of these fittings. As the response to the development tender issued in October, 1958, to private firms and Ordnance Factories was not encouraging, it was decided to develop manufacture of Aluminium Bronze castings at Chittaranjan so that the Metallurgical Wing of R.D.S.O. at Chittaranjan could be closely associated with the manufacture of Aluminium Bronze fittings."



"The development work was taken in hand by the middle of 1960. Production of these fittings was started in 1962 and stopped after March, 1966. As a result of this undertaking, it was possible to save about Rs. 9 lakhs in foreign exchange."

"A total of 3.08 lakh fittings were manufactured by Chittaranjan Locomotive Works from November, 1962 to March, 1966 (the period covered by the Audit). Out of these, 1,09,967 fittings were rejected. The percentage rejections, period-wise from November, 1962 to March, 1966 are given below.

*Percentage Rejection of Fittings*

| Fittings                              | Nov. '62 to Mar. '63 | Apr. '63 to Sept. '63 | Oct. '63 to Mar. '64 | Apr. '64 to Sept. '64 | Oct. '64 to Mar. '65 | Apr. '65 to Sept. '65 | Oct. '65 to Mar. '66  |
|---------------------------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| Contract Wire Swivel Clip.            | 65%                  | 55%                   | 43%                  | 60%                   | 40%                  | 36%                   | ..                    |
| Standard Catenary Suspension Clamp.   | 35%                  | 20%                   | ..                   | ..                    | 61.5%                | 22.3%                 | 0.15%                 |
| Standard Catenary Suspension Bracket. | 51%                  | 29%                   | 24%                  | 16%                   | 16%                  | 17%                   | 8.5%                  |
| Double Catenary Suspension Clamp.     | 76%                  | 48.5%                 | 27%                  | ..                    | 0.3%                 | ..                    | ..                    |
| Contact Wire Dropper Clip.            | 55%                  | 34.5%                 | 10.5%                | 34.5%                 | 33.5%                | 80.3%                 | *Manufacture stopped. |
| Contact Wire Ending Clamp.            | 80%                  | 73%                   | 61%                  | 100%                  | 100%                 | ..                    | 0.1%                  |
| Catenary Ending Clamp.                | 81%                  | 70%                   | 91%                  | 93%                   | 93%                  | 18%                   | 0.2%                  |

\*The trade by then had developed sufficient capacity to meet the requirements of Railway Electrification.

It would be observed that there was a gradual improvement in the percentage rejections upto the middle of 1964, as a result of our gathering experience in the manufacture of such special die castings. The sudden increase in the rejections, particularly of 3 fittings was due to an open line failure of one of the fittings and consequent tightening up of the inspection standards in September, 1964, which laid considerable more emphasis on the quality of surface finish. It is also to be mentioned that the quality of fittings produced was

generally acceptable except for the surface finish. Further developmental work in the die design and techniques was done. Thereafter, the rejections which had suddenly arisen, came down again. This will be obvious from the figures of percentage rejections on the last 2 items which recorded only 0.1 rejections on Contact Wire Ending Clamps and 0.2 rejections on Catenary Ending Clamps during the period October, 1965 to March, 1966. From the above, it may be appreciated that the technical know-how and efficiency had been achieved in the Foundry at Chittaranjan Locomotive Works even according to the revised stricter and more rigid standards."

"The total expenditure incurred on manufacture of Aluminium Bronze fittings was Rs. 30.97 lakhs; the break-up being as follows:

| <i>Particulars</i>                     | <i>Amount</i> |
|--|---------------|
| 1. Direct labour . . . . .             | 2,44,023      |
| 2. Piece-work profit . . . . .         | 59,430        |
| 3. Factory overheads . . . . .         | 15,67,440     |
| 4. Administrative over-heads . . . . . | 3,17,145      |
| 5. Township over-heads . . . . .       | 2,66,662      |
| 6. Direct stores . . . . .             | 6,33,980      |
| 7. Stores over-heads . . . . .         | 8,401         |
|  | 30,97,081     |

It would be observed that out of the total expenditure, the overheads alone account for Rs. 21.51 lakhs (Rs. 15.67 lakhs Factory overheads; Rs. 3.17 lakhs Administrative overheads; and Rs. 2.67 lakhs Township overheads)."

Though the items comprising the total cost as indicated in the previous paragraph have been booked against the cost of manufacture of Aluminium Bronze fittings—from a purely proforma accounting point of view—The Ministry of Railways would submit that in assessing the real cost of manufacture, the following points should be considered:—

"(i) Manufacture of Aluminium Bronze fittings was taken up by Chittaranjan Locomotive Works only to assist Railway Electrification and as a measure of import substitution. This was not a regular line of production for Chittaranjan Locomotive Works. The total sale value of these fittings during the period of production of 4½ years was about Rs. 16 lakhs as compared to the annual sale value of Rs. 1183 lakhs of the production of Chittaranjan Locomotive

Works. It would be observed that manufacture of Aluminium Bronze fittings was a very small undertaking. Therefore, even if the manufacture of these fittings had not been undertaken at Chittaranjan Locomotive Works, the expenditure on account of Administration and Township would, in any case, have been incurred. Therefore, while, according to strict costing principles the Administrative and Township overheads may be treated as elements in cost, they need not, in the circumstances explained above, be included for the purpose of assessment of real loss."

"(ii) While analysing the expenditure against item 3 (Factory overheads), it is to be stated that heavy booking of Factory overheads was due to the manufacture of Aluminium Bronze fittings originally having been undertaken in the Brass Foundry where the overheads were in the neighbourhood of 2200%, which is peculiar to such foundries which usually have high value inventories. Had the manufacture of Aluminium Bronze fittings been undertaken in a separate shop, as was done in November, 1963, the overheads would have been considerably less. The final modification figures for 1965-66, estimated the overheads expenditure as only 545% (Factory overheads 360%, Administrative overheads 95% and Township overheads 90%) and had these overheads been charged, the expenditure debited would have been Rs. 8 lakhs less, on Factory overheads alone."

"(iii) If due allowance is made for the Rs. 8 lakhs on account of the higher Factory overhead charge and for the Administrative and Township overheads of Rs. 5.84 lakhs (*vide* respectively sub paras ii & i above), the estimated loss in real terms would be less by Rs. 13.84 lakhs. In other words, the difference between the cost of production and the credit realised for sale of fittings which stood at Rs. 15 lakhs when the work was stopped, would in real terms be only about Rs. 1.16 lakhs (Rs. 15 lakhs—Rs. 13.84 lakhs)."

In the light of the above background, further information as asked for by the Committee is given seriatim in the following paragraphs:—

"(i) The average cost of the imported fittings was Rs. 16 per Kg. The cost of manufacture of rough castings at Chittaranjan Locomotive Works from April, 1963 to March, 1966 is given in Appendix III. It would be observed that the cost of production continued to show a downward trend. The average cost of production (for rough castings) came down to Rs. 12/- per Kg. during 1965 & 1966. The cost of fettling, machining and assembly of fittings was about Rs. 6/- per Kg. Therefore, the average cost of production during 1965 & 1966 was about Rs. 18/- per

Kg. This compares very favourably with the selling price by trade in 1965-66 which was Rs. 23.5 per Kg."

"(ii) The outturn of Aluminium Bronze fittings from 1962 to March, 1966 is given in Appendix IV. Records of outturn during 1960 & 1961 are not available, as this was the period of development and consequently the outturn was small. The cost of manufacture of rough castings manufactured at Chittaranjan Locomotive Works, month-wise from April, 1963 to November, 1965 is given in Appendix III. Information regarding cost of manufacture for the period prior to April, 1963 is not available."

"(iii) The number of fittings manufactured at Chittaranjan Locomotive Works from November, 1962 to March, 1966 the period covered by Audit in this Para, is 3,08,352. Out of these, 1,09,967 were rejected giving the percentage rejection as 36. Appendix V gives the value of the rejected fittings based on the selling price and also the value of the material of the rejected fittings."

2.21 In regard to the infructuous expenditure as a result of rejections the Ministry have stated :

"Rejections are inevitable in any Brass Foundry—the average rejections being about 16%. Considering that manufacture of Aluminium Bronze fittings was a new line of production for Chittaranjan Locomotive Works and for which technical know-how was not available, rejections could not have been avoided. Moreover, the additional direct and indirect expenditure involved in re-melting, casting, fettling, machining and assembly of fittings as a result of using the material of the rejected fittings has already been accounted for in the total expenditure booked. It is, therefore, submitted that rejections by themselves should not deem to have led to any infructuous expenditure."

2.22 It is noticed from the Ministry's note the percentage of rejections was 91 to 93% in the case of catenary Ending Clamp during October, 1963 to March, 1965, 100% in case of contact wire Ending Clamp during April 1964 to March 1965, 60% for contact wire swivel clip during April 1964 to September 1964 and 80.3% in case of contact wire Dropper clip during April 1965 to September 1965.

**2.23 While the Committee note the efforts made by the Railways to find substitutes for imported components, they consider that quality and price are equally important and should not be overlooked. The Committee would like the Railways to analyse in detail the reasons for the high percentage of rejections for Contact Wire Dropper Clip and Contact Wire Ending Clamp so as to learn a lesson for the future.**

2.24 The Committee need hardly add that when a new item is taken up for manufacture, whether as an import substitute or otherwise, the manufacturing units should not only ensure its quality but also reduce the avoidable rejections through better workmanship and supervision.

*Extra payment of Sales Tax on E.M.U. stock—Para 21, Pages 28-29:*

2.25 In April, 1955, an order was placed by the Ministry of Railways on a Calcutta firm for the manufacture and supply of 104 BG EMU coaches suitable for operation in the Calcutta suburban area on 3,000 volts DC. The agreement included a clause whereby the Ministry was liable to reimburse the State or Inter State Sales Tax payable by the firm under Law. The delivery of the coaches was to be made ready for service on rail ex-firm's works. The firm was directed in March, 1958 to convert 54 coaches to 1,500 volts DC for use on the Western Railway, but no amendment to the original delivery clause was made. In August, 1960, the Ministry instructed the Eastern Railway Administration to take over the coaches from the firm's works for being moved to Bombay in rakes of 9 coaches in view of the lack of space in firm's works. The normal procedure of documentation for the despatch of coaches, namely, preparation of a Forwarding Note by the firm and issue of a Railway Receipt by the Eastern Railway showing the firm as the consignor and the Western Railway as the consignee, was, however, not followed at the time of taking delivery between September, 1960 and August, 1963.

2.26 The sale of the EMU stock to the Western Railway should normally have been an Inter State sale subject to the concessional rate of Central Sales Tax, which came into force from 1st October, 1958, at 1 per cent of the cost of supplies upto 1st April, 1963 and 2 per cent thereafter, but, since the delivery clause in the original order had not been amended to provide for delivery at Bombay and the normal procedure of documentation for the despatch of the stock had not been followed, West Bengal Sales Tax at 5 per cent of the cost of supplies was levied in March, 1965 resulting in extra expenditure of Rs. 9.51 lakhs.

2.27 A second order was placed on this firm in April, 1963 for 100 EMU coaches for use in the Bombay area. The advice of the firm, in November, 1963, to amend the delivery clause to enable the coaches to be delivered to the Eastern Railway as "Carriers" was not accepted. The Ministry has so far paid the firm only Central Sales Tax and the levy of West Bengal Sales Tax has been contested by the firm on the advice of the Ministry.

2.28 The Ministry of Railways explained to Audit in November, 1966 that they were guided by the legal opinion given by the Ministry of Law at all stages and that there was uncertainty about the correct legal position in the field of Sales Tax.

2.29 In the third order placed on the same firm in October, 1965, for 106 EMU coaches for the Bombay area, the Ministry revised the delivery clause.

2.30 The Committee enquired the reasons for not amending the original delivery clause when the order was modified in March, 1958 and the firm was directed to convert 54 of the coaches to 1,500 volts DC for use on the Western Railway. The Financial Commissioner, Railways, stated that "Our contention has been in conformity with the legal decision of the High Court, that the crucial factor is not where the delivery is given but where it is used..... We have been adhering to the legal view that what matters is the place where the commodity is going to be used and that is where sales should have taken place rather than the place where we take delivery and carry as carriers for being used in another place." With regard to the second order placed in April 1963, the Committee enquired why the firm's advice for amending the delivery clause was not accepted. The Member (Mechanical), Railway Board replied that due to the reasons explained above it was not considered necessary to change the clause. In reply to a question, the witness stated that in regard to the first case they had already paid at the West Bengal State rate because the later legal advice was that the Sales Tax at West Bengal rate was payable. In the second case, they had not paid the Sales Tax at the West Bengal rate. The Central Sales Tax rate had been paid by the firm and the firm was, under their advice and instruction, contesting the claim of the West Bengal Government to recover Sales Tax at State Sales Tax rate.

2.31 As to the stage at which the proceedings were, the witness stated "They are, at present, spending before the Commissioner of Sales Tax. I believe, that is the authority. Even if the opinion at that level is adverse to us, we may, in all probability, have to contest at a higher level. This is a fundamental point for us, once and for all, to establish clearly what the legal position is."

2.32 The Committee enquired why the delivery clause was revised in the third order placed on the same firm in October, 1965. The Financial Commissioner, Railways, stated "It is in order to be in line with our contention that it is the place where it is going to be used that should be the deciding factor whether it should be regarded as inter-State transaction or a State transaction. Therefore, it is to be consigned to the consignee so that it is in line with the place where it is going to be used because it is the consignee who is receiving it and will be using it in his jurisdiction. The place of delivery is not mentioned." The witness added that the place of delivery was not being mentioned deliberately because they did not want to create an impression that the sale was taking place in West Bengal.

2.33 In reply to a question, the witness stated that if the Central Sales Tax Act was applicable then it precluded the application of the West Bengal Sales Tax Act.

2.34 The Committee pointed out that it would have been better if the firm had been advised to deliver coaches in Bombay and in that case the Railways would have clearly been the carriers. The Member (Mechanical) stated that the contracts were on *f.o.r.* basis like the coal contracts. There the Central Sales Tax Act was applicable and the Railways took over coal as carriers at the colliery head. It was stated in the contract that those coaches were required for use in Bombay. He added that in the first order it was stated that the order would be deemed to have been completed after the coaches had been commissioned into service and the tests and other requirements laid down in the specifications had been fully complied with to the satisfaction of the purchaser. The Additional Member (Finance) stated that in terms of contract the delivery would not be complete until coaches had been commissioned and for which they had to go to the 1500 volt D. C. area. 1500 volt transaction was available only in Bombay. 54 coaches were to be converted to 1500 volts for use on Western Railway.

2.35 On being asked why normal procedure of documentation for the despatch of coaches was not followed, the representative of the Railway Board stated "This came to our notice sometime very much later and then we gave advice to the firm to submit documentation. Actually, the responsibility for the submission of the correct documentation was that of the firm which, evidently, they failed to do. We have issued positive instructions to them that this should be done."

**2.36 The Committee regret to note that the Ministry of Railways failed to amend the original delivery clause in March, 1958, when the order placed on the firm was modified, with the result that they had to incur an extra expenditure of Rs. 9.51 lakhs on account of payment of West Bengal Sales Tax instead of the concessional rate of Central Sales Tax applicable in inter-State sales. It is also strange to note that the normal procedure of documentation for the despatch of coaches was not followed at the time of taking delivery between September, 1960, and August, 1963. The Committee see no justification for this omission.**

**2.37 The Committee note that the question of levy of State Sales Tax in the second case is at present pending before the Commissioner of Sales Tax, Calcutta. The Committee, therefore, do not desire to comment in detail on the procedure followed by Railways. The Committee would like to be apprised of the final decision in the case and the action taken by the Railways in pursuance thereof.**

*Loss due to delay in the supply of rails—Para 23, Pages 30-31 :*

2.38 On 25th August, 1962, the Ministry of Railways placed an order on a Calcutta firm for the Supply of 70,000 tonnes of rails from Canada. The formal contract for the supply was executed on 29th September, 1962 according to which 50,000 tonnes were to be shipped by the firm by 30th November, 1962 and the balance by 31st December, 1962.

2.39 Under the terms of agreement, the Ministry had the right to carry out an independent inspection of the material before despatch. There was delay in finalising the arrangements for the inspection and the inspectors of the Director General, Supplies and Disposals reached Canada only on 24th November, 1962. The delay was attributed to an unsuccessful attempt to arrange the inspection through India Supply Mission, Washington, though the then Ministry of Works, Housing and Supply had informed the Ministry of Railways as early as 27th March, 1961 that the India Supply Mission could not undertake or arrange for such inspections. Due to delay on the part of the firm in furnishing 'Performance Guarantee Bond' (which was required to be submitted by 8th October, 1962 but was actually submitted on 28th November, 1962) the Letter of Credit which had been established in October, 1962 could not be made operative until 10th December, 1962, that is, till after the expiry of the date for shipping the first 50,000 tonnes. The date for shipping 50,000 tonnes was thereupon extended upto 28th February, 1963, and for 20,000 tonnes upto 31st May, 1963 without reserving any right to levy liquidated damages on the firm.

2.40 The actual supplies were completed by the firm by 31st July, 1963 only, that is, after the extended date of supplies. The Ministry of Railways called upon the firm, in September, 1964 to reimburse a total sum of Rs. 42,280 towards extra expenditure on inspecting staff (Rs. 8,947) and token liquidated damages (Rs. 33,333) for the delayed supply of rails after 31st May, 1963. The latter amount represented the extra expenditure incurred in extending the Letter of Credit. After negotiations with the firm, it was finally decided, in July, 1965, that the matter should be settled by accepting half the amount namely, Rs. 21,140 as offered by the firm in full settlement of the claim.

2.41 The delayed delivery of rails (49,600 tonnes received after 1st March, 1963) resulted in an incidental loss of Rs. 8.44 lakhs as customs duty at 5½ per cent on the import of rails not previously leviable had to be paid with effect from 1st March, 1963.

2.42 The Committee asked why valuable time was lost in making an unsuccessful attempt to arrange inspection through India Supply Mission when they were already aware that such inspections were not undertaken by them. The witness stated : "The letter referred to from the Ministry of Works, Housing and Supply was only a specific case for a specific inspection. That we thought was not applicable to the general case of supply of rails. That is why we first wrote to the India Supply Mission, Washington, to arrange for an agency to inspect these. In fact later on the India Supply Mission replied as saying that they could not arrange. In fact when we wrote to the W. H. S., they themselves asked first the India Supply Mission. Then only they arranged for this. It was not as if that the earlier letter has precluded us from making a reference."



2.43 The Committee desired to be furnished with the copies of the correspondence exchanged between the Railway Board, the Ministry of Works, Housing and Supply and India Supply Mission, Washington, regarding arranging of inspection of these rails. The information has since been received and is at Appendix VI.

2.44 When asked why it was decided to accept only Rs. 21,140 offered by the firm in full settlement of the claim, the witness stated that they had written to the firm that they wanted to recover the full amount of Rs. 42,000. The firm did not agree to it and suggested that they should go for arbitration and also pointed out that they also reserved the right because the rolling programme of the mills in Canada was disturbed because of their late letter of credit. Considering all aspects, they had settled it amicably at half the amount.

2.45 The Committee asked why it was claimed as 'token liquidated damages', the witness explained that they could not demonstrate any loss on account of delayed supply of rails. The Law Ministry also opined that unless there was a demonstrable loss, they could only claim token liquidated damages. The amount of damages was settled through direct negotiation.

2.46 The Committee enquired whether the date for shipping was extended merely because the Letter of Credit could not be made operative until 10th December, 1962 or was it due to delay in inspection. The witness stated "What happened was that both more or less coincided because the letter of credit itself was opened very late."

2.47 When asked who was responsible for the delay in opening the letter of credit, the witness stated : "It was partly the responsibility of the firm and partly that of the Railway. Because of this only, we did not pursue the matter. There was also delay in posting the Inspector. Because of these things, we did not pursue the matter further. He further stated : "... The thing is that the letter of credit can only be drawn after a satisfactory 'Performance Guarantee Bond' is submitted by the firm. We had to return the bond to them twice and that was partly our delay." When further asked as to why it had to be returned to the firm, the witness stated : "We had to return it because the amount shown was rather incorrect." When it was pointed out that owing to this delayed delivery of rails as a result of granting extension, they were required to pay a sum of Rs. 8.44 lakhs due to incidence of the custom duty, the witness stated that the grounds on which extension was asked for were justified and hence the extension was granted. Once the extension was granted, the natural consequences of it had to be faced.

2.48 At the instance of the Committee the Ministry of Railways (Railway Board) have furnished a note in which they have explained the reasons for delay in getting from the firm the 'Performance Guarantee Bond'. It has

also been stated in the note that the circumstances were not justifying any enquiry in the case. It has been stated in the note :

1. "In this case the Contract No. 62/Track/Rails/10 was placed on the firm on 29-9-1962. The firm was required to submit the Performance Guarantee Bond for an amount equivalent to 2½% (Rs. 8,77,917) of the contract value (Rs. 3,51,16,666) by 8-10-1962. The firm sent a telegram on 5-10-1962 (received on 7-10-1962) that owing to Puja holidays they were unable to submit the P. G. Bond by 8th October, 1962. The firm, however, submitted the guarantee bond on 8-11-1962 (received in Board's office on 9-11-1962) for Rs. 8,48,500 only. Since this bond was not for the full amount as required according to the contract conditions, it was handed back to the firm on the same day for furnishing the guarantee bond for full amount."
  2. "The Performance Guarantee Bond was again received on 15-11-1962 from the firm for full amount. On scrutiny, however, it was found to be not in accordance with the proforma sent with the contract inasmuch as the following para had been added in the bond which did not appear in the proforma sent by the Railway Board."
 

'Notwithstanding anything contained above, our liability under this Guarantee is restricted to Rs. 8,78,000 (Rupees Eight Lakhs and Seventy-eight Thousand only). Our Guarantee shall remain in force till the 31st March, 1963. Unless a suit or action to enforce is filed against us before this date, all your rights under the said Guarantee shall be forfeited and we shall be released from all liability thereunder.'
  3. "It was, therefore, returned to the firm on 26-11-1962 for re-submission in the proper proforma."
  4. "The firm then submitted the correct P. G. Bond on 27-11-1962 (received on 28-11-1962 in Board's office)."
  5. "It may be seen from the above that delay occurred in two stages— firstly on account of the amount exhibited in the Guarantee Bond falling short and secondly the Guarantee Bond submitted by the firm not being in the proper form".
- 'As regards the first item, the Bond was not even accepted by the Board's office and was returned by the firm within 2 days after correcting the amount. It was only at the second stage when the form, in which the Guarantee Bond was prepared, was scrutinised in detail by the Board's office, that it was found that an additional clause had been put in. Hence the Guarantee Bond had again to be returned on 26-11-1962, which was corrected and returned by the firm without any loss of time. It is not understood as to how

the firm came to include the clause which was not originally in the Bond, but it is surmised that it may have been on the advice of their Bankers."

"An enquiry for fixing responsibility as regards the second stage of delay has not been instituted. Simultaneously with this delay, there is also the delay in deputing the Inspectors to Canada for inspecting the manufacture of rails from the bloom stage and passing them off as finished rails. The time taken for returning the Guarantee Bond by the firm after the additional clause has been only 10 days, i.e. from 16-11-1962 to 26-11-1962, and it is considered that this does not justify an enquiry with a view to fixing responsibility."

