

PUBLIC ACCOUNTS COMMITTEE
1961-62

FORTIETH REPORT
(SECOND LOK SABHA)

**[Appropriation Accounts (Railways), 1959-60 and Audit
Report (Railways), 1961]**



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

January, 1962
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(Railways) 1959-60 and Audit Report 1961.

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(1961-62)**

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Shri C. R. Pattabhi Raman

MEMBERS

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3. Shri Aurobindo Ghosal
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21. Shri Rajeshwar Prasad Narain Sinha
22. Shri Jai Narain Vyas.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

INTRODUCTION

1, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Fortieth Report on the Appropriation Accounts (Railways), 1959-60 and Audit Report (Railways), 1961.

2. The Appropriation Accounts (Railways), 