6. "Since the proforma in which the Performance Guarantee Bond was required to be submitted by the firm had already been attached with the contract entered into with them, it was for the firm to have submitted the P. G. Bond in that proforma. However, since the P. G. Bond submitted by the firm was not found to be in the proforma sent with the contract, it had to be returned to the firm for necessary correction."
7. "No enquiry has been made regarding the delay in getting from the firm the Performance Guarantee Bond as the delivery was also interlinked with the operation of the Letter of Credit and arrangement for inspection, as indicated in para 5 above."

2.49 **The Committee find from the Ministry's note that the firm furnished a Performance Guarantee Bond for the prescribed amount in the correct proforma on 28th November, 1962, when it was required to be furnished by 8th October, 1962. The firm furnished a Performance Guarantee Bond for the first time on 8th November, 1962, i. e., one month after the date prescribed in the contract, and no adequate reasons have been given for this delay of one month. In these circumstances the Committee feel that an extension in the period of delivery should have been given by reserving the right to levy liquidated damages. The failure to do so resulted not only in foregoing the recovery of Rs. 21,140 being the extra expenditure incurred by the Railways, but also in payment of customs of Rs. 44 lakhs on the import of rails.**

*Northeast Frontier Railway—Delay in adjustment of 'on account' payments made to firm—Para 24, pages 31-32*

2.50 An order for the fabrication and supply of 18 numbers 100 span M. G. M. L. Standard girders at Rs. 71,535 each was placed on a firm in December, 1961. The contract provided for 'on account' payments (i) for steel and other materials purchased by the firm, at 90 per cent of the value of the materials upto a ceiling of half the total value of the order, namely, Rs. 12.8 lakhs plus sales tax and (ii) for fabricated steel work, at Rs. 580

per ton of invoice weight on inspection and proof of despatch and the balance 10 per cent on production of consignee's Receipt Note. The delivery of fabricated steel was to commence in 8 to 10 working weeks after the receipt of all materials and to continue at the rate of 70 tons per month, the weight of each girder being 47.21 tons approximately:

2.51 However, only 2 girders and part supply of 3 other girders received by January, 1966. It was then decided that only 8 girders be purchased against the order and the balance treated as 'on account' payments totalling Rs. 7.29 lakhs. The total cost of 8 girders amounting to Rs. 5.72 lakhs had been paid to the firm. The question of adjusting the excess 'on account' payments of Rs. 1.57 lakhs has not so far been decided.

2.52 The Administration stated (February, 1967) that the firm had not yet agreed to the proposed reduction in the number of girders and that the amount of Rs. 1.57 lakhs was covered by a duly executed 'Indemnity Bond' in terms of the contract.

2.53 The Additional Member (Works) Railway Board informed the Committee that an order for 18 girders was placed on a firm for certain bridges on the North East Frontier Railway. Simultaneously, they had also anticipated a requirement of 33 girders for a heavy construction programme on the North Frontier Railway. He added that when the final location survey was completed and the details were gone into, they found that 22 girders would be sufficient.

2.54 In reply to a question, the witness stated that the first decision for 18 girders was taken in the middle of 1961 and in February, 1966 it was decided to reduce it to 8 girders. The first payment was made on the firm's bill dated 8th November, 1962 and the last bill was dated 25th June, 1964. During the period, they had no idea of reducing the numbers of girders.

2.55 On being asked who was to supply the materials, the witness stated "For these materials, the firm placed the indent on the Iron & Steel Controller and the Iron and Steel Controller placed on the various steel mills depending on their rolling programme."

2.56 The Committee pointed out that if the firm had received material by March, 1964 from the Iron & Steel Controller then they should have made the delivery by May or June, 1964. The witness stated "But these 64 tonnes were not in the matching lots. Certain sections which were essentially required had not been received."

2.57 At the instance of the Committee, the Railway Board have furnished a note indicating *inter alia* therein the break-up of the material which

was not supplied to the firm in matching lots by the Iron and Steel Controller and the reasons for the same. It has been stated in the note :

“The total quantity actually received by the firm was only 849.232 tonnes. A statement showing the various sections of steel ordered by the firm for the work and the quantity received upto December, 1965 under each of these items is enclosed at Annexure..... This statement covers the list of items actually indented for by the firm on the Iron & Steel Controller. The remaining quantity required for 18 spans was apparently available already with the firm their stock. It will be seen from the statement that under item 37 viz., M. S. Plate [1200 × 50 × 4310 mm.) and item 30 (M.S. Angles 4" × 3" × 5/16") no quantity at all was supplied till December, 1965 and against item 33 (M. S. plate 900 × 10 × 9000 mm) the quantity required for only one span was supplied till December, 1965. The firm had managed to supply 2 complete spans upto January, 1966 by utilising some steel which was available with them from other works for the items not supplied by the Iron & Steel Controller.

The reasons for the non-supply of these items by the Iron & Steel Controller are not readily available at this stage. Apparently it was due to the inability of the producers to roll these section in adequate quantity to meet the demands.”

2.58 In reply to a question, the witness stated that the fabrication programme was controlled on the basis of priorities set by the Railway Board. The Railway board were satisfied that there was no inexcuseable delay on the part of the firm in supplying the material. The Committee enquired whether fabrication was to take place as and when they indicated to the firm. The Chiarman, Railway Board, stated “These fabricators have a certain capacity. Now they have a surplus capacity. At one stage their capacity was short. When we placed the order, we practically booked their entire capacity. We used to change it from time to time watching the progress of various works. By constant negotiations and keeping liaison with them we even maintained an officer at Calcutta—We went on adjusting so that our works as far as possible did not suffer for want of girders.”

2.59 The Committee pointed out that by January, 1966 only 2 girders and parts of three other girders were supplied and thereafter the Railway Board had modified the order. The witness stated that by January, 1966 they were not very keen that these orders should be fulfilled. The representative of the Ministry of Railways also stated that six girders were not urgently required and so they had reduced the number.

2.60 The Ministry have explained in a written note that :

“Owing to the general financial stringency the Railway Board had issued a directive in December, 1965 to all the Railways asking

them to critically examine their regirdering programmes, with a view to deferring some of the works. After reviewing their programmes the Railway decided to take up only regirdering of badly corroded spans of Dehing Bridge on Tinsukia-Ledo Section and to postpone the work on the remaining bridges, as they were not considered very urgent and could be postponed in view of the need for economy."

2·61 The Committee enquired whether the Ministry of Railways were sure that the firm received materials only for 2 girders and parts of three other girders. The Member (Engineering), Railway Board, stated "We are sure of that". On being asked whether they took up the matter with the Iron and Steel Controller, the Additional Member (Works), Railway Board, stated that this was discussed every quarter at Calcutta with the representative of the Iron & Steel Controller.

2·62 In reply to a question, the witness stated that the bridges for which these girders were programmed were completed during 1962-65 and that was by making use of certain girders which became surplus from emergency construction that was going up.

2·63 In reply to a written query of the Committee the Railway Board have furnished the following note indicating the latest position of the matter :

"In July, 1967 the following tentative settlement for closing the case was arrived at in consultation with the firm :

- (a) The firm will not do any more fabrication excepting what they have already supplied (*viz.*, 5 complete spans and components for incomplete spans amounting to 44·38 tonnes).
- (b) Such of the surplus steel available with the firm on the order which is certified by the Director of Inspection as usable for other structural works will be taken over by the Railway.
- (c) The cost of such of the steel which is pitted beyond tolerance limit and consequently not certified as acceptable by the Director of Inspection will be borne by the firm.
- (d) There shall be no other financial repercussions on either side. Arrangements have been made by the Railway with the Director of Inspection of D. G. S. & D. to inspect the remaining stock of raw steel available with the firm on this order to determine the quantity which is usable and could be taken over by the Railway. As soon as this inspection is completed the Railway will be taking further action to settle the terms finally with the firm and to carry out necessary adjustments in the matter of payments under the contract. Unfortunately, however, due to further labour troubles the firm has declared lock out since the past 3 months. It has

therefore, not been possible yet for the Director of Inspection to arrange for the inspection of the raw steel. As soon as the firm reopen their shops the inspection will be arranged and no difficulty is the expected thereafter in settling the matter finally as already agreed to by the firm without any financial loss to the Railway.

2.64 The Committee note that the number of girders originally ordered from the firm for fabrication in 1961 was eighteen but was reduced to only eight in January, 1966. The Committee stress that the requirements of girders and other costly materials should be made on a realistic basis keeping in view the need for economy. The Committee also consider that, if closer liaison had been made with the Iron & Steel Controller and the firm, it should have been possible to ensure timely supply of all the matching steel sections required for the fabrication of girders so as to obviate delay. The Committee suggest that a periodical review should be made of all outstanding orders which involve 'on account' payment so as to ensure that funds in excess of the amount required for the materials are not advanced to a firm as has happened in this case.

2.65 The Committee would also like to be apprised of the final settlement with the firm in this case.

*Western Railway—Loss due to procurement of defective bearing plates—Para 25—Pages 32-33.*

2.66 The administration incurred an expenditure of Rs. 2.47 lakhs in procuring Two Anti-creep bearing plates (M.G.) which were found to be defective. An order for the supply of 75,000 plates was placed on a firm by the Director General, Supplies and Disposals in April, 1962. The plates were duly inspected by an officer of the Director General, Supplies and Disposals and despatched between July, 1962, and March, 1963. A total of 74,880 plates were received by the consignee, namely, Depot Store Keeper, Western Railway, Bharatpur, between 9th August, 1962 and 6th May, 1963. 90 per cent payments for the supplies were made on the basis of inspection conducted by the officer of the Director General, Supplies and Disposals and the balance 10 per cent payments on the basis of certificates issued by the Depot Store Keeper, as provided in the contract.

2.67 When the plates were put on the track later in May, 1963, certain defects were noticed. A preliminary report was made to the Director General, Supplies and Disposals on 31st July, 1963. A detailed report was, however, made only on 5th June, 1964, that is, more than a year after the receipt of the last consignment and 22 months after the receipt of the first consignment. After a delay of 7 months; the Director General, Supplies and Disposals where the defective plates were lying so that re-inspection of the stores could be arranged. The locations were advised to

the Director General, Supplies and Disposals after a further delay of 7 months. A joint inspection carried out on 25th November, 1965 (not attended by the firm's representatives) revealed that there were a number of technical defects and 54,393 plates were declared unfit for use. The firm was thereupon asked to remove the defective plates by the Railway Administration on 29th December, 1965, that is more than 3 years after the receipt of bulk of the supplies. The firm replied, in April, 1966, that they were not prepared to take them back. Subsequently, in September, 1966, a further quantity of 8,780 plates was reported to be defective.

2·68 The Ministry of Supply, Technical Development and Material Planning, stated to Audit in November, 1966 that under the terms of contract the consignee was empowered to reject the stores if they were not in conformity with the terms and conditions of the contract in all respects and it was for the Railway Administration to report the supply of defective stores within a reasonable time. It was further stated that since there was a long delay in taking up the matter, the claim against the firm would not be legally sustainable.

2·69 The Railway Administration stated to Audit in December 1966 that the consignees' responsibility was limited to the receipt of the supplies in good condition and not of any technical inspection of supplies, the responsibility for technically passing the supplies being entirely that of the Director General, Supplies and Disposals. It was also stated that a total amount of Rs. 28,552 due to the firm in respect of other contracts had been withheld in September October, 1966 against the total value of the defective plates amounting to Rs. 2·47 lakhs.

#### *Faulty Inspection*

2·70 The Committee enquired about the defects found in bearing plates. The Member (Engineering), Railway Board, stated that the holes in the plates were not of correct size to take the spikes and therefore, they could not be used in the manner they were supposed to be used. No taper was also provided for the two-way drive key.

2·71 Asked why those defects could not be detected at the time of inspection by the officer of the Director General, Supplies & Disposals, the Additional Director General, D. G. S. & D., replied "This is an instance of faulty inspection undoubtedly. There is no defence to that. We have taken necessary action both against the firm and our officers who tripped. I entirely agree .....that our inspection in this instance was not in order." The firm had been suspended and disciplinary action against officers was pending. They had not been able to complete the proceedings as the case had been seized by the Special Police Establishment. He added that the Directorate General, Supplies and Disposals inspected nearly Rs. 500 to 600 crores worth of goods every year. In this



process a few mistakes did occur. In order to minimise the occurrence of such mistakes, the inspection was done at two points—one at the despatch point and the other at the destination point. It was admitted that the inspection made at despatch point in this case was faulty and they should have detected the mistake. The other inspection at the destination had been purposely put in as a condition of the contract. It had been there for decades. The inspection at the destination overruled the inspection at the despatch point according to the terms of the contract. The witness read out the following lines of the contract :

“Any approval which the inspector may have given in respect of these stores, materials or other particulars.....shall not bind the purchaser.....and notwithstanding any approval of or acceptance given by the inspector, it shall be lawful for the consignee of the stores.....to reject the stores on arrival at the destination, if it was found that the stores supplied.....are not in conformity with the terms of the contract in all respects.”

2.72 The Committee desired to know whether any Warranty Clause was included in the contract. The Department of Supply have stated in a written note :

“In this case, the A/T placed was governed by the General Conditions of Contract (D. G. S. & D-68) which do not provide for a Warranty Clause.”

“Para 132-C of the Manual of Office Procedure for Supplies, Inspection and Disposals provides that in contracts governed by the General Conditions of Contract (D. G. S. & D-68) which do not contain a Warranty Clause, a Warranty Clause should be included as a special condition in all cases where defects can come to light only when the stores are put to use and *not* before visual or even laboratory inspection. It also provides that a Warranty Clause should invariably be provided in contracts for perishable stores and in case of biological and other products to provide safeguard against losses on account of deterioration within their stated period of potency. These instructions were further amplified to make these applicable to a number of specified items and Bearing Plates are not covered thereunder.”

“In regard to this particular item, supplies are to conform to prescribed specifications and drawings and it is considered that defects if any, should be considered capable of being detected at the time of inspection. The stores were reported defective in the following respects as a result of joint inspection by the Railways as well as Director of Inspection, D.G.S. & D. :

(i) Round Spikes not passing through in number of plates.

- (ii) No Tapper provided for two way drive of key on bigger jaw side.
- (iii) Too much sand sticking with the result that 1 in 20 tapper is not obtained.
- (iv) Not properly fettled all over.
- (v) Draws, Blow Holes, sand inclusion exists in number of plates.
- (vi) Uneven surface at the bottom portion.

It is considered by the Inspecting Wing that most of the defects as enumerated against (i) to (vi) above could have been detected by an experienced Inspector if proper care was exercised. However, certain casting defects stated against (v) above, if not apparently visible on the surface, but inherent in the section, may not be detected at the time of inspection. In view of the above, it was not considered necessary to incorporate an express warranty clause in respect of the item in the tender enquiry/contract."

2.73 On being asked what was the status of the officer who inspected the Additional D. G. S. & D. stated that he was an Assistant Inspecting Officer.

2.74 In reply to a question, the witness stated that at the time of inspection, no payment was made, but 90 per cent of the value of the contract was payable on production of two documents—one the proof of inspection and the other the proof of despatch. The balance was payable, after the consignee certified that he had received the goods in good condition. He stated: "In this case payments were made because the inspection on our side was faulty and the contractor was able to get a satisfactory report from the consignee."

2.75 The Committee enquired who were the officers responsible for the inspection at consignee's end. The witness stated "In this case the plates were received by the Depot Store Keeper. He did not inspect these plates according to specifications; he just checked the number and certified that the plates were received correct to the order."

2.76 In reply to a question, the Member (Engineering) Railway Board stated that normally for sophisticated articles they carried out a second inspection. But for ordinary plates and things which were in common use, no second inspection was carried out except at the time of use. In a majority of cases (99.9% cases) the goods purchased through Director General, Supplies and Disposals were alright.

*Delay in taking up the case*

2.77 On being asked why DGS&D took seven months to enquire where the plates were lying, the representative of the Director General, Supplies & Disposal stated "When this complaint was received in our organisation,

the paper got mixed up with some other documents. It came to light when the remainder was received by us. It was a loose sheet of paper. We approached the Railway to let us know the location where the second inspection could be carried out. They took about eight months to answer that". The Member (Engineering), Railway Board stated "There has been a delay in advising the location where the plates were lying. This is very much regretted. They had to find out from P.W.Is. as to where the plates were lying along the lines, then they had to compile that information and forward it to the Director General, Supplies & Disposals".

2.78 The Committee enquired whether three year's period was not excessive in finding out the defects and informing the firm. The Member (Engineering), Railway Board, stated, "I very much regret that there was this delay in informing the DGS&D about the place where the plates were lying. The delay of nearly a year was because a joint inspection was arranged as pointed out already in November, 1965. Then only, we wrote to the firm to take back those plates". In reply to a question, the witness added that first report was sent on 13th May, 1963. Then the Controller of Stores made a report to the Director General, Supplies & Disposal on 31-7-63. A detailed report was sent to the DGS&D on 5-6-1964. The joint inspection was done in November, 1965.

### *Specifications*

2.79 The Committee enquired whether the specifications sent by the Railways to the DGS&D for the purpose of plates were adequate, proper and thorough. The Member (Engineering), Railway Board, stated that the specifications were thorough and adequate. They had received these bearing plates from other suppliers according to these specifications and there were not defects.

2.80 The Committee enquired whether it was not worthwhile on the part of the Railways to test one plate and find out whether the bearing plate was according to the specification. The Member (Mechanical), Railway Board, stated, "If one sample out of 75,000 is tested, it would not be necessary that all the 75,000 plates would be correct. Also, the dimensions that apply in one case may not apply to the other case".

2.81 The witness added "When stores are purchased they are accepted on one inspection. The second clause, *i.e.* the second inspection is indicated there as a further safeguard so that in case anything is discovered defective at a later date it can be sent back. If the store is not in conformity with the specification then the purchaser or the consignee has the right to reject. But it is a clause which will not apply in every case. If it is to apply then it will mean double inspection. To have double inspection of every store that is purchased will be so expensive. It will also lead to divided responsibility. The first inspection carried out is the inspection that had to be done in a scientific manner and in a complete manner so that the purchaser gets satisfactory

goods. But there may be an odd case that the article supplied may not conform to the requirement of the consignee. That is why another clause to the effect that notwithstanding the substance of the article about the inspection, the firm supplying will remain responsible for any defective supplies arranged by them even after the inspection has passed them. It is only a saving clause. As my colleague pointed out, we cannot afford to have double inspection of every article—this might cost Rs. 3 crores—when our annual purchases run to Rs. 300 crores. Having double inspection of all the purchases would be absolutely impossible and unnecessary”.

2.82 The Committee enquired whether it would be possible to revise the procedure to ensure that before payment was made, a proper inspection was carried out. The Chairman Railway Board. stated that it would be too expensive and would not be practicable.

2.83 The Committee enquired the amount paid by the Railways to the DGS&D as commission for making purchases on their behalf. The Member (Mechanical), Railway Board, stated that stores worth Rs. 100 crores were purchased through DGS&D. At the rate of half a per cent on the value of goods for inspection, the amount would come to about Rs. 50 lakhs.

2.84 Asked whether the Railways could deduct the commission in cases where faulty inspection had been carried out by the Director General of Supplies and Disposals, the witness replied “It is a big transaction and the material is inspected and charged according to the rate that has been accepted by the Ministry. Whether the Ministry can recover the amount from them or not is a point which will have to be decided between the Ministries”. The representative of the DGS&D added “The Railways are quite secure in this matter. In the case of defective stores replacement should have taken place without further fees on them. Since trouble has arisen, they may feel that the money they have paid for the stores is lost. Actually, they are within their rights to get a replacement and they are not losing anything”.

#### *Recovery of Cost of Plates*

2.85 The Committee enquired the position in regard to the recovery of cost of the defective plates from the firm in this case. The Additional Director General, D.G.S.&D., stated “The firm has declared to-day that they have nothing to do with it. The legal position that we have taken is to see that we recover the cost”.

2.86 Asked whether there was any way of withholding the payment to the firm by the DGS & D in the other contracts, the witness replied, “We have advised the Pay and Accounts Officer to withhold the money. We have not been able to get very much out of that except Rs. 5,000 or Rs. 6,000 and Rs. 25,000 against the railway contract”. In reply to another question, the witness stated that out of the loss of Rs. 2.47 lakhs, the scrap value of the plates was Rs. 1.25 lakhs and therefore, the net loss might come to Rs. 95,000 only.

2.87 On being asked whether the defective plates had been replaced, the witness stated "This firm which supplied defective plates has not issued replacement".

2.88 At the instance of the Committee, the Railway Board have furnished a note stating the latest position about rectification/return of the defective plates to the firm, It is stated:

"A trial order for rectification of 40 bearing plates at the rate of Re. 1 per plate was placed on a firm at Bharatpur, who have since completed the job and it is seen that the plates are now usable after rectification. Further action is not, however, being taken just now to get the remaining plates rectified as the case is with the Special Police Establishment. No bearing plates have been returned to.....the original supplier".

2.89 The Committee find that the Railway Administration had to incur an expenditure of Rs. 2.47 lakhs on the purchase of bearing plates which were later found to be defective.

2.90 The Committee are distressed to find that the inspection by the Officer of the Directorate General of Supplies and Disposals was admittedly faulty and that the Railways too took delivery of the bearing plates without any critical examination. These defaults in examination are all the more surprising as the Department of Supply have themselves stated that most of the defects subsequently found "could have been detected by an experienced Inspector if proper care was exercised".

2.91 The Committee are also surprised to find that while the representative of the DGS&D stressed in evidence that inspection at the destination overrules inspection at the despatch point, the representative of the Ministry of Railways opined that a second inspection for ordinary plates and things which were in common use was not practicable. Whereas the Committee agree that a second detailed inspection at the consignee's end might result in avoidable duplication, they cannot view with equanimity the practice that the consignees should accept stores without any inspection or after a perfunctory inspection.

2.92 They desire that this aspect may be examined further by Government with a view to evolve a suitable procedure to safeguard Governments interests at the time of delivery.

2.93 The Committee are also unhappy to note that due to unusual delay by the office of the DGS&D and the Ministry of Railways in investigating defects and taking up the matter with the firm within a reasonable time, the replacement of bearing plates has become difficult. They desire that the DGS&D and the Railways should make sure that the delay was not deliberate.

2.94 **The Committee would like to be apprised of the result of the investigations made in the case by the Special Police Establishment and the action taken against the firm and the officers found at fault for neglect of duty.**

2.95 **The Committee also suggest that the Ministry of Railways should examine whether or not, in cases where inspection of stores by DGS&D proves defective, any inspection fee should be paid. The Committee would like to be apprised of the result of such an examination.**

*Southern Railway—Purchase of a defective Locomotive Weighing Machine—Para 27 pp. 33-34.*

2.96 The Director General, Supplies and Disposals placed an order in April, 1961, on a firm for the supply of a locomotive weighing machine costing Rs. 1.29 lakhs to the Southern Railway for the Hubli Workshops. The components of the machine were received at Hubli between December, 1961 and December, 1962 and the machine was erected in February, 1963. The trial weighment conducted by the firm's representative in the presence of the Inspecting Officer of the Director General Supplies & Disposals disclosed inaccuracies in the weighments. The result of test was advised to the firm on 21st February, 1963 by the Railway Administration and on 2nd March, 1963 by the Inspecting Officer of the Director General, Supplies and Disposals. The firm maintained that the sum total of the reading during test was correct in all respects and they should be issued final inspection note. They were informed on 13th April, 1963 that final inspection note could be issued only when the machine was handed over in good working order. The matter relating to the rectification of the defects remained under correspondence and as a result of subsequent tests carried out in May, 1965 and November, 1965 the weighing machine was finally rejected by the Inspecting Officer of the Director General, Supplies & Disposals in December, 1965.

2.97 A sum of Rs. 1.04 lakhs, being 80 per cent cost of the machine had been paid to the firm in the year 1962 on the basis of preliminary inspection and proof of despatch under the terms of the contract. The firm has not taken any action so far to replace the machine.

2.98 With regard to preliminary inspection of Locomotive Weighing Machine carried out by the D.G.S.&D. which later on proved faulty, the Dy. Director General (Inspection), D.G.S.D., stated during evidence that the machine could not be effectively inspected before despatch. It had to be inspected initially in components so that the firm's payment was not held up unduly. As per the terms of the contract, they released 80% cost of the machine on the strength of initial inspection and the firm's assurance that the plant would be alright after erection. The balance 20% was to be paid to the firm after the machinery had been installed, tested and found to be in working order. He added that this was one of the methods of inspection and payment and it was working satisfactorily in most of the cases.

2.99 Asked whether they could get back 80% of the amount already paid in case the final inspection proved that the machine was not suitable, the witness replied in the affirmative. On being asked whether the amount had been recovered in this case, the witness stated that it had not been recovered. This was the only firm which manufactured weigh-bridges in India and they had been given opportunity to rectify the defects. The Additional Director General, D.G.S.&D., added that they had been trying to recover the amount but they had not succeeded so far. At the same time, they were making efforts to get the defects rectified by the firm.

2.100 The Committee pointed out that it was more than four year since this machine was installed. The witness stated that in the last few months on account of troubled conditions in Calcutta, the firm's premises had been closed down and they had asked for further extension of time. Asked if the machine was not rejected finally in December, 1965, the witness stated "...efforts were made to get the machine rectified after that and they are still continuing".

2.101 In reply to a question, the witness stated that in order to make a risk purchase binding, it should have been made within six months of the issue of the rejection memo. During that period they were hoping that the firm would be able to rectify the defects. He added that if the firm failed this time, too then they would be able to take advantage of the breach and make the the risk purchase within 6 months.

2.102 The Committee enquired whether there was any risk of losing 80% of the cost already paid in case it was decided not to accept the machine. The witness stated "There is a certain amount of risk because the financial position of the firm does not appear to be good. We have been continuously worrying the Pay & Accounts Officer, Calcutta, to let us know how the matter stands. In the last message, we have received, we are informed that the firm is in some financial difficulties apparently because there are some income-tax dues also to be recovered from the firm." In reply to a question, the witness stated that only a few days ago, they came to know about the deteriorated financial condition of the firm. Asked whether solvency of the party at the time of purchase was verified, the witness stated that whenever a purchase was made; the Purchase Officer had to look into the registration book. He added that the registration of the firm was continuously reviewed after taking into consideration income-tax verification certificate, financial report from bankers of the firm, police report and inspection report which certified their capacity and capability.

2.103 The Committee asked why it took one year to get the components and instal the machine. The Member (Mechanical), Railway Board stated;

"Actually the machine was received by 13 December, 1961 at Hubli. It was found then that the cast iron side frame was received in damaged condition. The firm was told about this and they had to procure it before they could replace it. They replaced this thing on

12-9-62. Then they also supplied the dial glasses which were not received earlier in December 1962 and the machine was erected in February, 1963, *i.e.*, within a period of about 2 months from the date of receipt of all the components”.

2.104 The Committee enquired whether any verification or inspection was done as to whether all the items had been despatched. The Addl. Director General, D.G.S.&D. replied “The items which the firm sends from time to time are not verified by any agency of ours. It is left to the honesty of the firm to despatch whatever they had offered for inspection. There is no watch and ward officers sitting in the firm’s premises to make sure that they despatch everything which they offer for inspection.....If whatever they had claimed did not tally with the R.R., it would be fraudulent”. The Chairman, Railway Board, added “In the R.R. all the items are not mentioned. Simply it is stated that such and such a machine is sent, the weight of the machinery etc.”

2.105 To a query whether it was possible to have trial weighments before February, 1963, when the machine was erected, the representative of the Railway Board replied that it was not possible. “This is a machine for weighing locomotives. Actually, platforms are erected on the track itself and the locomotive is placed on the platform”.

2.106 The Committee pointed out that a few cases had come to their notice where after inspection, the goods as inspected were not despatched and asked if the inspection side of the D.G.S.&D., could not ensure that what they inspected was actually despatched. Alternatively, the Committee asked whether a bond should not be taken from a firm that they would despatch what was being inspected and in case of failure to do that, some kind of penalty or compensation might be asked from the firm. The Addl. Director General, Supplies & Disposals stated :

“I raised this subject myself in one of the our internal meetings. We could not conveniently devise any method to keep a check on what is actually despatched, because that would mean keeping a watch and ward for which we need any army of staff. It was not found practicable, despite the U.P.C.C. case in front of us. It was thought that the cost of controlling this fraudulent practice wherever it is occurring would be very much more than the practice itself, but I would certainly reconsider it”.

2.107 The Committee asked if some drastic action like stopping business with the firm might have some effect, the Addl. Director General, Supplies & Disposals stated.

“I entirely agree with you, because there have been a few other instances which perhaps will come to your notice a little later of similar type, and it is worrying us very much that this infection seems to be spreading, and we are looking for some practical and workable solution”.



2.108 The Committee are perturbed to find that the Locomotive Weighing Machine erected in February, 1963, has not been working since its installation and the firm which supplied the Machine has not so far rectified the defects.

2.109 When the trial weighments conducted in February, 1963, disclosed inaccuracies in weighments, the Director General, Supplies & Disposals, should have either got the defects rectified promptly or rejected the machine and recovered Rs. 1.04 lakhs advanced to the firm, representing 80% of the cost of the machine. The net result of the delay of five years is that due to the financial condition of the firm deteriorating during the period, recovery of the amount already paid has become problematic. The Committee desire that immediate steps should be taken to get the defect rectified. In case the firm is unable to rectify them, action should be initiated to get the money back from the firm.

2.110 As some cases have come to notice where the supplying firms did not despatch in full the goods as inspected, the Committee suggest that the D.G.S.&D. should explore a practicable and workable solution to ensure that whatever goods are inspected are in fact despatched to the consignees before payment representing 80% of the cost is made. The possibility of taking a bond from the supplying firms or of taking prompt deterrent action like suspension of business and effecting recovery forthwith of the amount involved together with a penalty may also be examined.

*Southern Railway—Unsatisfactory working of imported Centrifugal Casting Machines—Para 28, pp. 34-35.*

2.111 Two vertical type centrifugal casting machines were imported by the Administration at a cost of Rs. 1.47 lakhs for the iron foundry of the Locomotive Workshops, Perambur.

2.112 The machines, one big and the other small, were received on 13th December, 1954. The bigger machine was erected in October 1955 in the iron foundry and commissioned in March, 1961, after a delay of over five years. The smaller machine was erected in January, 1956 in the brass foundry and commissioned in May, 1956. Even after commissioning both the machines, regular jobs on production basis could not be done. A proposal to transfer one of the machines to the Workshops at Golden Rock did not find favour with them as it was found that the vertical type was not suited to their requirements. A centrifugal casting machine of the horizontal type was, however, manufactured for the Perambur Workshops departmentally at a cost of Rs. 18,382 and it was commissioned in March, 1964. While the performance of this machine has been satisfactory, the two imported machines purchased at a cost of Rs. 1.47 lakhs have not been put to use on a production basis so far (January-1967).

2.113 The Committee were informed that two vertical type centrifugal casting machines were procured from a German firm. These machines were meant for producing castings by a different process. This process was not in use in India. According to this process, the castings produced were of a superior quality, homogeneous and close-grained and the productions increased. The smaller machine could cater for the lower range and was required for the brass foundry. The bigger machine could cater for higher range and was to be installed in the iron foundry. The intention was to use the machines for non-ferrous as well as for ferrous products.

2.114 The witness added that this type of machine and the method of operation of the machine was entirely new to India. On the receipt of these two machines, it was discovered that the bigger machine was provided with a motor which was not of adequate capacity and it was giving trouble. The firm was informed about it. While rectifying the effect they found that the motor that had been supplied was not of adequate capacity. They, therefore, placed an indent for a new motor which was to be obtained from abroad. The motor of a higher capacity was received from a foreign country and it was installed. Certain tests were carried out. Then it was discovered that there were difficulties that were being, encountered in the extraction of the castings. When the mould was cooled there was skin hardness on the outer surface. Those particular defects were not so much because of the machine, but because of the special technique that was required to be used for the operation of the machine and obtaining satisfactory castings. For that purpose, they had more or less to resort to their own resources and their own technical knowledge, which was of a general nature rather than of a specific nature in the matter of operation of this type of machine. They were able to discover an improved method for the smaller machine. It was converted into a horizontally operated machine and was now working successfully in the workshop. But the bigger machine was creating some trouble because the castings were of a larger diameter and were very heavy. There was a tendency for the castings to get stuck and difficulties were experienced in extracting them. He added :

“With the efforts that are being made there is progress and most of the difficulties that were being experienced have been surmounted. There are only a few odd things that are left and we have every hope that they will also be solved. It is expected that we should try to put these machines into commission as soon as possible.”

2.115 The Committee enquired whether the difficulties arose because of difference in climate or difference in material. The witness stated “No, it is not that.”

2.116 In reply to a question, the witness state that they had received all the instructions from the firm about the method of operating the machines. “In fact, we have written to the representatives who are sitting in Germany but it is a question of implementing all those instructions and co-ordinating all the processes.”

2.117 Asked whether any other public undertaking was using this casting method, the witness stated that no-body was using the bigger machine.

2.118 Asked whether the suitability of vertical type centrifugal casting machines for use in railway workshops was properly examined before placing the order, the witness stated that when they had placed the order they had no experience with centrifugal casting machines or centrifugal casting. The firm that supplied the machine had been in business for 25 years and they had recommended vertical type.

2.119 With regard to the centrifugal casting machine of the horizontal type which was manufactured at Perambur Workshop, the witness stated that the machine was actually manufactured for Golden Rock. He added that this type of machine was manufactured much later than the time when the machine was purchased by the Railways. At the time when the vertical type machines were purchased, they did not have any experience either with the horizontal type or with the vertical type.

2.120 The Committee are unhappy to note that two vertical type centrifugal casting machines imported at a cost of Rs. 1.47 lakhs in December, 1954, could not be put to use on account of lack of technical knowledge to operate them, and it is only recently that the small machine has been put into operation. They regret that for about fourteen years the Ministry of Railways went on experimenting with the machines and efforts were not made either to get a technician from the supplier or to send some one from the Railway workshops to get training at the works of the suppliers. The Committee hope that in future while going in for a new type of machinery, it will be ensured that the staff to operate are available or will be made available and be fully conversant with its working and use.

2.121 During evidence, the Committee were informed that most of the difficulties that were being experienced in respect of the second machine had been surmounted and that it was expected to be commissioned soon. They would like to be informed of the progress made in this direction.

*Northern Railway—Loss due to defective supplies of lubricating oil for use in Diesel Locomotives —Para 29, page 35.*

2.122. Seven Diesels locomotives procured from a West German firm at a cost of Rs. 44 lakhs, and commissioned during 1961-62, had to be put out of service between April and October, 1964 as their crank shafts developed cracks and pittings. Investigations revealed that these were due to inferior quality of lubricating oil supplied by the local agents of a foreign firm as the additive content was stated to be much lower than that specified for this grade of oil. The question of claiming damages from the firm is stated to be under consideration.

2.123. To put the locomotives back in service two orders for crank shafts and other parts were placed on the West German firm in December, 1964 and July, 1965 involving a total expenditure of Rs. 2.48 lakhs in foreign currency. Part of the material against the first order meant for one diesel engine was air lifted at a cost of Rs. five thousand to reach Bombay on 21st May, 1965. The material air lifted, however, reached the Diesel Loco Shed of the Northern Railway only on 6th August, 1965 and one engine was re-commissioned on 30th August, 1965. The material shipped by sea reached Bombay on 23rd June, 1965 but reached the Shed only on 6th August, 1965 and 4th September, 1965. Five engines were re-commissioned between 24th September, 1965 and 13th January, 1966. The material against the order placed in July, 1965 was received in May and July, 1966 but the seventh engine was ready for commission only in January, 1967. Avoidable delays appear to have occurred in procuring the material and re-commissioning the engines.

2.124 The Railway Administration did not also test the lubricating oil supplied by the firm at any time before the defects came to notice. It was stated to Audit that no detailed tests on branded lubricants were carried out.

2.125. The Member (Mechanical), Railway Board, stated during evidence, that after investigations it was found that the cause of the damage to the crank shafts of the locomotives was due to the supply of inferior quality of oil as it was not bearing the same additive content as similar oil in foreign countries. The oil supplied was according to the proprietary brand which was used in most countries. The contract for the supply of oil was placed on the agents of that particular proprietary brand. In reply to a question, the witness stated that as far as the supply of oil was concerned, they were guided by the manufacturers of the locomotives. "These locomotives were under warranty and during the period of warranty, all the oils which are specified by the manufacturers are used because if we do not use that brand which they specify and if any damage takes place, they can always fall back on the excuse that we did not use the oil that they specified. This particular brand of oil which is in question was the one which was specified by these manufacturers. The same brand of oil was utilised for number of years. Therefore, it is not so much the proprietary brand as such, but it was possibly the individual supplies that were received which were not according to the branded oil." The witness added ".....The brand which was suggested to us was the brand which was in use in India and was marketed in India. It was used on the same locomotives for a number of years at the instance and on the advice of the manufacturers of the locomotives and it was giving us successful results. Therefore, it could be safely presumed that the brand of the oil that they had suggested was the right-type and brand of oil in this tropical country".

2.126 In response to a query, the witness stated that no test was carried out on branded lubricants. However, he added that it was being tested now.

2.127 In reply to a question, the witness stated that the additive content was not adequate but there was no adulteration. In reply to another question, the witness stated that they had stopped using this particular brand. They were using the other brands which had been accepted by the Research Design and Standards Organisation after tests.

2.128 In reply to a query, the witness replied that the damages had been claimed. The amount of damages was approximately Rs. 5 lakhs. He added that the letter was sent to the firm some time back and two days ago a letter was received from the firm repudiating the claim.

2.129 In regard to the launching of prosecution against the firm, the Ministry have stated in a note :

"The matter has been examined. The Law Officer of Northern Railway has advised that on the basis of the facts of the case it appears to be a case of contractual obligation and of Civil liability and he does not think that there is any cogent evidence to fix up criminal liability of the firm for fraudulent action on their part and as such no criminal proceedings can be successfully launched against them.

He considers, however, that the Railway Administration can invoke Arbitration and can ask for Arbitration in this case. He has further suggested that as the matter is complicated and involves huge amount of damages, view of Law Ministry may also be obtained in due course.

The Railway Ministry is taking action accordingly."

**2.130 The Committee are concerned to note that seven Diesel Locomotives procured from a West German firm at a cost of Rs. 44 lakhs and commissioned during 1961-62 had to be put out of service between April and October, 1964, as their crank-shafts developed cracks and pittings due to the use of lubricating oil of inferior quality.**

**2.131 They desire that the Ministry of Railways should benefit by the experience gained in this case and take adequate precautions to ensure that the lubricating oils used for locomotives conform to the prescribed specifications. The Ministry of Railways should make full use of their Research and Inspection Organisations to obviate recurrence of such cases.**

**2.132 The Committee would like to be apprised of the action taken to recover the damages claimed from the supplier of lubricating oil in this case.**

**2.133 As regards the delay in procuring the crank-shafts and related parts, the witness stated that the material which was air-lifted arrived in Bombay on the 21st May, 1965. This was received by the Central Railway. The material was cleared by them and put in stores with instructions to send it to the Stores Depot at Shakurbasti Northern Railway, where the same wa**

required. The witness added that by a mistake in the documentation, the Stores Organisation, unfortunately, failed to connect the material. When the Northern Railway sent a telegram to the Central Railway asking them to supply the material, the Central Railway replied that was not traceable. Therefore, the Northern Railway had to obtain the particulars of despatch from the suppliers. After getting particulars from the suppliers, they informed the Central Railway. Then only the Central Railway was able to locate it. In the mean time, the material which was shipped had also arrived.

2.134 In a note, the Ministry of Railways have informed that the General Manager, Central Railway, has been asked to fix responsibility and take suitable action against the officials who committed mistake in documentation.

**2.135 The Committee regret that due to a mistake committed by the officials of the Central Railway in documentation, the Northern Railway could not for several months get the crank-shafts for the damaged locomotive which was airlifted from West Germany by paying airfreight of Rs. 5,000.**

**2.136 The Committee expect the Ministry to take suitable action against the officials found at fault.**

*Western Railway—Extra expenditure due to failure of a contractor—Para 33—Pages 37-38.*

2.137 The offer of a contractor for the supply of 26.2 lakhs cft., of ballast at a cost of Rs. 5.46 lakhs from the Railway quarry at Tajpur was accepted in July, 1963 on a single tender basis, after it was found that the lowest rate for the supply obtained in the tenders called on three previous occasions was very high. Though this contractor was not on the approved list, his credentials were not verified before accepting his offer.

2.138 The contractor started the work in October, 1963. It was stipulated that he should complete the entire supply in two years, by September, 1965. After 13 months, it was noticed by the Railway Administration in November, 1964 that he had supplied only 1.75 lakhs cft., of ballast against the proportionate supply of 14 lakhs cft., which should have been made by him by that time. As it was considered that at this rate the contractor would not be able to supply the remaining quantity within the stipulated period, alternative arrangements at his risk and cost were made in January, 1965 to obtain 23 lakhs cft., of ballast, involving an extra expenditure of Rs. 1.26 lakhs. Against this amount only a security deposit of Rs. 12,969 was available with the Railway.

2.139 The Railway Administration stated to Audit in October, 1966 that the question of having recourse to legal redress was under their examination.

2.140 The Committee desired to know whether the Rules provided that, before a contract was awarded to a contractor who was not on the approved list, steps should be taken to ascertain whether he was capable of executing the order. The Member (Engineering), Railway Board, stated "Rules provide for that. But in this particular case, it is left to the discretion of the competent authority. After all these works like supply of sand, bricks etc. which do not require any special experience and the engineers used their discretion and when they find that they are unable to get reasonable rates from experienced or approved contractors, they use their discretion and give the contract to new contractors though their credentials are not in their possession." He added that a calculated risk was taken in such cases.

2.141 In reply to a question, the witness stated that the schedule of rates was revised from time to time. At the time when this schedule was current, there was a contract for the supply of ballast at two per cent above the schedule.

2.142 The witness informed the Committee that in the three lowest tenders, the lowest quoted rates were 61%, 65%, and 84% higher than the schedule of rates. The contractor, in question, was given the contract at 46% above schedule of rates.

2.143 The Committee enquired whether they had made any enquiry to ascertain that a properly priced tender was not rejected as being high. The witness stated that an enquiry was made and they found that the rates at which the contract had been let out was lower than what had been quoted at that time in the rejected tender.

2.144 In reply to a question, the witness stated that they had not been able to get any more money from the contractor except the security deposit of Rs. 12,969 because his whereabouts were not known. He added that they had not been able to trace him. Letters were written to him but these had been returned by postal authorities saying that the addressee could not be traced. In reply to a question, the witness stated that last week they had learnt that the contractor was supposed to be in Jabalpur. They had asked the Police to trace him.

2.145 The Committee enquired how such a big contract was given to him. The witness stated "He was a partner of the contractor working for the Railways, and this firm had been working for quite sometime. At this stage, he gave his own tender and the tender was competitive, and therefore, the order was placed with him. He did not work in Railways before the actual work was given to him. He was a partner of the another firm." On being asked whether the contractor paid any Income Tax, the witness stated that he did not pay any Income Tax.

**2.146 The Committee regret to note that the Western Railway had to incur an extra expenditure of Rs. 1.86 lakhs in getting the work completed as the contractor who was entrusted with the work of supplying 26.2 lakhs cft. of ballast at a cost of Rs. 5.46 lakhs failed to supply it.**

2.147 They are sorry to know that, without verifying the credentials of the contractor and ascertaining his capacity, such a big contract was given to him. This contractor was neither on the approved list of contractors nor had he done any contract work for the Railways before this contract was awarded to him. It is elementary that the capacity to execute and the financial standing of a contractor should be verified before entrusting any work to him. The Committee would like to be informed of remedial measures taken to ensure that such instances do not recur.

2.148 In evidence, the Committee were informed that the Railway Administration had now come to know the whereabouts of this Contractor. The Committee would like to know the action taken against the contractor to realise the extra amount spent on the completion of the work.

*Northern Railway—Additional expenditure due to acceptance of higher rates—Para 34, Page 38.*

2.149 In connection with the construction of a Defence siding at Delhi Cantonment, a tender for earth work at the rate of Rs. 227 per thousand cft. was accepted by the competent authority in August, 1963 on grounds of operational urgency, though the Tender Committee considered the rate obtained as "unreasonably high" and recommended invitation of fresh tenders. The work was to be completed by the end of February, 1964. The work could, however, be completed only four months later as necessary drawings, concrete slabs and girders could not be supplied to the contractor in time. There was a further delay of about six months in the construction of the approach roads by the Defence authorities.

2.150 The rates for earthwork in the area during the same period were considerably lower ranging from Rs. 90 to Rs. 163 per thousand cft. Adopting the latter rate the additional expenditure on the execution of this work came to Rs. 45,000.

2.151 The Committee desired to know the reasons for the delay in supplying necessary drawings, concrete slabs and girders to the contractor especially when the work was one of operational urgency. The Member (Engineering), Railway Board, stated "There was no specific reason for this particular thing. But this delay occurred just in preparation of drawings, etc., for the bridge." The witness further stated "when the Defence was not ready with the approach road etc., the engineers of the Railways felt that this could be delayed and thought that there would not be any serious consequences, if they were to supply the drawings later." As regards the rates for earthwork, the witness stated that even if they had allowed more time to the contractor, the rates would not have come down. He added "Our experience has been that every time we reject the tenders and invite tenders afresh the rates go up because



of the general increase in wages. We never thought that we would be able to get a lower rate than this when the work was so urgent and the time that was given to the contractor was limited to the working season for the earth work."

2.152 The Committee pointed out that the contractors had quoted higher rates as "Operational urgency" was mentioned in the tender. The witness stated "It was not mentioned in the tender documents like that. The rates for earth work are not comparable. It is only a question of lead and lift. Depending on this the rates can vary considerably". In reply to a question, the witness stated that in Delhi every cubic foot of earth work has got to be brought from miles away.

2.153 In response to the Committee's query, as to what were the reasons for not calling fresh tenders for earth work though the Tender Committee considered the tender rates as "unreasonably high" and recommended calling of fresh tenders, and what were the prevailing rates for earth work in that area with particular reference to similar lead and lift, the Ministry of Railways have stated in a note :

"Though the Tender Committee has recommended calling for fresh tenders since it considered the rates as 'unreasonably high', no negotiations were called for in view of the operational urgency of this work and the Administration did not consider that it would be possible to reduce the rates sufficiently by carrying out negotiations with the tenderers based upon their past experience with them."

2.154 The Railway Board have stated in a note (Appendix VII) that rates of earth work paid during April 1963 to December 1963 varied from Rs. 98.48 to Rs. 109 and Rs. 124.90 per thousand cft depending on lead of 2 to 4 miles and lift (8'-13').

2.155 Asked, during evidence, whether there was any operational urgency, the representative of the Ministry of Railways stated "The Defence Ministry asked as to complete the work very urgently. There were so many letters and telephone calls from them. When our Engineers noticed that the Defence Department itself was not ready with approach roads etc. they slackened the work a little." At the instance of the Committee, the Ministry of Railways have furnished copies of letters received by them from the Ministry of Defence (Appendix VIII).

2.156 In reply to a question, the witness stated that the lowest tender was not acceptable because the performance of the contractor was considered to be unsatisfactory. He added that the difference between the two tenders was only Rs. 1,700. The Additional Member (Works), Railway Board, stated that the total amount of the tender was Rs. 2.20 lakhs.

2.157 Asked about the reasons for delay in completing the work, the witness stated that contractor finished 80% of work within three months. For the remaining work the contractor had to wait for drawings of bridges etc. The work was completed on 29-6-1964.

2.158 The Committee note that the contract for earthwork which was awarded at higher rates on the ground of 'operational urgency' was delayed by four months as the Railways did not supply necessary drawings, concrete slabs and girders to the contractor on the plea that the construction of approach roads by the Defence was very much behind schedule.

2.159 The Committee regret to note that when the Ministry of Defence was pressing the Railway Board to give top priority to this work, they did not complete the construction of approach roads in time. The matter needs examination by Government.

2.160 The Committee are unable to accept the plea of the Railways that, even if they had given more time to the contractor, the rates would not have come down as time for completion of work is one of the main factors determining the rates of earthwork. Further, the Railways themselves had given a contract for earthwork at Rs. 124.90 per thousand cft. in May, 1963 involving an average lead of 3 to 4 miles and lift 8' to 15'. Awarding of this contract in August, 1963, @ Rs. 227 per thousand cft. therefore, appears to be on the high side. The Committee are, therefore, inclined to agree with the views of the Tender Committee that the rates were 'unreasonably high' and fresh tenders should have been called for. These excessive rates resulted in an avoidable expenditure of Rs. 45,000.

*Western Railway—Extra expenditure due to provision of additional bridges—Para 36, Page 39*

2.161 As part of the Guna-Maksi Construction Project, the Administration awarded a contract in September, 1962 for the construction of 17 minor bridges as provided in the final location survey at a cost of Rs. 4.07 lakhs on the section between Sinduria and Karanwas (16 miles). It was subsequently realised that 16 additional minor bridges were also required to be constructed on the section. The construction of these additional bridges was entrusted to another contractor in September, 1965 at much higher rates involving an extra expenditure of Rs. 1.05 lakhs.

2.162 The Railway Administration explained that "the necessity for modifications to suit some minor site conditions always arise as the work progresses chain by chain". The Administration further stated (November, 1966) that construction of 2 of the additional bridges had since been dropped "as they were not found to be required on subsequent reassessment."

2.163 The Committee asked the reasons for such a wide variation between the number of bridges provided in the final location survey and the number actually required on subsequent assessment. Explaining the position, the Additional Member (Works) stated, "This final location survey was for a length of 120 miles and this was done during a short period of four months."

months'. He added, "Waterway would not have been well demarcated in the first instance. Some additional waterway is necessary during the execution. A little more effort could have been made." He admitted that "in this case there was a little lack of thought in fixing the waterways.

2.164 When asked as to why final location survey was not made properly and in sufficient detail, the witness replied, "A little more care could have been taken in the final survey."

2.165 The Committee asked whether there was any co-ordination between the Railways and the State P.W.D. The witness stated, "Normally, the engineers of the final location survey keep themselves in touch with the local P.W.D. and other officers, and the practice is that after the final location survey is completed, a list of the bridges in each terrain is also sent to the P. W. D. for approval." He further added that initially the State P.W.D. was also consulted and they had agreed to these provisions.

2.166 When pointed out that it took 3 years to assess the exact number of bridges on this span of 16 miles, the witness replied, "The need for additional bridges was found out after the monsoon of November, 1963, and by that time this Guna-Maksi became a low priority project."

2.167 The Committee asked about the basis on which the requirement of bridges was determined. The witness replied, "The engineers, after a detailed inspection, at times take the revenue officials along with them during the inspection, to fix where the water-ways are required for irrigation purposes. So, normally, an increased provision does not become necessary after the final location survey."

2.168 The Committee asked whether the Railway authorities had taken into consideration the interest charges and the block up of the capital investment as a result of delaying this project for a number of years, the witness stated "We have to process the various works according to the availability of funds and because the fund position is tight, we are slowing it down, and this will be opened in conjunction with Jhund-Kandla."

2.169 It was also stated by the Financial Commissioner (Railways) that so far as the interest payment and the liability of the Railways was concerned, on the new lines, they started paying interest on their completion. When pointed out that it was tax-payer's money which was being lost by way of interest, the witness stated, "That has to be admitted. Whenever, capital is invested and we do not get any immediate utilisation of it, there is a loss of interest and we cannot deny that."

2.170 Explaining further, the Financial Commissioner stated, "... Because of the slowing down of the increase in traffic, a lot of our works programme had to be rephased. This is an example of the same kind, and the planning was done at an earlier stage on the estimation of a much higher level of traffic which unfortunately did not materialise."

2.171 Asked about the actual amount spent on the Guna-Maksi project, the witness stated "about Rs. 6.5 crores of the total estimated cost of Rs. 9.6 crores had been spent". As to the probable time of completion, the witness stated that now it was a low priority project and depended upon the availability of funds. They were synchronising its completion with the Jhund-Kandla broad gauge line.

2.172 The Committee regret that the survey of the Project was not conducted thoroughly, with the result that in an area of 16 miles the requirement of bridges assessed at 17 at the time of final survey had to be increased to 33 at the execution stage and this resulted in extra expenditure of Rs. 1.05 lakhs.

2.173 The Committee stress that final location surveys should be carried out with the utmost care to obviate any chances of important works like bridges being left out.

2.174 The Committee note that the Guna-Maksi Construction Project which was taken up in 1962 has already cost Government Rs. 6.50 crores out of a total estimated cost of Rs. 9.6 crores. The Project has, however, been relegated to a lower priority in view of the drop in the estimated level of traffic and its completion is now being synchronised with Jhund-Kandla Broadgauge line. The Committee consider that if a thorough investigation of the traffic potential and economics of the project had been undertaken in the beginning, the construction could have been so phased as not unnecessarily to lock up capital for a long time.

*Western Railway — Extra Expenditure due to execution of work without soil exploration—Para 37, Page 39.*

2.175 In connection with the re-modelling of Ahmedabad station, a contract for providing goods shed, platform, roads, circulating area, compound walls etc., was awarded on 4th June, 1962 without exploring the soil with trial bores etc., though it was known to the Railway Administration that the land on which structures were to be provided was a filled up tank. In July, 1962 the contractor was informed that the soil, where the goods facilities were proposed to be provided, was very unstable upto a great depth and hence changes in the items of work to be executed for foundation were necessary. The contractor took the stand that he did not have the necessary equipment to execute specialised items like pile foundation. He was allowed to execute some earthwork and the compound walls and all the other items of work were got executed through other contractors on much higher rates. These included surfacing of platforms and circulating areas. The extra expenditure on such items of work which were originally entrusted to the first contractor come to Rs. 82 thousand.

2.176 The Committee desired to know the reasons why the contractor was not informed when the contract was awarded in his favour that special type of foundation was required instead of telling him after a month. The witness state, "We knew it was a filled up tank but still we had seen certain buildings already built in that area with open foundation. At that time we did not know that we would have to put in pile foundation, but ultimately it became necessary when we carried out the borings." In reply to a question, the witness stated that initially the specifications and the scope of work were decided on the basis of ordinary open foundation.

2.177 On being asked as to why the contract was awarded before exploring the soil, particularly when the existence of a filled up tank on the land was known to Railway Administration, the witness stated that there were other constructions also in the area and all these were with open foundation. Therefore, it was thought that it would be possible to build the walls with open foundations.

2.178 When asked whether the load on the soil with a single double storeyed building would be of the same proportion as in the case of goods shed and platforms where wagons had also to be shunted, the witness stated "Near the track it will be much more."

2.179 The Chairman, Railway Board also stated; "The information was that this tank had been filled up 30 years ago and therefore they thought that it must have been settled down. But as you rightly said, if more care had been taken to do soil exploration, it would have been discovered earlier. All that can be said in defence is that because it was filled up a long time back and there were other buildings existing on the site they thought they could do it."

2.180 It was further stated that for small schemes they did not carry out soil exploration in such great detail because it would not be economically worthwhile. Only the bigger schemes soil exploration was done.

2.181 Asked why the original contractor was allowed to execute only the compound walls and some earthwork, the witness stated that before the contractor actually started the work, various aspects were considered. The contractor was made to do the work which was within his capacity. Since the rates quoted by him were very competitive and it was felt that it would not be possible to get such work executed through other agencies at a lesser cost he was allowed to proceed with those items only.

2.182 The Committee desired to know the reasons as to why those items of work which did not require any specialised equipment were also taken back from this contractor and were given to another at a much higher rate, the witness stated "When it was discovered that only a part of the work could be executed by this contractor and the other part was beyond his capacity, he was asked whether he was prepared to do certain items which were quite separate from the pile foundation work but which could only be executed after the goods wharf had been completed, he said that he could not wait till the goods wharf was completed."

2.183 Referring to the rates of contracts the witness stated, "The rates at which he (the first contractor) carried out a part of the work on the basis of tenders originally invited in 1962—4-6-1962—were 9 per cent above the schedule and according to the other contract it was 61 per cent above the schedule. The difference is 52 per cent."

2.184 The Committee are constrained to note that, before inviting tenders and awarding a contract for the work, the Railways did not carry out essential investigations. It is all the more surprising that when it was known that the structures were being provided on a filled up tank, no soil tests were made and the work was taken up on the assumption that buildings on open foundations existed in the area.

2.185 The Committee suggest that the Railway Board should issue suitable instructions for soil exploration being carried out at sites which are located on filled-up tanks or hollow ground so as to avoid any changes in the design of foundations and structure at a later date.

*South Eastern Railway—Extra expenditure due to erroneous compilation of data at the time of calling for tenders—Para 38, Page 40.*

2.186 An agreement for earthwork in one of the sections of the Hijli-Balasore doubling was entered into, in April, 1964 with a contractor at a cost of Rs. 9.55 lakhs, providing for 60 lakhs cft., of earthwork in embankment at Rs. 75 per thousand cft., and 11 lakhs sft., of turfing at Rs. 35 per thousand sft., besides other items. In December, 1964, it came to notice that the quantities of earthwork in the tender schedule were wrongly exhibited due to "a clerical mistake". The quantities to be actually executed were then assessed at 98 lakhs cft., of earthwork in embankment and 14 lakhs sft., of turfing. On being approached to execute the enhanced quantities, the contractor expressed his inability to undertake work in excess of the agreemental quantity. The section, for which the contractor had quoted uniform rates, was thereafter split into two sub-sections and he was allowed to execute the work in one of the sub-sections. The other sub-section, a let out to another contractor at higher rates (Rs. 97 per thousand cft., for earthwork and Rs. 38 per thousand sft., for turfing) involving an extra expenditure of Rs. 83 thousand.

2.187 Asked during evidence, why the mistake could not be detected before invitation of tenders, the witness stated: "This clerical mistake occurred in transcribing the whole thing from the rough sheets into the fair sheets and, unfortunately, it did not come to notice till after the tender had been accepted. It came to notice only after the tenders were accepted."

2.188 The Committee desired to know the reasons for accepting higher rates for earthwork in the sub-section let out to the new contractor. The witness stated that the rates for earthwork depend upon the lead and the lift involved in carrying out the work. Because the quantity increased from the

original figure of 60 lakhs cft. to 93 lakhs cft., even if the contractor had known earlier that the quantity would be so high, he would have quoted higher rates. The contractor quoted higher rates because a longer lead was involved.

**2.189 The Committee stress that greater care should be taken in compilation of data so that tenders are called correctly and awarded in the best interests of the State to avoid any extra expenditure being incurred due to revision in calculations.**

*South Eastern Railway—Extra expenditure due to variations in the quantities of work —Para 39, Pages 40-41.*

2.190 The Administration had incurred an extra expenditure of Rs. 69 thousand on account of revision of the quantities to be executed in a work on a section of the Korea Coal Field Construction Project. A contract for this work valued at Rs. 7.14 lakhs approximately was awarded in November, 1962 on the basis of open tenders. The quantities to be executed were subsequently enhanced considerably in respect of (i) excavation in cutting and the side drain requiring blasting for formation (from 7 lakhs cft., to 14.97 lakhs cft.) and (ii) earthwork in excavation in rock requiring blasting for bridges (from 0.20 lakh cft., to 1.26 lakhs cft.), thus increasing the value of the work to Rs. 9.24 lakhs. In respect of these items the lowest tenderer, to whom the contract was awarded, quoted higher rates than other tenderers. With these and other variations in quantities the above tenderer ceased to be the lowest, the value of the work done at his rates being higher than the value at the rates of the second lowest tenderer, who became the lowest. The extra expenditure of Rs. 69 thousand was mainly on account of changes in quantities under bridge work.

2.191 The Administration stated (November, 1966) that these variations were due to a decision taken to provide an arch bridge at a site where originally only a hume pipe bridge was to have been provided. This change, it was stated, was made in view of the demand of the local civil authorities who had been pressing for a road over-bridge.

2.192 The Committee asked whether the estimate for the work provided for a road over bridge and if so, whether the same was taken into account while inviting tenders. The witness stated, "The estimates provided for a road over-bridge for which the cost was about Rs. 90,000 but that was not included in the tender that was issued."

2.193 The Committee enquired as to when it was decided to provide an arch bridge and why the decision could not be taken before inviting tenders. The witness stated that the decision to have this over bridge could be taken only after the site was inspected by the local authorities in February, 1963. The witness further stated that the local authorities were demanding it even at the time of tenders but the actual site and the details for it could be finalised only in February, 1963.

2.194 Asked when there was a demand from the local authorities to construct an overbridge, why the Railway authorities did not do it before the tenders were issued. The witness stated that for including in the tender the actual drawing and quantities should have been worked out. That could not be done unless the site and the details could be fixed. He further stated: That the exact site for the overbridge itself was not fixed because the alignment of the colliery area itself could not be finalised.

2.195 The Committee were informed that no contribution towards the cost of the bridge was made by the local authorities, as when a new line was constructed it became the duty of the Railways to provide crossing facility.

**2.196 The Committee are unable to understand why the construction of an over bridge was not included in the tender when it had been provided for in the original estimate and the local authorities had also been pressing for it.**

**2.197 The Committee feel that, had the Railway approached the local authorities and arranged for early inspection of the site, extra expenditure of Rs. 69,000 incurred on account of the revision in the quantities of work to be executed in this project could have been avoided.**

*Northeast Frontier Railway—Infructuous expenditure on the construction of a diesel Shed—Para 42, Page 42.*

2.198 The construction of an open roofed shed to attend to repairs to diesel engines and an approach line for a length of 0.35 mile at Damanpur was undertaken in 1963, at a cost of Rs. 1.06 lakhs without any recorded justification, although two bigger sheds for Diesel Locomotives were already constructed at Siliguri Junction and New Gauhati by May 1962 and October 1962, respectively. This work formed part of the estimate of a subsidiary marshalling yard at Damanpur. The construction was completed by January, 1964. It was later decided (June, 1966) that the diesel shed at Damanpur was unnecessary and should, therefore be dismantled. The infructuous expenditure, after giving credit for released materials was estimated to be Rs. 49 thousand.

2.199 The Committee desired to know the grounds on the basis of which it was initially considered necessary to construct a shed at Damanpur. The witness stated, "When Damanpur yard was constructed, it was anticipated that trains will terminate at Damanpur yard. When trains terminate, the locomotive has to be detached. Damanpur is an area where rainfall is of the order of 150 to 200 inches. If any minor repairs have to be carried out, they will have to be carried out under some cover."

2.200 Explaining the reasons for dismantling the shed later on, the witness stated, "We expected that there will be increased traffic. We built it in expectation of an increased traffic. But that traffic did not materialise."



So, we tried our best to make use of it and, eventually, transferred the shed, which is a steel structure, to Siliguri Diesel shed where we have an oil refining plant."

2.201 When asked as to who was responsible for preparing the data on which the Railway authorities based their expectations which did not prove to be correct, the witness stated, "These are a part of a scheme for improving traffic facilities on a certain premise of increase. A number of facilities were provided, even this very yard costing Rs. 22 lakhs. The loco shed costs only Rs. 1 lakh. It is not always possible to accurately forecast the increase in traffic".

**2.202 The Committee are concerned to find [that infructuous expenditure of Rs. 49,000/- was incurred on the erection of a diesel locomotive shed at Damanpur which was later on found to be superfluous. The Railways also incurred an expenditure of Rs. 22 lakhs on the development of the yard at Damanpur but its utilisation is not commensurate with the expenditure incurred.**

2.203 The Committee would like in this connection to draw attention to the observations made in para 2.16 of their 22nd Report (Fourth Lok Sabha) in which they had strongly deprecated the tendency of the Railways to go in for works without critically examining their economics. The Committee stress that before incurring heavy expenditure on works, the Railways should make a realistic assessment of traffic requirements and potentialities so as to avoid infructuous expenditure being incurred as has happened in the present case.

*Northern, Northeast Frontier and Southern Railways—Loss of revenue due to delay in the revision of carrying capacity of Oil Tank Wagons—Para 47, Page 47.*

2.204 The Ministry of Railways (Railway Board) decided to reduce the air-space in oil tank wagons thereby increasing the carrying capacity. The decision was to become effective from 1st April, 1963 but the Railway Administrations were advised earlier in December, 1962, to issue suitable instructions to the staff so that the freight charges in accordance with the revised carrying capacity can be levied. These instructions were, however, given effect to only from 1st September, 1963 on Northeast Frontier Railway and from 20th August, 1963 (for B.G. Wagons) and 1st October, 1963 (for M.G. Wagons) on Southern Railway, resulting in loss of revenue to the Railways totalling Rs. 2.66 lakhs. On Northern Railway though instructions were issued to revise the carrying capacity with effect from 1st April, 1963, these have not been implemented in all the stations resulting in loss of revenue of Rs. 1.32 lakhs.

**2.205** At the instance of the Committee, the Ministry of Railways have furnished a note on this para. It is stated in the note :

“The delay in revising the carrying capacity to conform to the revised air space was a case of a lapse, for which the Northeast Frontier Railway and the Southern Railway have been told to fix responsibility”.

“This was not a case of any lacuna in the laid down system or procedure but a case of specific lapse, for which individuals are responsible. The only possible step of disciplinary action against those responsible is being taken”.

“So far as the Northern Railway are concerned, the Administration took suitable action on Railway Board's order of February, 1963. It was the staff at Shakurbasti and Hissar who failed to comply with those orders. The undercharges have been debited against the staff. At the same time, efforts are being made to recover the amount from the Oil Companies”.

“It may, in this context, be pointed out that the undercharges in respect of traffic from Kandla booked under the “Weight Only” system amounted to Rs. 1,20,997.50, but some overcharges would have to be adjusted against these undercharges. Shakurbasti and Hissar invoice freight charges on the through distance from Kandla to the B.G. destination. At the close of each quarter, accounts are struck between the Railway and the Oil Companies. The difference between the quantities received from Kandla during the quarter under the “Weight Only” invoices and the quantities reconsigned to B.G. destinations is got at and on this difference, the Oil Companies are charged freight from Kandla to Shakurbasti/Hissar at the ordinary tariff rate. If the quantities shown on the invoices issued from Shakurbasti/Hissar had been the revised carrying capacities, the quantities left over would have been correspondingly less. The refund of freight charges due to the Oil Companies has been worked out as Rs. 99,293.90. The net amount of undercharges would thus come to Rs. 21,703.60”.

**2.206** The Committee are unhappy to find that the Northeast Frontier Railway and Southern Railway had to suffer a loss of revenue amounting to Rs. 2.66 lakhs due to delay in enforcing the orders of the Railway Board.

**2.207** The Committee note that on the Northeast Frontier and Southern Railways action is being taken against all those responsible for the delay in the implementation of the orders of the Railway Board.

2.208 The Committee find from the note that, in the case of Northern Railway, though the Administration had taken suitable action on the Railway Board's orders, the staff at Shakurbasti and Hissar failed to comply with those orders. This resulted in undercharges and the net amount of undercharges due from oil companies is Rs. 21,703. The Committee note that efforts are being made by the Northern Railway to recover the amount. They would like to know the progress made in recovering the amount undercharged.

*Western Railway—Loss due to payment of heavy claims on account of loading of consignments in open wagons—Para 48, Pages 47-48*

2.209 The Administration paid compensation claims amounting to Rs. 1.40 lakhs on account of loading cement booked ex-Sawai Madhopur to destinations on Northern Railway in open wagons. The extant instructions of the Ministry of Railways (Railway Board) lay down that commodities such as cement which are highly susceptible to damage by wet must under no circumstances be sent in open wagons unless properly protected with tarpaulins. 46 Box (open) wagons loaded with cement were, however, despatched in December, 1964, ex-Sawai Madhopur without tarpaulins. The cement suffered damage by wet resulting in payment of compensation claims amounting to Rs. 97 thousand. Cement loaded in 66 other Box wagons covered with tarpaulins also suffered damage by wet by the time the wagons reached their destinations resulting in payment of compensation claims amounting to Rs. 43 thousand.

2.210 The Administration stated that the loading was done in open wagons as there was shortage of covered wagons and the local cement factory accumulated stocks beyond their storage capacity and threatened closure of their plant. In respect of the 66 wagons covered with tarpaulins it was stated that damage had possibly occurred because of tarpaulins shifting *en route* and water seeping in.

2.211 The Committee asked why 46 open wagons loaded with cement were despatched without tarpaulins. The Chairman, Railway Board, stated that in 1964, they were loading cement in open wagons in non-monsoon months. The Central Railway loaded cement in 2,054 open box wagons. Normally, Western Railway had sufficient numbers of covered empties received from the Northern Railway. But during the winter months there were a temporary accumulation of covered wagons on the Northern Railway. It resulted in a shortage of covered wagons on Western Railway towards the end of November. The cement factory in Sawai Madhopur was in difficulty because it was not getting the required number of covered wagons. In these circumstances, the Railway Authorities at Sawai Madhopur loaded the cement in open wagons. The tarpaulins sent for from Bulsar did not arrive in time and the wagons were standing for two days. Although the wagons loaded

with cement were detained for arrival of the tarpaulins, but they did not arrive. Whatever they could get from the station locally, they utilised to cover some wagons.

2.212 The witness further informed the Committee "..... It was then thought that instead of keeping these wagons, unnecessarily, they could be despatched without being covered with tarpaulins, this being a non-monsoon season. This was our mistake. Our hopes, however, failed and there were rains. When the wagons were on the move, some of the open wagons in which cement was loaded suffered from wet and the cement got damaged and compensation had to be paid. I can only submit that normally all care is taken in the transport of cement and during the years 1962-63 to 1965-66, the amount of compensation paid on account of cement has ranged from 23% to 35% of the total freight earned on cement traffic ....."

2.213 In reply to a question, he further stated that it was a question of utilising the open wagons that were there and thereby keeping the capital investment to the minimum and also to avoid cross haulage. In such cases sometimes, the damage occurred but this damage should be weighed against the savings which had been affected due to not having this cross haulage and unnecessary hold up of open wagons. It also helped in utilisation of the investment to the fullest possible extent.

2.214 The Committee asked whether any action was taken against the persons responsible for violating the standing orders of the Railway Board to the effect that under no circumstances cement would be sent in open wagons unless properly protected by tarpaulins; and thereby entailing a loss to the Railways. The Chairman, Railway Board, replied, "There is no doubt. I admit, that the instructions issued by the Board were not strictly followed .....The Board consider that in this case the failure can be excused. Necessary instructions to avoid the recurrence of such cases have been issued".

2.215 In reply to a question, the representative of the Railway Board stated that the normal targetted time taken by wagons to reach the destination was from 6 to 7 days. He also stated that once the wagons were in transit, it was not possible to state as to when and where the damage took place. Moreover, the Rain Register for that period was also not available. When asked whether the officers of the Railways had an authority to act against the rules in their discretion, the witness stated, "If the circumstances so warrant, if he can justify his action then he can go beyond the rules.....But there is no written rule for this purpose".

2.216 The Committee asked as to who took the decision in this case to ignore the standing instructions of the Railway Board. The Chairman, Railway Board stated that the decision was taken by the Operating Headquarters of the Western Railway in Bombay. They instructed the Divisional Superintendent, Kota that these were special circumstances and that he could permit

the wagons to go. The Committee asked whether the officer deviating from the instructions of the Railway Board, informed the Railway Board the circumstances in which such a decision had to be taken and whether any request was made to the Board to make arrangements for giving first priority to these wagons so that they could reach the destination within seven days, the Chairman, Railway Board, replied in the negative.

2.217 When asked to explain the emergency involved in the loading the cement in open wagons, the Chairman, Railway Board stated. "The emergency was that the silos of the cement factory was full and they said that if immediate relief by way of loading of wagons was not given they had to stop production. Therefore, the officer thought that since no other type of wagon was available, the cement could be loaded in Box wagons".

2.218 The Committee asked whether it would not be prudent, in the circumstances, to get from the cement factories or to have from them a sort of undertaking that the cement would be transported at their risk. The witness replied, "These transactions are governed by the Tariff rules. Legally the responsibility of the carrier is that of a bailee. In the middle of last year again such a situation arose and the ACCs approached us because certain of the factories had become full. Because of very heavy import of foodgrains, it was not possible for us to supply them covered wagons needed by them. We put forward the proposition : We will transport this for a short time in open wagons; you will supply us tarpaulins and we will also provide them. But please treat it as a gentlemen's agreement and there should be no claims. That was a very exceptional case. But, according to the Tariff Rules that is not a correct position".

**2.219 As cement was being loaded in open wagons with a view to giving relief to the cement factory in this case, the Committee feel that the Ministry of Railways should have made it clear to the factory in question that the losses in transit due to the cement getting wet would be borne by the factory. They are unable to understand why the Railways should have gone out of the way to help the factory by loading cement in open wagons and later getting involved in the payment of compensation claims amounting to Rs. 1.40 lakhs. The Committee desire that the Ministry of Railways should examine further the legal position with a view to see whether in such cases in future they can be relieved from the liability of payment of compensation and whether the factory concerned can be asked to share the losses.**

*Northern Railway—Loss due to theft of the contents of a wagon—Para 49, page 48*

2.220 A wagon containing 99 cigarette packages and 44 others booked on 18th January, 1965 from Wadi Bunder to Varanasi reached the destination on 26th January, 1965. The inward invoices pertaining to these consignments were also received at the destination on 22nd January, 1965 and hand

been taken into account in the records of the station. Next day, that is on the 27th January, the wagon was found placed in a siding at Varanasi instead of in the Goods shed and it was also noticed that the number of wagon had been altered and the destination changed as Chiheru. The unloading clerk issued a Memo to the Yard Foreman for placement of the wagon in the Goods Shed but it was never done. The matter was not investigated further, but three days later the wagon was despatched from Varanasi to Manduadih from where it went to Mughalsarai on 8th February, 1965 and reached Chiheru on 16th February, 1965. It remained unclaimed at Chiheru till 27th February, 1965 when it was sent for unloading to Jullundur City, where it was found to contain only 40 packages of cotton yarn cuttings, without any marks. The Railway Administration paid compensation claims amounting to over Rs. 1 lakh for the goods stolen from the wagon.

2.221 A criminal case registered by the Government Railway Police six months after the event, in August, 1965, is stated to be still under investigation and the departmental enquiry ordered in February, 1966 a year after theft came to notice, is stated to be still in progress (October, 1966).

2.222 The Committee asked reasons for delay in registering the criminal case and in ordering a departmental enquiry. The Chairman, Railway Board stated, "This is a thoroughly bad case.....there was a conspiracy and the leader of this conspiracy was dismissed Guard of Danapur Division. A lot of negligence has happened in this case". He, however, added that as a result of the second theft of a similar nature in April, 1967, certain people had been arrested and the stolen property had been recovered from them. The first case was also being worked out. The witness stated that in the first case, the wagon was diverted to Chiheru. In the second case it was diverted to Alwalpur. The people are supposed to be the same; the brain behind both the cases is one and the same. Both the cases have been registered.

2.223 He added, "So far as the first case was concerned, I might also say that the staff was negligent in not registering the case and was trying to palm off the baby from one section to the other, saying that the theft did not take place in Moghul Sarai but elsewhere and so on. The RPF has also been tackling this case as a result of the enquiry, we have already punished eight people, and five are under chargesheet for removal from service. So, we are taking very strong action against these people. I make no bones about it. This was a very bad case and a number of the staff got mixed up in this case and there has been sheer negligence".

2.224 In regard to the remedial measures taken to avoid recurrence of such thefts, the Railway Board in their note have stated :

This theft arose out of a criminal conspiracy in which some of the railway staff appear to be involved. There is no defect in rules or and if the staff had followed the correct procedures the fruition of this conspiracy could have been prevented. Beyond alerting R.P.F. staff to

be vigilant to prevent such conspiracies and taking disciplinary action against those responsible for failure to follow the correct procedure no other remedial action is possible. In addition, stress has been laid on quick follow up enquiries and investigations in such cases so that the culprits can be brought to book and such crime may not be committed with impunity”.

**2.225. The Committee regret to note that the Railways had to pay compensation of over one lakh of rupees in this case due to theft of the contents of a wagon. It was only when a similar theft was committed a second time that the culprits could be brought to book. They feel that the occurrence of such cases not only leads to a loss but also shakes the confidence of Railway users. The Committee expect the Railways to take deterrent action against all those found at fault to avoid the recurrence of such cases.**

*Northern Railway—Infructuous expenditure on lease of land for Amritsar Workshop—  
Para 51, Pages 49-50*

2.226 In July, 1961, the Railway Administration decided to lease land measuring 61,000 sft., from the Municipal Committee, Amritsar, for storing the raw-materials required for the proposed manufacture of 1,000 four-wheeled wagons and 500 Box type wagons in Amritsar Workshops. In January, 1962, it was decided that 500 of these four-wheeled wagons would be manufactured at Jagadhri. The land was acquired in January, 1963 at an annual rent of Rs. 3,840 and a further expenditure of Rs. 1.67 lakhs in providing roads, sidings and other structures thereon was incurred. The land and the structures were actually utilised only for storing a few items of maintenance stores (weighing about 952 tons).

2.227 In November, 1963, it was decided to manufacture only 127 four-wheeled wagons at Amritsar and the rest at Jagadhri; but no action was taken to surrender the land. Instead, the lease was extended upto 31st March, 1965. Though it was felt in December, 1964 that there was no necessity to extend the lease beyond 31st March, 1965, the final decision to relinquish the land was taken only in September, 1965, after a delay of 9 months. The land was eventually handed over to the Municipal Committee after a further delay of 6 months. The expenditure on dismantling the structures was about Rs. 5 thousand. The infructuous expenditure incurred on the lease of land and construction of sidings etc., was Rs. 1.41 lakhs.

2.228 The Railway Administration stated (December, 1966) that when the decision to divert the manufacture of a part of the order of four-wheeled wagons was taken, it was not possible to divert the materials already ordered for delivery at Amritsar. It was further stated that the land was also required for storing 2,500 pairs of wheelsets required in connection with the wagon building programme of the Railway.

2.229 It may be stated that as the material was despatched by the Eastern Railway it should have been possible to divert the same to Jagadhri where they were actually required and, in any case, the material was not stored on the leased land at Amritsar. The question of storage of wheelsets was not taken into account either at the time of taking a decision to lease the land or at the time of actual acquisition. The proposal of storing them at Amritsar was made by the Administration only in October, 1963, that is long after the land was taken on lease, but did not find favour with the Railway Board.

2.230 In replay to a written query of the Committee, whether the requirements of land were reassessed by the Administration after it was decided in November, 1963 to manufacture only 124 four-wheeled wagons at Amritsar and the rest at Jagadhri, the Railway Board have stated in a note :

“To supplement the inadequate Wagon Building Capacity in the Private Sector the Board decided to urgently set up capacity for Wagon Building in Railway Repair Workshops. As a part of this drive though the difficulties of space and other facilities were realised, owing to the over-riding considerations explained, in September 1960, 500 BOX wagons were ordered for construction in Amritsar Workshop. This involved utilisation of about 12,000 tonnes of material. A site survey undertaken in December, 1960 by the Controller of Stores revealed that the area inside the workshop was hardly sufficient for stocking material for maintenance requirements corresponding to the enhanced loco repair target. To hold the material for BOX wagons, additional land was essential and the closest such area was accordingly proposed to be leased, primarily for keeping material for construction of BOX wagons. The further decision taken by the Board in June, 1961, to manufacture in addition 1000 Nos. of ‘O’ type wagons on Northern Railway involving usage of about 10,000 tonnes of material, only expedited the final decision to lease the land by a few weeks. In this background, when the level of manufacture of ‘O’ type wagons was reduced from 500 to only 127 Nos. in November, 1963, the question of specifically reassessing the need for the land did not arise as BOX wagons continued to be manufactured. Moreover, there was also a proposal on the anvil at that time for making available to the Railway Board at least 50,000 sq. feet of open area for which Amritsar was considered by the Railway as the most suitable location for holding about 2500 wheelsets for ultimate issue to Wagon Builders in the Private Sector situated in this area”.

2.231 In reply to a query as to why the land was utilised for storing a few items of maintenance stores only the Ministry of Railways have stated in a note :

“By the time the land was leased and ready for occupation in October, 1963, about 15,000 tonnes out of about 22,000 tonnes of material required for wagon construction, had already been received and,



for want of other suitable accommodation, unloaded inside the workshop area. These construction materials were either required to be issued for day-to-day production requirements (in the case of BOX & some 'O' type wagons) or were required to be handled for onward despatch to Jagadhri (in the case of 'O' type wagons). The leased land being situated about 700 yards from the main depot and workshop premises, it was considered more expedient to keep construction stores requiring frequent handling in the main workshop area and to keep stores requiring infrequent handling on the leased land. Accordingly, such of the maintenance stores which required to be handled not so frequently, were kept on the leased land. Against a normal stocking capacity of 1600 to 1700 tonnes the stores stocked in this area were of the order of 1000 tonnes i.e. the utilisation was upto about 60% of capacity.

2.232 In regard to the delay in relinquishing the leased land, the Ministry have stated :

“Though it was felt that there may not be any need to extend the lease beyond 31-3-65 as early as December, 1964, some more definite information was called for by Deputy Controller of Stores to take a firm decision. This was received from Assistant Controller of Stores, Amritsar in January, 1965 and Deputy Controller of Stores recommended in February, 1965 to Controller of Stores for such release. Controller of Stores referred this matter to other Departments as owing to the general shortage of accommodation at Amritsar, he felt that such an investigation would be in the Railway's overall interest. On receipt of reply from other Departments in April, 1965, Controller of Stores made a personal inspection of it which he wanted to discuss the matter with the Chief Engineer. In July the matter was again referred to Chief Engineer if it could be utilised for any Railway quarters. In September 1965 the final decision was taken to release the land. Action was initiated to dismantle structures in November 1965 but, owing to lack of adequate crane facilities and the Indo-Pakistan conflict which intervened, removal of materials stocked thereon and dismantling of all temporary structures, took about four months and the land could be finally handed over only on 6-3-1966”.

2.233 **The Committee consider that if planning had been done in depth, there would not have been any occasion to drastically reduce the programme for the manufacture of four wheeled wagons in Amritsar workshop from 1,000 in 1951 to 500 in 1962 and only 127 in 1963. By proper planning, it should have been possible to obviate the infructuous expenditure of Rs. 1.41 lakhs incurred in taking on lease additional land from the Amritsar Municipal Committee and in providing roads, sidings and other structures thereon.**

**III**  
**GENERAL**

3.1 **The Committee have not made recommendations/observations in respect of some of the paragraphs of the Audit Report (Railways), 1967. They expect that the Railway Board will none the less take note of the discussions in the Committee and take such action as is found necessary.**

NEW DELHI;  
April 19, 1968  
*Chaitra 30, 1890 (Saka)*

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

## APPENDIX I

(Ref. Para No. 1.55 of the Report)

*Explanatory Notes on excesses over Voted Grants and Charged Appropriations during 1965-66 (Para 11 [Pages 14-16] Audit Report Railways, 1967]*

### General

Only 4 Voted Grants namely grants No. 2, 5, 8 and 15 were exceeded during the year 1965-66 and there was no excess under any of the 'Charged' Appropriations. As stated in the Audit Report itself, the excesses "are comparatively small in each case", being less than half of one per cent under Grants No. 5, 8 and 15 and 2.8% under Grant No. 2 (*vide* Annexure I). It has been explained in detail under Grant No. 2 that the excess occurred primarily due to an adjustment made with the A.G.C.R., several months after the close of the year *i.e.* in June, 1966 for an amount higher than anticipated.

Detailed explanations, grant by grant, are furnished below :—

I. Excess of Rs. 10,20,480 under Grant No. 2.—Revenue—Miscellaneous Railway Expenditure (In relation to the Voted Final Grant of Rs. 3,63,64,000) —2.81%.

(a) This grant, as its name signifies, covers expenditure on a multitude of items like Surveys, the Research Designs and Standards Organisation which is attached to, but not part of, the Ministry and other Central Establishments dealing with problems affecting the working of the Railways as a whole but not part of the Ministry—like the Railway Inspectorate, the Central Bureau of Investigation, the Railway Liaison Office and the Staff College at Baroda, the cost of Statutory Audit to name only a few.

(b) The excess of Rs. 10 lakhs was over the final voted grant of Rs. 363.64 lakhs (including a token supplementary grant of Rs. one thousand taken for obtaining Parliamentary approval for the electrification of a section on one of the Zonal Railways). The excess was, chiefly under 'Misc. Establishments' and occurred because, the debit raised by the A.G.C.R. on account of the Railways' share of expenditure relating to the Central Bureau of Investigation (other than the cost of the Railway Section Officers which is borne directly by the Railways) was about Rs. 14 lakhs more than the provision for this item of Rs. 31.52 lakhs in the final allotment which was made on the basis of the Revised Estimates furnished by the C.B.I. themselves.

The original provision of Railways' share of this expenditure advised by the C.B.I. (including the cost of R.S.Os which as explained above is directly borne by the Railways) was Rs. 35.27 lakhs or excluding the cost of R.S.Os. Rs. 31.36 lakhs; the corresponding revised estimate was Rs. 35.34 lakhs and

due to the inability of the C.B.I. to advise final estimates for the year at the end of the financial year, the revised estimate of Rs. 35.34 lakhs was adopted for the purpose of final modification estimates which included a provision of Rs. 31.52 lakhs for the expenditure on the C.B.I. excluding that for the R.S.Os. Incidentally, although the debit is normally adjustable through the Reserve Bank of India, it was not adjusted before the Bank's books were closed towards the end of April, 1966, but was raised only in June, 1966, for proforma adjustment in the year's accounts.

Another small excess of Rs. 80 thousands occurred because the adjustments under "Miscellaneous Charges" in respect of elimination of paise from the Provident Fund Accounts of the Railway employees was more than expected; this adjustment could not be assessed earlier with greater precision as the amount had to be worked out with reference to the individual accounts of over one million railway employees subscribing to the Railway Provident Fund.

These excesses were partly offset by savings of comparatively small magnitude aggregating 4 lakhs in which the main item of fluctuation was the expenditure under the head "Publicity" (2 lakhs).

As shown in Annexures I and II, the excess actually requiring re-appropriation is Rs. 10,34,355 (after taking into account certain erroneous adjustments) in relation to the voted grant of Rs. 3,63,64,000 or 2.8%.

II. Excess of Rs. 65,13,624 under Grant No. 5—Revenue—Working Expenses—Repairs and Maintenance (In relation to the voted final grant of Rs. 1,78,77,14,000)—0.36%.

(a) This grant deals with expenditure on the repairs and maintenance of Railway assets over the entire system including Rolling Stock, Buildings, Track, Ferries, Electrical and Signal Equipment and Installations, Machinery etc.

The excess of Rs. 65 lakhs is only 0.36% of the final grant of Rs. 178.77 crores voted by Parliament. It occurred mainly on the Central (38 lakhs), the North Eastern (17 lakhs) and the Northern (14 lakhs) Railways and was partly reduced by savings mainly on the Western Railway (17 lakhs); the balance of the excess of Rs. 19 lakhs was shared by the Eastern, the Southern and the Northeast Frontier Railways and was partly offset by small saving of Rs. 6 lakhs on the South Eastern Railway.

(b) The excess was the result of heavier expenditure (i) on shop and shed repairs on the basis of the actual condition of the stock taken up for repairs towards the close of the year and also the increase in prices of materials which could not be precisely assessed even towards the close of the year (28 lakhs), (ii) heavier expenditure on stores for the repair and maintenance of Electrical and Signal and Tele-Communication assets due to more stores being used to make up train lighting deficiencies, increase in the prices of the materials and heavier receipts than expected of certain materials towards the close of the

year (20 lakhs), and (iii) the aggregate of fluctuations in adjustments to the stock adjustment account in respect of differences discovered in the course of verification of stock, revision of prices of materials etc. (7 lakhs). A small excess of Rs. 4 lakhs each also occurred on account of (i) Increased expenditure on repairs to service and residential buildings, bridges etc., (ii) supply of certain materials indented for 1966-67 but received during the year contrary to expectations, and (iii) more expenditure, actually incurred for the re-opening of a line damaged in the September 1965 hostilities.

The above excesses were partly offset by savings resulting from less engagement of temporary labour and non-operation of certain posts (5 lakhs).

(c) As shown in Annexures 'I' and 'II', the excess actually requiring regularisation is Rs. 66,74,139 (after taking into account certain erroneous adjustments) in relation to the voted grant of Rs. 1,78,77,14,000 or 0.37%.

### III. Excess of Rs. 8,48,616 under Grant No. 8—Revenue—Working Expenses—Operation other than staff and fuel (in relation to the voted final grant of Rs. 34,31,08,000)—0.24%.

(a) This grant is for miscellaneous operational working expenses, covering such items as compensation for goods lost or damaged including amounts kept in suspense pending settlement of inter-Railway liability; stationery, forms and printed tickets, handling, collection and delivery of goods and expenses at joint stations; clothing and stores, electrical general services, etc. The excess of Rs. 8 lakhs is about 0.24% of the final grant of Rs. 34.31 crores (which included a supplementary grant of Rs. 2.31 crores). In 1964-65 the excess under this grant was Rs. 24 lakhs, i.e. 0.8% of the final grant of Rs. 31.55 crores.

(b) The excess of Rs. 8 lakhs (including suspense) is shared by the Central (24 lakhs), the North Eastern (12 lakhs) and the Southern (5 lakhs) Railways and was partly reduced by savings on the remaining Railways—chiefly the Eastern (11 lakhs), the Western (14 lakhs), and the Northeast Frontier (5 lakhs) Railways.

The net excess was chiefly due to heavier expenditure towards the close of the year on stationery, forms and tickets and other consumable stores etc., owing partly to adjustment of heavier debits, due to increase in prices, on the Central, the North Eastern and the Western Railways (18 lakhs). There were also heavier debits for supply of clothing on the South Eastern Railway (10 lakhs) but this was partly reduced by fluctuations in adjustments through stock adjustment account (9 lakhs). Another small excess of Rs. 4 lakhs occurred on electrical services other than staff, current for traction purposes etc., but these excesses were partly off-set by savings resulting from fluctuations in the payment of compensation for goods lost or damaged and under adjustments of conference hire and penalty charges on interchanged stock (7 lakhs each).

(c) After including the amount of misclassifications indicated in Annexure I and II, the excess actually works out to Rs. 9,55,653 in relation to the voted grant of Rs. 34,31,08,000 or 0.28%.

IV. Excess of Rs. 80,31,640 under Grant No. 15-Open Line Works-Capital, Depreciation Reserve Fund and Development Fund (in relation to the Voted Final Grant of Rs. 5,33,82,39,000)—0.14%.

(a) This grant covers (i) Expenditure charged to capital on additions to Railway assets like Rolling Stock, Machinery and Works and on transactions under Stores, Manufacture and Miscellaneous Advances (Suspense), (ii) Expenditure charged to the Depreciation Reserve Fund on the replacement of such assets, and (iii) Expenditure charged to the Development Fund on amenities for passengers and other railway users, staff welfare works, including the cost of quarters for class III and Class IV staff costing above Rs. 25,000 each and unremunerative operating improvements costing more than Rs. three lakhs each.

(b) The net excess of Rs. 80 lakhs occurred on the Central (48 lakhs), the Eastern (35 lakhs), the Northern (21 lakhs), the North Eastern (42 lakhs), the Northeast Frontier (43 lakhs), and the Western (73 lakhs) Railways and the D.L.W. (99 lakhs); this was partly offset by savings under the Southern (49 lakhs), the South Eastern (66 lakhs) Railways besides the C.L.W. (81 lakhs) and the I.C.F. (84 lakhs).

(c) The detailed heads of grants under which the excess occurred were "Stores Suspense" (65 lakhs), Manufacture Suspense (43 lakhs), Rolling Stock (27 lakhs) and other Works (12 lakhs) and was partly offset by savings under Miscellaneous Advances (53 lakhs) and Development Fund Works (14 lakhs).

(d) *Stores Suspense*: The excess of Rs. 65 lakhs under Stores Suspense was chiefly on account of more materials being returned from Works and Workshops to Stock towards the close of the year (82 lakhs) [Northern (48 lakhs), Western (19 lakhs) and Northeast Frontier (15 lakhs)] and fluctuations in issues adjusted within the grant (28 lakhs), [Western (50 lakhs), C.L.W. (25 lakhs), Northeast Frontier (22 lakhs)]; partly reduced by Northern (63 lakhs) and Integral Coach Factory (6 lakhs)]. These excesses were partly offset by savings on account of fluctuations in the adjustments under the head "Stock Adjustment Account" on the Western Railway (30 lakhs) and in respect of adjustment of materials and debits therefor (29 lakhs) [Chittaranjan Locomotive Works (75 lakhs) and Integral Coach Factory (41 lakhs)]; partly offset by increase under Northern (50 lakhs) and South Eastern (37 lakhs)]. The balance of the excess was the aggregate of minor variations under manufactured materials received for stock etc. (14 lakhs).

The excess of Rs. 43 lakhs under 'Manufacture Suspense' was chiefly on account of adjustment of heavy debits for customs duty received towards the close of the year (67 lakhs)[D.L.W. (114 lakh.) and I.C.F. (-47 lakhs)]

manufactured stores sent for Stock on the Northern Railway being less than expected (36 lakhs). These excesses were partly offset by savings resulting from fluctuations in issues to works etc. within the grant (28 lakhs), [C.L.W. (17 lakhs), South Eastern (9 lakhs), I.C.F. (2 lakhs)] and under drawal of materials for manufacture (20 lakhs), [Western (12 lakhs), C.L.W. (11 lakhs) and South Eastern (7 lakhs); partly offset by Northern (10 lakhs)] and more materials returned to stores from shops towards the close of the year (14 lakhs).

The excess of Rs. 27 lakhs under 'Rolling Stock' was chiefly attributable to the Railway Board's bulk orders for the purchase of rolling stock and occurred owing to accelerated delivery of wheel sets and other component parts (1,07 lakhs); partly reduced by less production of rolling stock (25 lakhs), revision in allotment of stock (22 lakhs), non-adjustment of certain payments made out of A.I.D. Loans (20 lakhs) and non-receipt of certain debits for customs duty (6 lakhs).

The excess of Rs. 12 lakhs under 'Works' was the aggregate of minor variations resulting from progress of works depending *inter-alia* on receipt of materials etc.

The saving of Rs. 53 lakhs under the Miscellaneous Advances—Capital was due chiefly to :—

- (i) Less debits adjusted under this head for the cost of imported steel, sea freight etc., owing to the shipments and payments being deferred beyond the financial year contrary to expectations (111 lakhs)—Eastern Railway.
- (ii) Less debits adjusted under this head for imported materials etc. (21 lakhs).—Central Railway.
- (iii) Less Raw material issued for fabrication, towards the close of the year than expected (10 lakhs)—South Eastern Railway.

These savings were partly offset by excesses on account of :—

- (a) More debits placed under Suspense for cost of imported materials, indigenous wheels, wagons and sleepers etc., and customs duty, sea freight etc. (39 lakhs)—Eastern Railway.
- (b) Debits relating to payments made by High Commissioner, London not being cleared to final heads for want of full particulars (23 lakhs)—Eastern Railway.
- (c) More issues of stores for fabrication etc. towards the close of the year (16 lakhs)—Eastern Railway.
- (d) Aggregate of minor variations (11 lakhs).

The saving of Rs. 14 lakhs under Development Fund was the result of minor variations in the progress of work depending on the receipt of materials and debits therefor.

As shown in Annexures 'I' and 'II' the excess actually requiring regularisation is Rs. 77,85,167 (after taking into account certain erroneous adjustments) and is only 0.15% of the Voted Grant of Rs. 5,33,82,39,000.

This has been seen by Audit.

(K. S. A. Padmanabhan)  
Director, Accounts,  
Railway Board.  
3-6-1967.



**ANNEXURE I**

*Statement showing excess over voted grants as shown in Para 11 of the Railway Audit Report, 1967 as well as excesses worked out after taking into account items of misclassification*

**(Figures in Units of rupees)**

| Sr. No. | No. and Name of Grant  | Original Grant | Supplementary Grant | Final Grant    | Expenditure    | Excess    | Real Excess after taking into account misclassifications | %age of Excess (Col. 7 to Col. 5) | %age of real excess (Col. 8 to Col. 5) |
|---------|--|----------------|---------------------|----------------|----------------|-----------|--|-----------------------------------|--|
| 1       | 2  | 3              | 4                   | 5              | 6              | 7         | 8  | 9                                 | 10                                     |
| 1       | 2-Revenue—Miscellaneous Expenditure.   | 3,63,63,000    | 1,000               | 3,63,64,000    | 3,73,84,480    | 10,20,480 | 10,31,355  | 2.81                              | 2.84                                   |
| 2       | 5-Revenue—Working Expenses Repairs and Maintenance.                          | 1,67,73,90,000 | 11,03,24,000        | 1,78,77,14,000 | 1,79,42,27,624 | 65,13,624 | 66,74,139  | 0.36                              | 0.37                                   |
| 3       | 8-Revenue—Working Expenses—Operation other than Staff and Fuel.              | 32,00,17,000   | 2,30,91,000         | 34,31,08,000   | 34,39,56,616   | 8,48,616  | 9,55,653   | 0.24                              | 0.28                                   |
| 4       | 15-Open Line Works—Capital, Depreciation, Reserve Fund and Development Fund. | 5,19,01,64,000 | 14,80,75,000        | 5,33,82,39,000 | 5,34,62,70,640 | 80,31,640 | 77,85,167  | 0.14                              | 0.15                                   |

## ANNEXURE II

*Grant No. 2—Revenue—Miscellaneous Expenditure*

| Sl. No. | Particular.   | Amount<br>Rs. |
|---------|---|---------------|
| 1       | Excess shown in the Appropriation Accounts . . .      | 10,20,480     |
|         | Add :—  |               |
|         | Expenditure relating to grant 2 booked under grant 16 | 13,875        |
|         | Real excess to be regularised by Parliament 1 & 2     | 10,34,355     |

*Grant No. 5—Revenue—Working Expenses Repairs and Maintenance*

|       |   |           |
|-------|---|-----------|
| 1     | Excess shown in the Appropriation Accounts . . .  | 65,13,624 |
| 2 (a) | Add :—  |           |
|       | Expenditure relating to grant 5 booked under grant 15<br>(Rs. 2,97,239) and grant 13 (Rs. 24,000).  | 3,21,236  |
|       | (b) Deduct :—   |           |
|       | Expenditure relating to grant 8 (Rs. 14,278), grant 9<br>(Rs. 7,440), grant 10 (Rs. 56,348), grant 13 (75,735),<br>grant 15 (Rs. 6,423) and deposits (Rs. 500) booked<br>under grant 5. | 1,60,724  |
|       | Real excess to be regularised by Parliament 12 ÷ (a)—<br>2(b).  | 66,74,139 |

*Grant No. 8 —Revenue—Working Expenses—Operation other than staff and fuel*

|       |   |          |
|-------|---|----------|
| 1     | Excess shown in Appropriation Accounts . . .  | 8,48,616 |
| 2 (a) | Add :—  |          |
|       | Expenditure relating to Grant 8 booked under grant 5<br>(Rs. 14,278), grant 6 (Rs. 12,469) and grant 9<br>(Rs. 1,09,002). | 1,35,749 |
|       | (b) Deduct :—   |          |
|       | Expenditure relating to grant 4 booked under grant 8 .  | 28,712   |
|       | Real excess to be regularised by Parliament 1 ÷ 2(a)—<br>2(b).  | 9,55,653 |

*Grant No. 15—Open Line Works—Capital, Depreciation  
Reserve Fund and Development Fund:*

|       |   |            |
|-------|---|------------|
| 1     | Excess shown in Appropriation Accounts . . . . .      | 80,31,640  |
| 2 (a) | Deduct :—   |            |
|       | Expenditure relating to grant 5 booked under grant 15 | 2,97,239   |
| (b)   | Add:—   |            |
|       | Expenditure relating to grant 15 booked under grant 5 | 50,766     |
|       | (Rs. 6,423) and grant 13 (Rs. 44,343)                 |            |
|       | Real excess to be regularised by Parliament 1—2(a)    | +77,85,167 |
|       | 2(b).   |            |

## APPENDIX II

(Ref. Para No. 1-78 of the Report)

*Particulars of unsanctioned expenditure pertaining to the period prior to 1st April, 1963 pending regularisation on 15-10-1966.*

### A—Want of Estimates

(Amount in lakhs of rupees)

| Name of the work                                 | Date of commencement of the work | Amount of unsanctioned expenditure | Remarks                       |
|--|----------------------------------|------------------------------------|-------------------------------|
| <b>Central Railway</b>                           |                                  |                                    |                               |
| 1. Thana—Ghatkopar Arterial siding .             | October, 1962                    | 2.43                               | Since regularised.            |
| 2. Electrification of Igatpuri—Bhusawal Section. | March, 1961                      | 137.72                             | Rs. 106.94 since regularised. |
| 3. Bezwada—Yerupaloyam Doubling .                | February, 1961                   | 6.52                               | Since regularised.            |
| 4. Dornakal—Khammameth Doubling .                | September, 1961                  | 6.34                               | Do.                           |
| 5. Ballampalli—Kazipet Doubling .                | February, 1963                   | 6.73                               | Do.                           |
| 6. Itarasi—Hoshangabau Doubling .                | February, 1961                   | 6.38                               | Do.                           |
| 7. Itarasi—Gurra Doubling . . . .                | August, 1961                     | 10.06                              | Do.                           |
| 8. Madan Mahal—Bheraghat Doubling.               | August, 1961                     | 34.93                              | Do.                           |
| 9. Salichauka Road—Bohani Doubling .             | March, 1962                      | 94.75                              | Do.                           |
| 10. Khammet—Yerupalaym Doubling                  | May, 1962                        | 8.36                               | Do.                           |
| 11. Bagratawa—Sohagpur Doubling .                | June, 1962                       | 59.20                              | Do.                           |
| 12. Kathotia—Ghatpindrai Doubling .              | August, 1962                     | 55.60                              | Do.                           |
| 13. Jabalpur—Adhartal Doubling . . .             | July, 1962                       | 80.64                              | Do.                           |
| 14. Habibganj—Misrod Doubling . . .              | March, 1961                      | 9.15                               | Do.                           |
| 15. Barkhara—Misrod Doubling . . . .             | June, 1962                       | 38.23                              | Do.                           |
| 16. Bina—Bhopal Doubling . . . . .               | Dec., 1962                       | 148.88                             | Do.                           |
| <b>TOTAL . . . . .</b>                           |                                  | <b>705.92</b>                      |                               |

| Name of the work   | Date of commencement of the work | Amount of unsanctioned expenditure | Remarks   |
|--|----------------------------------|------------------------------------|---|
| <b>Northeast Frontier Railway</b>  |                                  |                                    |   |
| 1. Centralised Traffic Control   | August, 1960                     | 91.91                              | Since regularised.  |
| <b>South Eastern Railway</b>   |                                  |                                    |   |
| 1. Additions and alterations to Yard facilities ADTP and Tata.                       | Sept., 1957                      | 82.40                              | Estimate under Board's sanction. S.E. Rly.'s letter No. AC/Y2/ADTP/Tata dated 24-5-1967.              |
| 2. New Rail Link to Haldia Port  | March, 1963                      | 265.19                             | Since regularised.  |
|  |                                  | <u>347.49</u>                      |   |
| <b>Western Railway</b>   |                                  |                                    |   |
| 1. Gandhidham—Kandla project.  | August, 1963                     | 23.63                              | Under examination in Board's office. W. 4 file No. 00235 W.2. between W4 & TCI branches.              |
| 2. Building 6 MBR type BG Wagons without wheelsets and axles on replacement account. | May, 1962                        | 3.60                               | Since regularised.  |
| 3. Signalling arrangement of Gangapur.   | February, 1963                   | 2.58                               | Do.   |
|  |                                  | <u>29.81</u>                       |   |
| <b>Railway Electrification</b>   |                                  |                                    |   |
| 1. Electrification of Howrah Kharagpur Section (Gr. II).                             | April, 1962                      | 99.22                              | Since regularised.  |
| <b>D.B.K. Railway Project</b>  |                                  |                                    |   |
| 1. Kotavalasa—Bailadila construction   | October, 1960                    | 312.12                             | Construction Estimates are being compiled by the Project. The Outstandings has been reduced to 53.47. |
| <b>GRAND TOTAL</b>   |                                  | <b>1586.57</b>                     |   |

Particulars of unsanctioned expenditure pertaining to the period prior to 1st April, 1963 pending regularisation on 15-10-1966

**B—Excess over Estimates**

(Amount in lakhs of rupees)

| Name of the work   | Month in which excess has first incurred | Amount of unsanctioned expenditure | Remarks   |
|--|--|------------------------------------|---|
| (1)  | (2)                                      | (3)                                | (4)   |
| <b>Central Railway</b>   |  |                                    |   |
| 1. Warangal—Provision of MAUQ Signalling.  | March, 1962                              | 1.51                               | Work physically completed. Revised variation statement for regularisation of excess is under preparation by Railway (Work transferred to S.C. Railway). |
| 2. Gundratin Margoo—Provision of MAUQ Signalling.                                    | October, 1962                            | 1.15                               | Completion Report being expedited by the Railway (Work transferred to S. C. Railway).   |
| 3. Dornakal—Provision of additional traffic facilities in the yard.                  | March, 1962                              | 1.74                               | Since regularised.  |
| 4. Itarsi—Provision of new Goods Marshalling Yard.                                   | September, 1961.                         | 14.98                              | Completion Report is being expedited.   |
| 5. Savada—Provision of additional covered accommodation to Goods and Parcel Traffic. | February, 1963                           | 2.69                               | Since regularised.  |
| 6. Katni—Provision of a new yard.  | March, 1951                              | 33.58                              | Do.   |
| 7. Nishatpura—additional facilities in the yard.                                     | March, 1963                              | 5.44                               | Revised-cum-completion estimate is expected to be furnished by the Railway shortly (65W5/RMI/C/14).   |
| 8. Dadar—provision of 28 flats for junior scale officers.                            | February, 1963                           | 1.63                               | Since regularised.  |
| 9. Sec' bad—provision of accommodation for traffic Accounts Office.                  | August, 1962                             | 2.53                               | Rs. 1.99 since regularised.   |
| 10. Purna—Remodelling of Loco Yard.  | March, 1962                              | 1.77                               | Excess to be regularised through completion report (work transferred to S.C. Railway).  |

| (1)   | (2)            | (3)   | (4)   |
|---|----------------|-------|---|
| 11. Madanmahal-Bharaghat Doubling                                   | January, 1963  | 17.35 | Rs. 6.39 since regularised Balance to be regularised through Completion Report.                     |
| 12. Habibganj—Misrod Doubling                                       | November, 1962 | 18.49 | Since regularised.  |
| 13. Regirdering of major bridges on Jhansi—Manikpur Section.        | April, 1962    | 41.95 | Rs. 11.68 since regularised.  |
| <b>North Eastern Railway</b>  |                |       |   |
| 1. Relaying between Uskabazar-GKP                                   | November, 1960 | 10.05 | Estimate under verification in Board's Office (W6 File No. 67/W-6 RWT/64).                          |
| 2. Relaying the existing R.F.S. Rail etc. between CPJ -THF.         | October, 1959  | 7.54  | Since regularised.  |
| <b>Northeast Frontier Railways</b>                                  |                |       |   |
| 1. Relaying between Amingaon -Tihu                                  | March, 1959    | 5.56  | Since regularised.  |
| 2. Rangia—Rangapara North Rebuilding of 16 Pile Bridges.            | March, 1962    | 6.05  | Do.   |
| 3. Relaying works between Mal—Latagun                               | March, 1963    | 8.87  | Do.   |
| <b>South Eastern Railway</b>  |                |       |   |
| 1. Augmentation of water supply at A.D.A.                           | April, 1961    | 2.72  | Being regularised through completion Report.  |
| 2. Rail-renewal etc. between RUI-ANR                                | March, 1962    | 1.13  | Since regularised.  |
| 3. CTR from mile 188.76 to 213.56 between CBI-Snisa.                | October, 1962  | 5.83  | Work completed except ballasting, will be regularised on 100% completion through completion Report. |
| 4. Proposed 55 bed Hospital at BSP                                  | June, 1962     | 1.66  | Revised Estimate is under preparation.  |
| 5. Proposed 14 Blocks of units each type 1 Qr. at BSP Estt. 114/59. | March, 1963    | 2.51  | Since regularised.  |
| 6. CTR between Rajathgarh and Hindol Road.                          | February, 1963 | 1.87  | Completion Report under preparation.  |
| 7. CTR between IPM-SPT  | November, 1962 | 11.34 | Since regularised.  |
| 8. Remodelling of Station Building at Puri.                         | March, 1963    | 2.98  | Under sanction of the Competent Authority.  |

| (1)   | (2)            | (3)   | (4)                                 |
|---|----------------|-------|-------------------------------------|
| <b>South Eastern Railway—(contd.)</b>   |                |       |                                     |
| 9. Domestic water supply at CKP . . .   | November, 1957 | 3.31  | Revised estimate under preparation. |
| 10. Augmentation of water supply at JSG   | March, 1961    | 2.86  | Since regularised.                  |
| 11. Providing working facilities for coaching rakes at Tata.  | March, 1961    | 1.23  | Since regularised.                  |
| 12. Proposed 200 Units Type 1 Qrs. for essential staff at BMDM.   | June, 1962     | 3.19  | Do.                                 |
| 13. Track renewals of 75 lbs. rails in wooden sleepers from mile 189.300 to 210.526 between Onlajim. BMDM.                      | March, 1963    | 4.96  | Since regularised.                  |
| 14. Through renewals of rails with 90R welded panel of 5×42 on existing IRS sleepers from mile 162.27 to 167.33 between MN-RND. | March, 1963    | 10.15 | Since regularised.                  |



Particulars of unsanctioned expenditure pertaining to the period prior to 1st April, 1963 pending regularisation on 15-10-1966

### MISCELLANEOUS ITEMS

(Amount in lakhs of rupees)

| Particulars of items  | Month in which the unsanctioned expenditure first incurred | Total amount held under objection | Remarks   |
|---|--|-----------------------------------|---|
| <b>Central Railway</b>  |  |                                   |   |
| 1. House tax claimed by Lonawala Municipality from 1931.  | 1931   | 2.09                              | Appeal referred to Supreme Court (FX/1 File No. FX1/1462-TX/ 17/ 18..)  |
| 2. General and Halalkhore taxes claimed by B.M.C.   | April, 1954  | 50.54                             | Under correspondence with the Railway <i>vide</i> Board's No. FX1/63/TX-17/20 dated 7-6-1967).  |
| <b>Southern Railway</b>   |  |                                   |   |
| 1. Grant of Authorised scales of pay to casual labourers without sanctioned post.   | September, 1962  | 8.28                              | 0.55 cleared. Balance till under correspondence with the Rly. in Board's No. E /NG 64. CL/25 dated 20-7-1967 expected to be regularised on receipt of the reply from the Rly. |
| <b>Western Railway</b>  |  |                                   |   |
| 1. Payment made on account of interest and depreciation charges in respect of Silver - Jubilee - Gondal Workshop from 1950-51 to 1965-66. | April, 1961  | 5.06                              | Agreement with the Maharaja of Gondal is still under examination in Board's office. Last letter issued to the Railway <i>vide</i> No. 67/M/W// 964 18/ dated 8-5-1967.        |
| <b>GRAND TOTAL . . .</b>  |  | <b>65.97</b>                      |   |

### APPENDIX III

(Ref. Para No. 2.20 of the Report)

#### *Cost of Production of rough Aluminium Bronze Castings*

| Month—                  | Rs.   |
|-------------------------|-------|
| April '63 . . . . .     | 46·05 |
| May '63 . . . . .       | 58·75 |
| June '63 . . . . .      | 60·61 |
| July '63 . . . . .      | 59·99 |
| August '63 . . . . .    | 71·12 |
| September '63 . . . . . | 73·82 |
| October '63 . . . . .   | 64·70 |
| November '63 . . . . .  | 49·94 |
| December '63 . . . . .  | 26·98 |
| January '64 . . . . .   | 28·53 |
| February '64 . . . . .  | 28·74 |
| March '64 . . . . .     | 30·00 |
| April '64 . . . . .     | 28·72 |
| May '64 . . . . .       | 13·51 |
| June '64 . . . . .      | 22·72 |
| July '64 . . . . .      | 22·07 |
| August '64 . . . . .    | 14·03 |
| September '64 . . . . . | 13·90 |
| October '64 . . . . .   | 22·28 |
| November '64 . . . . .  | 8·15  |
| December '64 . . . . .  | 12·95 |
| January '65 . . . . .   | 11·95 |
| February '65 . . . . .  | 14·69 |
| March '65 . . . . .     | 11·00 |
| April '65 . . . . .     | 12·57 |
| May '65 . . . . .       | 15·76 |
| June '65 . . . . .      | 19·76 |
| July '65 . . . . .      | 10·38 |
| August '65 . . . . .    | 9·22  |
| September '65 . . . . . | 19·60 |
| October '65 . . . . .   | 9·22  |
| November '65 . . . . .  | 9·72  |
| December '65 . . . . .  | 8·29  |
| January '66 . . . . .   | 9·61  |
| February '66 . . . . .  | 9·76  |
| March '66 . . . . .     | 12·32 |

## APPENDIX IV

(Ref. Para No. 2.20 of the Report)

*Statement showing the outturn of Aluminium Bronze Fittings*

| Sl. No. | Description                           | Quantity manufactured year-wise |        |         |        |                         | Total   |
|---------|---------------------------------------|---------------------------------|--------|---------|--------|-------------------------|---------|
|         |                                       | 1962                            | 1963   | 1964    | 1965   | 1966<br>(Upto<br>March) |         |
| 1       | Contact Wire Ending Clamp             | 304                             | 2,155  | 1,965   | 876    | 527                     | 5,827   |
| 2       | Catenary Ending Clamp .               | 730                             | 3,450  | 6,800   | 5,451  | 1,678                   | 18,109  |
| 3       | Catenary Suspension Clamp             | 300                             | 1,800  | ..      | 1,932  | 1,106                   | 5,138   |
| 4       | Double Suspension Clamp               | ..                              | 270    | 30      | 100    | ..                      | 400     |
| 5       | Dropper Clip . . . . .                | 110                             | 21,475 | 112,225 | 61,500 | ..                      | 195,310 |
| 6       | Contact Wire Swivel Clip .            | 1,130                           | 4,825  | 7,420   | 5,000  | ..                      | 18,375  |
| 7       | Standard Catenary Suspension Bracket. | 260                             | 3,175  | 16,540  | 23,918 | 217                     | 44,110  |
| 8       | Large Catenary Suspension Bracket.    | 550                             | 3,360  | 5,700   | 6,634  | 1,616                   | 17,860  |
| 9       | Tabular Stay Sleeve . . . . .         | ..                              | ..     | 2,450   | 1,500  | ..                      | 3,950   |
| 10      | Resister Arm Eye-piece . . . . .      | ..                              | ..     | 700     | ..     | ..                      | 700     |

Note :— For purposes of Audit para. total outturn of 3,08,352 fittings Annexure IV has only been taken which excludes the outturn and despatch made before November, 1962.

## APPENDIX V

(Ref. Para No. 2-20 of the Report)

### Statement showing rejection of Aluminium Bronze Fittings

| Drawing No. | Description                           | Total outturn from Nov., '62 to Mar. '66 | Rejections | Selling price per fitting (Rs.) | Total value of rejected castings (Rs.) | Wt. per fitting (Kg.) | Total No. of rejected castings (Kg.)                                 |
|-------------|---------------------------------------|--|------------|---------------------------------|--|-----------------------|--|
| (1)         | (2)                                   | (3)                                      | (4)        | (5)                             | (6)                                    | (7)                   | (8)  |
| 1110        | Contact Wire Ending Clamp.            | 5,725                                    | 4,024      | 19.50                           | 78,468                                 | .840                  | 3,380.16   |
| 1120        | Catenary Ending Clamp                 | 17,779                                   | 11,642     | 18.25                           | 212,467                                | .585                  | 6,810.57   |
| 1160        | Catenary Suspension Clamp.            | 5,038                                    | 846        | 15.25                           | 12,902                                 | .918                  | 776.63   |
| 1170        | Double Suspension Clamp.              | 400                                      | 161        | 23.75                           | 3,824                                  | 1.170                 | 188.37   |
| 1180        | Dropper Clip                          | 195,310                                  | 71,774     | 2.75                            | 197,278                                | .082                  | 5,885.46   |
| 1220        | Contact Wire Swivel Clip.             | 18,075                                   | 9,078      | 5.50                            | 49,929                                 | .226                  | 2,051.62   |
| 2110        | Standard Catenary Suspension Bracket. | 43,875                                   | 7,523      | 16.75<br>19.75                  | 126,010<br>5,313                       | 1.260<br>1.440        | 9,478.98<br>387.36   |
| 2130        | Large Catenary Suspension Bracket.    | 17,500                                   | 269        | 7.50                            | 29,230                                 | .190                  | 750.05   |
| 2403        | Tabular Stay Sleeve                   | 3,950                                    | 3,950      | 4.89                            | 3,423                                  | .235                  | 164.50   |
|             |                                       |  |            |                                 | 718,847                                |                       | 29,874.15  |
| 2422        | Resister Arm Eye-piece                | 700                                      | 700        |                                 |  |                       |  |
|             | TOTAL                                 | 308,352                                  | 109,967    |                                 |  |                       | Value of material of rejected fittings @ Rs. 4 per Kg. = Rs. 119500. |

## APPENDIX VI

(Ref. Para No. 2.43 of the Report)

Correspondence exchanged between the Ministry of Railways (Railway Board),  
Ministry of Works, Housing & Supply and the India Supply Mission.

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 62/747/33/Track

New Delhi, dated 30/31-8-62.

The Director,  
India Supply Mission,  
2536, Massachusetts Avenue,  
Washington 8 D.C.,  
U.S.A.

Sir,

SUBJECT : *Inspection arrangements for 70,000 Metric tons ordered on M/s.  
.....for supply from Canada.*

An order on M/s. ....for the supply of 70,000 M tons of 105 lbs. Section rails in accordance with IRS Specification No. T. 12-60 has been placed by the Railway Board. The rails will be manufactured in Canada by M/s.....A copy of the specification against which the supply is required to be made is enclosed herewith together with a copy of the advance acceptance letter No. 62/747/33/Track dated 25-8-1962 issued by the Board. A copy of the contract will be supplied to you shortly.

2. As no arrangement is available with the Ministry of Works, Housing and Supply for inspection in Canada, and as these rails will have to be inspected by an independent Organisation in Canada, it is suggested that you may please make necessary arrangements for the inspection of these rails by an agency of repute at a competitive rate as early as possible.

3. According to the delivery quoted by the firm, they are expected to roll the rails and keep them ready for shipment as under :

50,000 M tons by 30-11-1962

20,000 M tons by 31-12-1962

You are requested to please take expeditious action in the matter and advise the Board as early as possible.

Yours faithfully,  
Sd. R. C. CHETTY  
Dy. Director (Track), Rly. Board.

Copy forwarded to Shri R. N. Sarma, Dy. Director General (Inspection),  
Office of the D.G.S. & D., Parliament Street, New Delhi, for information.

ANNEXURE II.

CABLEGRAM  
INDPURMIS  
WASHINGTON

NO. 16(·) REFERENCE RAILWAY BOARD'S LETTER NO.  
62/747/33/TRACK(·) PRESUME CONTRACT FOR INSPECTION  
OF RAILS ORDERD ON FINALISED (·) ADVISE FOREIGN EX-  
CHANGE INVOLVED TOWARDS INSPECTION CHARGES(·)

RAILWAYS

---

(Not to be cabled)

Sd. R. C. CHETTY  
Dy. Director/Track,  
Railway/Board.

*By air Mail*

*No. 62/747/33/Track*

*Rail Bhavan, New Delhi,  
dated 12-9-1962*

Copy forwarded in confirmation to :

Director, India Supply Mission, 2536, Massachussets Avenue, Washin-  
gton, 8 DC, U.S.A. for information and necessary action.

Sd. R. C. CHETTY  
Dy. Director/Track, Railway Board.

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ANNEXURE III

Copy of Cablegram No. ED/INS/422 dated 14th September, 1962  
from I.S.M., Washington.

RE UR CAB NO. 16 SEPTEMBER 12TH STOP REGRET UN-  
ABLE ARRANGE INSPECTION STOP LETTER FOLLOWS.

## ANNEXURE IV

(Copy)

GOVERNMENT OF INDIA  
 MINISTRY OF RAILWAYS  
 (RAILWAY BOARD)

No. 62/74/33/Track

New Delhi, dated the 17th Sept. 1962.

The Director General, Supplies and Disposals,  
 Parliament Street,  
 New Delhi.

(FOR ATTENTION OF SHRI R. N. SARMA)

SUBJECT : *Inspection of Rails in Canada*

Reference : Advance letter of Acceptance No. 62/747/33/Track  
 dated 25-8-62, placed on Messrs Apecjay Private Ltd.

An order was placed on Messrs.....tde Advance letter of acceptance quoted above (copy enclosed) for supply from Messrs..... of 70,000 M. tons of 105 lbs. Section Rails (52Kg). As there was no arrangement with your Organisation for inspection of such material in Canada, the I.S.M., Washington was asked to invite quotation from the Independent Inspection Organisation and finalise the inspection of these rails at a competitive rate. He has since informed that he is unable to arrange the inspection. The Railway Adviser to the High Commission of India, London was also requested simultaneously to find out if 'over-sight' inspection of these rails can be undertaken by him. We have since received intimation from him that he can carry out the over-sight inspection of rails under his own arrangement. But in view of the refusal now received from I.S.M., Washington, arrangement of oversight inspection by the Railway Adviser will be of no help to us.

2. Under the circumstances, the only alternative is to request you to carry out the inspection of these rails in Canada. If this is undertaken by you under your own arrangement, perhaps the oversight inspection will not be necessary.

3. The two sets of templates of the section of rails sent by Messrs.....to the Board through Messrs.....were sent to the Dy. Director of Inspection, Bhilai by you under your letter No. I.C.-1/104-5/62 dt. 11-9-62. These have since been returned by Shri C. M. Murti, Dy. Director of Inspection (Met.), Bhilai duly approved under his D.O. letter No. B.Tech. 2/4820 of 13-9-62. Arrangements are being made to return both these templates to the firm for further action.

4. According to the intimation received from the firm, they intend to start rolling early next month and will complete supply by December

1962. You are, therefore, requested to make arrangements immediately so that your Inspector may be in Canada before they start rolling.

Sd.

R. M. SAMBAMOORTHY  
Joint Director (Track) Rly. Bd.

DA/One

No. 62 747/33/Track.

New Delhi, dated the 17th September, 1962.

Copy to the Ministry of Works, Housing and Supply, New Delhi (for attention of Shri D. Kumar) with a request to arrange the inspection of rails in Canada as requested above.

A copy of the Advance Letter of acceptance referred to above, is enclosed for information.

Sd.

R.M. SAMBAMOORTHY  
Joint Director(Track), Rly. Bd.

DA/One

#### ANNEXURE V

(Copy)

Dated the 22nd September, 1962

INDPURMIS  
WASHINGTON

P11-15(25)/62 RAILWAY BOARD'S CONTRACT STEEL RAILS ON)..... (·) CABLE FOLLOWING INFORMATION(I) WHETHER MISSION CAN FURNISH NAMES OF RELIABLE COMMERCIAL INSPECTION AGENCIES IN USA OR CANADA AND RATE OF INSPECTION CHARGES LEVIED BY SUCH AGENCIES (II) ESTIMATED TOTAL INSPECTION.



## ANNEXURE VI

India Supply Mission  
2536 Massachusetts Avenue N.W.  
Washington 8 D.C.

No. D/JNS/422

Dated the 3rd October, 1962.

My dear Kumar,

Please refer to your cable No. PII-15(25)/62 dated the 1st October, 1962, asking us to issue tender enquiry for inspection of the rails ordered by the Railway Board with M/s.....Canada.

2. At present there is only one copy available with us of IRSS Serial No. T-12-60 and I have sent a cable today, requesting for additional copies of relevant specifications and also details of independent metallurgical and chemical tests which are particularly to be carried out by the inspecting firms, before we can go out with the enquiry.

3. I may, however, bring to the notice of the Ministry certain facts for their consideration in respect of ISM undertaking this work. Our past experience regarding commercial inspection of Railway Board's material has not been very happy and we have in mind a specific case of the railway sleepers where, if the Board had deputed their own inspectors, we would not have been involved in a situation which has since developed and over which we could not have full control. Twice before that, in 1957 and early 1959, we arranged for the inspection of rails supplied by M/s.....and utilised the services of a commercial inspection firm which is reputed to be the largest and best in the business, but still there have been subsequent complaints from the Railways that all was not to their satisfaction.

4. The Ministry is already aware that ISM has no departmental arrangements for inspection and that the Ministry had informed the Railway Board that it was not for the ISM to arrange inspection either departmentally or through any commercial agency. They were further advised that names of suitable commercial inspection agencies may be ascertained from the ISM, Washington but the ISM would not undertake any responsibility for the acts of omission or commission on the part of such agencies [Ministry of WH&S letter No. PII-13(1)/61 dated the 27th March 1961 refers]. The ISM has already forwarded a list of inspecting agencies to the Railway Board. In the present case, it should have been possible for the Railway Board to invite tenders for inspection of these rails and place the contract themselves. In fact, they are in a very advantageous position to deal direct with the inspecting agencies, in giving clarification about the specifications, required tests or other matters they consider proper for correct supply of the materials. Routing inspection enquiry through ISM and thereby involving triangular correspondence and consequential delay does not appear to be necessary or advisable. The ISM would have been very glad to help the

Railway Board to arrange for inspection if some departmental inspectors had been attached to this office. In this connection, I would like to invite attention to letter No. RA/STEEL/RAILS/CANADA dated the 12th September, 1962, from Shir P. C. Kapoor, Railway Adviser to the High Commissioner for India, London, (Copy attached) regarding this matter. It will be clear from this letter that the Railway Board are not satisfied with the inspection done in the past and he has suggested that it would be advisable to arrange for the services of Canadian Railways for inspection of the rails. Shri Kapoor has also mentioned that a Dy. Railway Adviser would be visiting Canada off and on to generally supervise these inspections. It is clear from this that the Railway Board are anxious about proper inspection of these rails and are prepared to incur the cost in the repeated visits of the Dy. Railway Adviser from London to Canada.

5. I would, therefore, strongly urge for consideration of the Ministry that the ISM should not be asked to arrange for commercial inspection, but instead the work may be taken over by the Railway Board who may, if necessary, either depute their own inspector or ask the loan of an inspecting officer from the DGS&D.

With regards,

Yours sincerely,

Sd.

P. P. AGARWAL

Shri B. D. Kumar,  
Deputy Secretary,  
Ministry of WH&S,  
*New Delhi.*

## ANNEXURE VII

GOVERNMENT OF INDIA  
 MINISTRY OF RAILWAYS  
 (RAILWAY BOARD)

No. 61/RS(D)/363/29.

Rail Bhavan, dated the 28th February, 1961.

## OFFICE MEMORANDUM

**SUBJECT :** *Placing of contract by India Supply Mission, Washington, on the basis of negotiation carried out by the Ministry of Railways from India.*

The Ministry of Works, Housing and Supply may please refer to India Supply Mission, Washington, letter No. TR-5559, dated 3-2-1961 (copy enclosed) in which they have sought concurrence of the Works, Housing and Supply Ministry before proceeding further into the matter. It is pointed out that in the case of order on..... against same article and the same global tender, the India Supply Mission raised similar objections and the matter was dealt with on the basis of their office Memorandum No. P-II-12(3)/60, dated 18-11-1960 a copy of which was duly endorsed to India Supply Mission, Washington for their guidance. The reason for raising objection on the same points by India Supply Mission is not, therefore, clear. It will be appreciated if the Ministry of WH&S issue clear instruction to ISM, Washington, copy endorsed to this Ministry. It may also be added in this connection that this Ministry are not experiencing any difficulty on the similar procurements processed through the India Stores Department, London. Taking it for granted that the Organisation at Washington is not as big as that at London and they have not got sufficient number of inspectors at their disposal at once they pointed out, the procurements at U.S.A. have to be processed through them. Alternatively, the Ministry of Works, Housing and Supply may advise whether purchases in U.S.A. can be processed through the India Stores Department, London, in which case, this Ministry may be advised accordingly, endorsing copy to India Stores Department, London.

They are further requested to issue necessary instructions to India Supply Mission, Washington, for the present order on M.s. ...., U.S.A.

Sd/- (H. M. CHATTERJEE),  
 Joint Director, Rly. Stores (Dev.), Rly. Board.

Encl. : One

To

The Ministry of Works, Housing and Supply, New Delhi-1.

## ANNEXURE VIII

Copy of India Supply Mission, Washington, letter No. TR 5559, dated 3-2-1961, addressed to Railway Board.

*Subject* : Indian Railways Global Development-cum-procurement programme No. G.P. 20(Dev) 1960-61 Power Operated Tie Tampers.

Please refer to your letter No. 61/RS(D)363/29, dated 24th January, 1961, addressed to———, with a copy to us enclosing an advance letter of acceptance of tender issued by you to M/s.———. Before we take any action to issue a formal contract you will have to send us a draft formal contract and also get specific authorisation from the Ministry of W.H. & S. or an officer of the I.S.M. to sign the formal contract. Under the present delegation of powers purchase officers in I.S.M. are authorised to sign only contracts in respect of purchases made by them. They cannot sign contracts in respect of tenders invited in India, negotiations conducted in India and advance acceptance issued in India. Whenever an officer of the I.S.M. signs a contract on behalf of the President he accepts responsibility for the proprietary of the contract. In this case you would concede that there are no means by which he can so satisfy himself before he signs the contract. In signing a contract of this nature I.S.M. would be merely signing a document without accepting any responsibility. This is normally not contemplated in the purchase procedure. We are separately writing to the Ministry of W.H. & S. giving our comments on this. Before we sign the draft formal contract we would require specific orders of the Ministry of W.H. & S. authorising us to sign such a contract. The Railway Board is requested to kindly refer this matter to Ministry of W.H.&S.

## ANNEXURE IX

Government of India  
Ministry of Works, Housing and Supply

No. PII-13(1)/61

New Delhi, the 27 March, 1961.

## OFFICE MEMORANDUM

*Subject* : Placing of Contract by India Supply Mission, Washington on the basis of negotiations carried out by the Ministry of Railways from India.

The undersigned is directed to refer to the Ministry of Railways (Railway Board) Office Memorandum No. 61,RS(D)/363/29, dated the 28th February, 1961, on the above subject and to state that the matter has been re-examined very carefully and it has been decided that in future where tenders are called for by the Ministry of Railways and/or advance A.Ts. are issued by them, the formal contract should also be placed by them instead of their asking the I.S.M. or the I.S.D. to issue the formal A.Ts. In the past the I.S.D. and the I.S.M. have been placing formal contracts against tenders called for by the Railway Board and advance A.Ts issued by them but it has been found that such a procedure has led to complications and dilution of responsibility. Accordingly, in future I.S.D. and I.S.M. will not issue formal A.Ts against tenders called for by the Ministry of Railways (Railway Board). There would, however, be no objection to the services of I.S.D./I.S.M. being utilised for arranging shipments, payment and inspection. It may further be noted that I.S.M. has no departmental arrangements for inspection and it would, therefore, not be possible for them to arrange inspection, either departmentally or through any commercial agency. If necessary, names of suitable commercial inspection agencies may be ascertained from the I.S.M., Washington, but the I.S.M. would not undertake any responsibility for the acts of omission or commission on the part of such agencies.

In the light of the above decision, the formal contract on Messrs. ——— should also be placed by the Ministry of Railways themselves.

Sd. B. D. KUMAR,  
*Deputy Secretary to the Government of India.*

To

The Ministry of Railways,  
(Railway Board) (Shri H. M. Chatterjee),  
New Delhi.

## APPENDIX VII

(Ref. Para No. 2.154 of the Report)

Though the Tender Committee has recommended calling for fresh tenders since it considered the rates as "unreasonably high", no negotiations were called for in view of the operational urgency of this work and the Administration did not consider that it would be possible to reduce the rates sufficiently by carrying out negotiations with the tenderers based upon their past experience with them.

### *Prevailing rates for earthwork*

The following earthwork rates were accepted for the works in this area :

- (i) Earthwork in embankment and cutting between take off point near Friends Colony road over-bridge meeting point near Lajpat Nagar Railway Station (Section No. 1—Alignment No. 1) :
  - (a) Average lead 2 to 3 miles;
  - (b) Lift No. lift involved; and
  - (c) Rate Rs. 98.48 per 1,000 cft.(Date of Award of Contract—15-4-63).
  
- (ii) Earthwork in embankment and cutting between chainage 68 and 168.42 and between Delhi-Ferozepur and Delhi-Ambala railway lines in connection with construction of Ring Railway Delhi area (Section 3—Alignment No. 4) :
  - (a) Average lead 3 to 4 miles;
  - (b) Lift 8' to 13' ; and
  - (c) Rate Rs. 124.90 per 1,000 cft.(Date of Award of Contract—22-5-68).
  
- (iii) Providing accommodation for special emergency force at Daya-basti.

The rate was an 'Item Rate' accepted through open tenders and its nomenclature is given as under :

Item rate per 1,000 cft. for completed and finished items of earthwork in all classes and nature of soils inclusive of dressing and lead, lift, loading & unloading charges, sales tax, royalty,

octroi and all other charges. Contractor to make his own arrangements for the earth required and nothing extra on any account whatsoever will be paid to the contractor.

Rs. 109 per 1,000 cft.

(Date of Award of Contract—31-12-63).

In the case of the contract under reference, the Contractor made his own arrangements for earth and, therefore, lead, lift, etc., are not available in the records.

For the work under consideration, contract for which was awarded on 20-8-63 the lowest tenderer had given a data of earthwork with 6 miles lead in support of his rate and at that time, it was anticipated that the earth will have to be brought over a lead of 6 miles.

## APPENDIX VIII

(Ref. Para No. 2.156 of the Report)

- (1) *Copy of Ministry of Defence's D.O. No. 45011/1/Q3 (West)/1727-S/D(W-I), dated 29th November 1962, to Director of Civil Engineering, Railway Board, New Delhi.*

I may invite your attention to your Office Memorandum No. 61/W2/WMT/73, dated the 21st May 1962, regarding provision of covered accommodation for 'A' and 'B' vehicles in Vehicle Depot, Delhi Cantonment—Railway Siding.

It is understood that the estimates for Railway work at Vehicles Depot, Delhi Cantonment have been returned to the railway authorities at Bikaner for certain modifications considered essential for military requirements.

It has been represented that these railway works are of operational urgency.

I shall be grateful if, the modifications in the estimates could be expedited.

- (2) *Copy of Ministry of Defence's D.O. No. 45011/1/Q3W (West) 289-S/D(W-I), dated 20th February 1963, to Deputy Director, Civil Engineering, Railway Board, New Delhi.*

Please refer to your D.O. No. 61/W2/WMT/73, dated the 15th December 1962, regarding provision of covered accommodation for 'A' and 'B' Vehicles, in Vehicle Depot, Delhi Cantonment.

It has been reported by military authorities that Divisional Superintendent, Bikaner, Northern Railway, *vide* his letter No. 7W-72/97, dated the 4th December 1962, has informed the Garrison Engineer (Projects), Delhi Cantonment that the rough cost of the railway works is Rs. 11 lakhs. This Ministry accepts the necessity for the works (detailed below) in principle subject to detailed scrutiny of the approximate estimates by Service Headquarters and the Ministry of Finance (Defence) and apportionment of expenditure in accordance with para 258 of MES regulations :—

- |                       |   |
|-----------------------|---|
| (a) Railway Platforms | . 2 of 20,000 sq. ft. each.                                   |
| (b) Railway Ramps     | . 4 of 5,000 sq. ft. each.                                    |
| (c) Railway lines     | . 1 main to the Railway Gate and<br>4 Loops inside the depot. |



- (d) Crane . . . . . Provision and installation of 1 × 50 ton overhead crane at one of the Railway Platforms for lifting heavy machinery and unfit 'A' vehicles which cannot be towed down.

The Railway works in question are of operational urgency. I shall, therefore, be grateful if approximate estimates are finalised on 'Top Priority' and the work is taken in hand in anticipation of the administrative approval at the earliest.

(3) *Copy of Ministry of Defence's D.O. No. 45011/I/Q3W(West) 854-S/D(W-I), dated 18/28th May 1963 to Director of Civil Engineering, Railway Board, New Delhi.*

Please refer to your D.O. letter No. 61 W2/W/MT/73, dated the 22nd April, 1963, regarding provision of covered accommodation for 'A' and 'B' vehicles in Vehicle Depot, Delhi Cantonment.

2. In my D.O. letter, dated 20th February 1963, the necessity for railway works detailed therein at a rough cost of Rs. 11 lakhs have already been accepted in principle, subject to detailed scrutiny of the AE's by Service Headquarters and the Ministry of Finance (Defence) and apportionment of expenditure in accordance with para 258 of MIES regulations. It was also requested to take the work in hand in anticipation of administrative approval, as these works are of operational urgency.

3. *Vide* your D.O. letter referred to in para 1 above, it has been stated that the cost of the work now comes to Rs. 12 lakhs, as crane gantry for handling the heavy materials is also to be provided as desired by the Depot authorities.

4. This Ministry accepts necessity for the work at a cost of Rs. 12 lakhs on the conditions already conveyed to you in para 2 of my D.O. letter, dated 20th February, 1963.

5. As these railway works are connected with the present emergency, I shall be grateful if these are taken in hand urgently in anticipation of administrative approval and AE's finalised on 'TOP PRIORITY'.

6. If you find any further points still to be settled, a meeting may please be arranged at the earliest, so that all the points are settled in a discussion.

(4) *Copy of Ministry of Defence's D.O. No. 45011/I/Q3W (West)/1456-S/D(Works-I), dated 5th August 1963 to Director of Civil Engineering, Railway Board, New Delhi.*

Please refer to your letter No. 61/W2/WMT/73, dated the 30th May, 1963, addressed to the General Manager, Northern Railway, New Delhi, and copy endorsed to this Ministry regarding provision of covered accommodation for 'A' and 'B' Vehicles Depot, Delhi Cantonment.

I shall be grateful if you will kindly let me know whether the works have since been taken in hand. If not, the urgency, of this may be stressed on the Northern Railway authorities. It is also, requested that the progress may kindly be communicated to us by the 30th August and by 30th October, 1963.

(5) *Copy of Ministry of Defence's D.O. No. 17S(Q)63 dated 22nd August, 1963 to Additional Member (Works), Railway Board, New Delhi.*

Kindly refer to your letter No. 61/W2/WMT/73, dated 30th May, 1963, addressed to the General Manager, Northern Railway, New Delhi with a copy endorsed to this, Ministry regarding provision of covered accommodation for 'A' and 'B' vehicles in Vehicle Depot, Delhi Cantonment. Jacob has already been informed for the urgency of this requirement for operational reasons in our D.O. letter No. 45011/1/3W(West)/456-S/D (W-I), dated 5th August 1963. We are informed that the work on site has not yet commenced. I shall be grateful if you would give the matter your personal attention and have the work taken in hand immediately.

(6) *Copy of Ministry of Defence's D.O. No. 45011/1/3 W(West)/32/S/SOII D(W-I) dated 18th October, 1963 to Deputy Director, Civil Engineering, Railway Board, New Delhi.*

Please refer to your D.O. letter No. 61 W2 WMT 73, dated the 16th August, 1963 and Shri D. N. Chopra's D.O. No. 61/W2/WMT/73, dated the 31st August, 1963 regarding provision of covered accommodation for 'A' and 'B' Vehicle Depot, Delhi Cantonment.

The local military authorities reported on 9-9-1963 that the work at site has not yet been started. Presumably, the work has since commenced, I shall be grateful if you will kindly apprise me about the latest position.

In your D.O. letter No. 61 W2 WMT 73, dated the 22nd April, 1963 you intimated that the cost of the work amounted to Rs. 12 lakhs, as the crane gantry for handling the heavy materials is also to be provided. Necessity for this was accepted and conveyed by us to you *vide* our D.O. No. 45011/1/Q3W(West)/854-S/D(Works-I), dated the 18th May, 1963. The Divisional Superintendent, Northern Railway, Bikaner has now intimated in his D.O. No. 7W-72, dated the 13th August, 1963 (copy attached) his inability for the provision of 50 ton crane. I shall be grateful if you will kindly instruct the authorities concerned to make necessary provision in the Approximate Estimates, which are yet to be forwarded to this Ministry.

An early reply will be appreciated.

## APPENDIX IX

### *Summary of main conclusions/recommendations*

| Sl. No. | Para No. | Ministry Concerned | Conclusions/Recommendations   |
|---------|----------|--------------------|---|
| 1       | 2        | 3                  | 4   |
| 1.      | 1.12     | Railways           | The Committee regret to note that there was marked variation between actuals and the budget estimates in respect of goods earnings.   |
|         | 1.13     |                    | The Committee need hardly emphasise that Budget estimates should be framed more realistically as the policy decisions of Government regarding variation in freight rates depend on these estimates. They desire that the Ministry of Railways should benefit by the experience gained in the previous years, analyse the reasons for such variations and try to reduce them to the minimum.   |
| 2.      | 1.28     | Do.                | The Committee are unhappy to note that there was an increase of Rs. 27.89 crores in Revenue expenditure over the budget estimates. They have already commented in the previous para upon the need for framing Budget estimates accurately. The Committee suggest that the Ministry of Railways (Railway Board) should keep a close watch over the increase in working expenses, particularly those on establishment and fuel. The Committee, need hardly stress that, consistently with the needs of efficiency, the Railways should explore all avenues of effecting economies so as to keep the rise in working expenses under control. |

| 1    | 2             | 3  | 4   |
|------|---------------|----|---|
| 3.   | 1.42 Railways |    | The Committee are surprised to find that there were savings under a number of Grants in spite of the procedure adopted by the Ministry of Railways that "the Supplementary Demands are being framed on the basis of information available right upto the middle of January and that if any reduction in requirements becomes evident by about the third week of February, i.e. subsequent to the presentation of the Supplementary Grants, the amount of Supplementary Demands already presented is reduced accordingly or the Supplementary Demand is even withdrawn if such a course is indicated." |
| 1.43 |               |    | The Committee feel that if the procedure outlined above is strictly enforced there should not be any occasion where the provision made in a Supplementary Grant proves unnecessary or greatly in excess of requirements.  |
| 4.   | 1.57          | Do | The Committee feel that, with a little more coordination with the Central Bureau of Investigation, the Railways could have got the details of debits likely to be raised against them during the year. The Committee hope that the Railways will maintain up-to-date their liability Registers so as to avoid a recurrence of such cases.   |
| 5.   | 1.59          | Do | The Committee feel that there is scope for improvement in the preparation of repair estimates, which should take into consideration not only the actual condition of the stock likely to be taken up for repairs, but also the likely increase in prices based on past experience. The Committee hope that the Railway board will take suitable measures to prepare repair estimates more realistically so as to obviate such cases in future.  |

6. 1-62 Do. . . . . The Committee find that excess expenditure occurred under Grants Nos. 2, 5, 8 and 15 during 1965-66. The total excess expenditure during this year amounted to Rs. 164.49 lakhs after taking into account a sum of Rs. 0.35 lakh representing certain mis-classifications in the accounts. The Committee regret that excess expenditure has continued to occur during the last three years, viz., 1963-64, 1964-65 and 1965-66 on Grants Nos. 5, 8 and 15 despite the fact that large amounts were obtained by way of Supplementary Grants towards the close of the year. The Committee feel that had a proper assessment been made about the expenditure to be incurred on repairs to various assets and purchase of stores at the time of preparing estimates for supplementary grants, these excesses could have been avoided. The Railways should also keep up to date their liability registers so that they are able to keep a watch over the liabilities to be met by them during the year. The Committee stress that all efforts should be made by the Ministry of Railways to keep the expenditure within the funds granted by Parliament.
- 1-63 Do. . . . . The Committee recommend that, subject to these observations, the excess expenditure of Rs. 1,64,49,314 under voted Grants Nos. 2, 5, 8 and 15 incurred during 1965-66 be regularised by Parliament in the manner prescribed by Article 115 of the Constitution.
7. 1-70 Do. All Ministries . . . . . The Committee consider that unless work is actually commenced and expenditure incurred from the provisions made in this behalf by Parliament, it should not be treated as a work in progress.
- 1-71 Railways . . . . . The Committee cannot but express unhappiness at the gross delay which has occurred in the execution of this operational scheme for provision of 'Tokenless Block working on 'Barauni-Kaithar Section' on the North Eastern Railway. They consider that if

| 1  | 2    | 3        | 4   |
|----|------|----------|---|
|    |      |          | the work had been properly processed, there would have been no occasion to rush through the work at this late stage to cope with the increased traffic.   |
| 8. | 1·79 | Railways | The Committee are glad to note that out of an expenditure of Rs. 105.90 crores held under objection for want of estimates, excess over estimates and for miscellaneous items, the Railways have been able to regularise expenditure to the extent of Rs. 69.12 crores leaving an amount of Rs. 36.78 crores which is required to be regularised. The Committee stress that the drive for clearance of items held under objection should be sustained and all these items cleared at an early date. They also desire that suitable action should be taken to ensure that in future work is not under taken without sanction to detailed estimates by the competent authority where work is started on an urgency certificate it should be ensured that the detailed estimates are sanctioned within a reasonable period. |
|    | 1·80 | Do.      | As regards work involving excess over estimates, the Committee desire that the revised estimates should be prepared where necessary and the sanction of a competent authority obtained to settle these matters expeditiously.   |
| 9. | 1·85 | Do       | The Committee are concerned to note that losses amounting to Rs. 184 lakhs were adjusted during 1965-66. They find that out of the total loss of Rs. 184 lakhs, the loss of Rs. 64 lakhs was due to accidents and Rs. 50 lakhs on account of thefts.  |
|    | 1·86 | Do.      | The total loss attributed to thefts registered an increase of Rs. 19 lakhs or 61% over that of the previous year. The Committee   |

stress that security measures on the Railways should be tightened so as to reduce to the minimum losses on account of theft.

- 1.87 Do . . . . . The Railway should also intensify their drive to educate the staff in safety precautions and modernise their signalling and other equipment to eliminate accidents.
10. 2.9 Do . . . . . The Committee are perturbed to note that the Integral Coach Factory went in for bulk use of Barmil in place of imported material for the underlay in the flooring of the E.M.U. coaches without satisfying themselves fully about the suitability of the material. The result is that the underlay in the flooring of as many as 260 coaches had to be renewed. The renewal of 98 coaches has already cost the Railways as much as Rs. 5.26 lakhs. The Committee consider that the Railways should not have gone in for the extensive use of Barmil without first making sure that it fulfilled all essential requirements. The Committee also feel that the Research, Designs and Standards Organisation should not have recommended "large scale trials" without watching closely the results of an experiment carried out with this material in a limited number of coaches so as to reduce the chances of infructuous expenditure to the minimum. The Committee stress that the Railway Board should take adequate action in consultation with their manufacturing units and research organisation to ensure that such costly lapses in the name of substitution of an indigenous material do not take place.
11. 2.23 Do . . . . . While the Committee note the efforts made by the Railways to find substitutes for imported components, they consider that quality and price are equally important and should not be overlooked. The Committee would like the Railways to analyse in detail the reasons for the high percentage of rejections for Contact Wire Dropper Clip and Contact Wire Ending Clamp so as to learn a lesson for the future.
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|     | 2.24 | Railways . . . . . | The Committee need hardly add that when a new item is taken up for manufacture, whether as an import substitute or otherwise, the manufacturing units should not only ensure its quality but also reduce the avoidable rejections through better workmanship and supervision.  |
| 12. | 2.36 | Do . . . . .       | The Committee regret to note that the Ministry of Railways failed to amend the original delivery clause in March, 1958, when the order placed on the firm was modified, with the result that they had to incur an extra expenditure of Rs. 9.51 lakhs on account of payment of West Bengal Sales Tax instead of the concessional rate of Central Sales Tax applicable in inter-State sales. It is also strange to note that the normal procedure of documentation for the despatch of coaches was not followed at the time of taking delivery between September, 1960, and August, 1963. The Committee see no justification for this omission. |
|     | 2.37 | Do . . . . .       | The Committee note that the question of levy of State Sales Tax in the second case is at present pending before the Commissioner of Sales Tax, Calutta. The Committee, therefore, do not desire to comment in detail on the procedure followed by Railways. The Committee would like to be apprised of the final decision in the case and the action taken by the Railways in pursuance thereof.   |
| 13. | 2.49 | Do . . . . .       | The Committee find from the Ministry's note that the firm furnished a Performance Guarantee Bond for the prescribed amount in the correct proforma on 28th November, 1962, when it was required to be furnished by 8th October, 1962. The firm furnished a Performance Guarantee Bond for the first time on 8th November, 1962,  |



i.e., one month after the date prescribed in the contract, and no adequate reasons have been given for this delay of one month. In these circumstances the Committee feel that an extension in the period of delivery should have been given by reserving the right to levy liquidated damages. The failure to do so resulted not only in foregoing the recovery of Rs. 21,140, being the extra expenditure incurred by the Railways, but also in payment of customs duty of Rs. 8.44 lakhs on the import of rails.

14. 2.64 Do. . . . . The Committee note that the number of girders originally ordered from the firm for fabrication in 1961 was eighteen but was reduced to only eight in January, 1966. The Committee stress that the requirements of girders and other costly materials should be made on a realistic basis keeping in view the need for economy. The Committee also consider that, if closer liaison had been made with the Iron & Steel Controller and the firm, it should have been possible to ensure timely supply of all the matching steel sections required for the fabrication of girders so as to obviate delay. The Committee suggest that a periodical review should be made of all outstanding orders which involve 'on account' payments so as to ensure that funds in excess of the amount required for the materials are not advanced to a firm as has happened in this case.
- 2.65 Do. . . . . The Committee would also like to be apprised of the final settlement with the firm in this case.
15. 2.89 Railways Deptt. of Supply . . . . The Committee find that the Railway Administration had to incur an expenditure of Rs. 2.47 lakhs on the purchase of bearing plates which were later found to be defective.
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| 2.90 | Railways Deptt. of Supply. | The Committee are distressed to find that the inspection by the Officer of the Directorate General of Supplies and Disposals was admittedly faulty and that the Railways too took delivery of the bearing plates without any critical examination. These defaults in examination are all the more surprising as the Department of Supply have themselves stated that most of the defects subsequently found "could have been detected by an experienced inspector if proper care was exercised".   |   |
| 2.91 | Do. . . . .                | The Committee are also surprised to find that while the representative of the D.G.S.&D. stressed in evidence that inspection at the destination overrules inspection at the despatch point, the representative of the Ministry of Railways opined that a second inspection for ordinary plates and things which were in common use was not practicable. Whereas the Committee agree that a second detailed inspection at the consignee's end might result in avoidable duplication, they cannot view with equanimity the practice that the consignees should accept stores without any inspection or after a perfunctory inspection. |   |
| 2.92 | Do. . . . .                | They desire that this aspect may be examined further by Government with a view to evolve a suitable procedure to safeguard Governments interests at the time of delivery.  |   |
| 2.93 | Do. . . . .                | The Committee are also unhappy to note that due to unusual delay by the office of the D.G.S.&D. and the Ministry of Railways in investigating defects and taking up the matter with the firm within a reasonable time, the replacement of bearing plates has become difficult. They desire that the D.G.S.&D. and the Railways should make sure that the delay was not deliberate.   |   |

- 2.94 Do. . . . . The Committee would like to be apprised of the result of the investigations made in the case by the Special Police Establishment and the action taken against the firm and the officers found at fault for neglect of duty.
- 2.95 Do. . . . . The Committee also suggest that the Ministry of Railways should examine whether or not, in cases where inspection of stores by D.G.S.&D. proves defective, any inspection fee should be paid. The Committee would like to be apprised of the results of such an examination.
16. 2.108 Do. . . . . The Committee are perturbed to find that the Locomotive Weighing Machine erected in February, 1963, has not been working since its installation and the firm which supplied the Machine has not so far rectified the defects.
- 2.109 Do. . . . . When the trial weighments conducted in February, 1963, disclosed inaccuracies in weighments, the Director General, Supplies & Disposals, should have either got the defects rectified promptly or rejected the machine and recovered Rs. 1.04 lakhs advanced to the firm, representing 80% of the cost of the machine. The net result of the delay of five years is that due to the financial condition of the firm deteriorating during the period, recovery of the amount already paid has become problematic. The Committee desire that immediate steps should be taken to get the defects rectified. In case the firm is unable to rectify them, action should be initiated to get the money back from the firm.
- 2.110 Do. . . . . As some cases have come to notice where the supplying firms did not despatch in full the goods as inspected, the Committee suggest that the D.G.S.&D. should explore a practicable and workable solution to ensure that whatever goods are inspected are in fact

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|     |       |                    | despatched to the consignees before payment representing 80% of the cost is made. The possibility of taking a bond from the supplying firms or of taking prompt deterrent action like suspension of business and effecting recovery forthwith of the amount involved together with a penalty may also be examined.  |
| 17. | 2.120 | Railways . . . . . | The Committee are unhappy to note that two vertical type centrifugal casting machines imported at a cost of Rs. 1.47 lakhs in December, 1954, could not be put to use on account of lack of technical knowledge to operate them, and it is only recently that the small machine has been put into operation. They regret that for about fourteen years the Ministry of Railways went on experimenting with the machines and efforts were not made either to get a technician from the supplier or to send some one from the Railway workshops to get training at the works of the suppliers. The Committee hope that in future while going in for a new type of machinery, it will be ensured that the staff to operate are available or will be made available and be fully conversant with its working and use. |
|     | 2.121 | Do. . . . .        | During evidence, the Committee were informed that most of the difficulties that were being experienced in respect of the second machine had been surmounted and that it was expected to be Commissioned soon. They would like to be informed of the progress made in this direction.  |
| 18. | 2.130 | Do. . . . .        | The Committee are concerned to note that seven Diesel Locomotives procured from a West German firm at a cost of Rs. 44 lakhs and commissioned during 1961-62 had to be put out of service between April and October, 1964, as their crank-shafts developed cracks and pittings due to the use of lubricating oil of inferior quality.   |

- 2.131 Do. . . . . They desire that the Ministry of Railways should benefit by the experience gained in this case and take adequate precautions to ensure that the lubricating oils used for locomotives conform to the prescribed specifications. The Ministry of Railways should make full use of their Research and Inspection Organisations to obviate recurrence of such cases.
- 2.132 Do. . . . . The Committee would like to be apprised of the action taken to recover the damages claimed from the supplier of lubricating oil in this case.
19. 2.135 Do. . . . . The Committee regret that due to a mistake committed by the officials of the Central Railway in documentation, the Northern Railway could not for several months get the crank-shafts for the damaged locomotive which was airlifted from West Germany by paying airfreight of Rs. 5,000.
- 2.136 Do. . . . . The Committee expect the Ministry to take suitable action against the officials found at fault.
20. 2.146 Do. . . . . The Committee regret to note that the Western Railway had to incur an extra expenditure of Rs. 1.86 lakhs in getting the work completed as the contractor who was entrusted with the work of supplying 26.2 lakhs cft. of ballast at a cost of Rs. 5.46 lakhs failed to supply it.
- 2.147 Do. . . . . They are sorry to know that, without verifying the credentials of the contractor and ascertaining his capacity, such a big contract was given to him. This contractor was neither on the approved list of contractors nor had he done any contract work for the Railways before this contract was awarded to him. It is elementary that the capacity to execute and the financial standing of a contractor should be verified before entrusting any work to him. The Committee would like to be informed of remedial measures taken to ensure that such instances do not recur.

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|     | 2.148 | Railways . . . . .    | In evidence, the Committee were informed that the Railway Administration had now come to know the whereabouts of this contractor. The Committee would like to know the action taken against the contractor to realise the extra amount spent on the completion of the work.   |
| 21. | 2.158 | Do. Defence . . . . . | The Committee note that the contract for earthwork which was awarded at higher rates on the ground of operational urgency, was delayed by four months as the Railways did not supply necessary drawings, concrete slabs and girders to the contractor on the plea that the construction of approach roads by the Defence was very much behind schedule.   |
|     | 2.159 | Do. . . . .           | The Committee regret to note that when the Ministry of Defence was pressing the Railway Board to give top priority to this work, they did not complete the construction of approach roads in time. The matter needs examination by Government.  |
|     | 2.160 | Railways . . . . .    | The Committee are unable to accept the plea of the Railways that even if they had given more time to the contractor, the rates would not have come down as time for completion of work is one of the main factors determining the rates of earthwork. Further, the Railways themselves had given a contract for earthwork at Rs. 124.90 per thousand cft. in May, 1963 involving an average lead of 3 to 4 miles and lift 8' to 13'. Awarding of this contract in August, 1963, @ Rs. 227 per thousand cft. therefore, appears to be on the high side even. The Committee are, therefore, inclined to agree with the views of the Tender Committee that the rates were 'unreasonably high' and fresh tenders should have been called for. These excessive rates resulted in an avoidable expenditure of Rs. 45,000. |

22. 2·172 Do. . . . . The Committee regret that the survey of the Project was not conducted thoroughly, with the result that in an area of 16 miles the requirement of bridge assessed at 17 at the time of final survey had to be increased to 33 at the execution stage and this resulted in extra expenditure of Rs. 1·05 lakhs.
- 2·173 Do. . . . . The Committee stress that final location surveys should be carried out with the utmost care to obviate any chances of important works like bridges being left out.
- 2·174 Do. . . . . The Committee note that the Guna Maksi Construction Project which was taken up in 1962 has already cost Government Rs. 6·50 crores out of a total estimated cost of Rs. 9·6 crores. The Project has, however, been relegated to a lower priority in view of the drop in the estimated level of traffic and its completion is now being synchronised with Jhund Kandla Broad-gauge line. The Committee consider that if a thorough investigation of the traffic potential and economics of the project had been undertaken in the beginning, the construction could have been so phased as not unnecessarily to lock up capital for a long time.
- 23 2·184 Do. . . . . The Committee are constrained to note that, before inviting tender and awarding a contract for the work, the Railways did not carry out essential investigations. It is all the more surprising that when it was known that the structures were being provided on a filled up tank, no soil tests were made and the work was taken up on the assumption that buildings on open foundations existed in the area.
- 2·185 Do. . . . . The Committee suggest that the Railway Board should issue suitable instructions for soil exploration being carried out at sites which are located on filled-up tanks or hollow ground so as to avoid any changes in the design of foundations and structure at a later date.

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| 24. | 2·189 | Railways . . . . . | The Committee stress that greater care should be taken in compilation of data so that tenders are called correctly and awarded in the best interests of the State to avoid any extra expenditure being incurred due to revision in calculations.  |
| 25. | 2·196 | Do. . . . .        | The Committee are unable to understand why the construction of an over bridge was not included in the tender when it had been provided for in the original estimate and the local authorities had also been pressing for it.  |
|     | 2·197 | Do. . . . .        | The Committee feel that, had the Railways approached the local authorities and arranged for early inspection of the site, extra expenditure of Rs. 69,000 incurred on account of the revision in the quantities of work to be executed in this project could have been avoided.   |
| 26. | 2·202 | Do. . . . .        | The Committee are concerned to find that infructuous expenditure of Rs. 49,000 was incurred on the erection of a diesel locomotive shed at Damaopur which was later on found to be superfluous. The Railways also incurred an expenditure of Rs. 22 lakhs on the development of the yard at Damanpur but its utilisation is not commensurate with the expenditure incurred. |
|     | 2·203 | Do. . . . .        | The Committee would like in this connection to draw attention to the observations made in para 2·16 of their 22nd Report (Fourth Lok Sabha) in which they had strongly deprecated the tendency of the Railways to go in for works without critically examining their economics. The Committee stress that before incurring heavy expenditure on works, the Railways should  |



make a realistic assessment of traffic requirements and potentialities so as to avoid infructuous expenditure being incurred as has happened in the present case.

27. 2·206 Do. . . . The Committee are unhappy to find that the North-east Frontier Railway and Southern Railway had to suffer a loss of revenue amounting to Rs. 2·66 lakhs due to delay in enforcing the orders of the Railway Board.
- 2·207 Do. . . . The Committee note that on the North-east Frontier and Southern Railways action is being taken against all those responsible for the delay in the implementation of the orders of the Railway Board.
- 2·208 Do. . . . The Committee find from the note that, in the case of Northern Railway, though the Administration had taken suitable action on the Railway Board's orders, the staff at Shakurbasti and Hissar failed to comply with those orders. This resulted in undercharges and the net amount of undercharges due from oil companies is Rs. 21,703. The Committee note that efforts are being made by the Northern Railway to recover the amount. They would like to know the progress made in recovering the amount undercharged.
28. 2·219 Do. . . . As cement was being loaded in open wagons, with a view to giving relief to the cement factory in this case the Committee feel that the Ministry of Railways should have made it clear to the factory in question that the losses in transit due to the cement getting wet would be borne by the factory. They are unable to understand why the Railways should have gone out of the way to help the factory by loading cement in open wagons and later getting involved in the payment of compensation claims amounting to Rs. 1·40 lakhs. The Committee desire that the Ministry of Railways should examine further the legal position with a

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|     |       |                    | view to see whether in such cases in future they can be relieved from the liability of payment of compensation and whether the factory concerned can be asked to share the losses.  |
| 29. | 2-225 | Railways . . . . . | The Committee regret to note that the Railways had to pay compensation of over one lakh of rupees in this case due to theft of the contents of a wagon. It was only when a similar theft was committed a second time that the culprits could be brought to book. They feel that the occurrence of such cases not only leads to a loss but also shakes the confidence of Railway users. The Committee expect the Railways to take deterrent action against all those found at fault to avoid the recurrence of such cases.   |
| 30. | 2-233 | Do. . . . .        | The Committee consider that if planning had been done in depth, there would not have been any occasion to drastically reduce the programme for the manufacture of four wheeled wagons in Amritsar workshop from 1,000 in 1961 to 500 in 1962 and only 127 in 1963. By proper planning, it should have been possible to obviate the infructuous expenditure of Rs. 1.41 lakhs incurred in taking on lease additional land from the Amritsar Municipal Committee and in providing roads, siding and other structures thereon. |
| 31. | 3-1   | Do. . . . .        | The Committee have not made recommendations/observations in respect of some of the paragraphs of the Audit Report (Railways), 1967. They expect that the Railway Board will none-the-less take note of the discussions in the Committee and take such action as is found necessary.   |

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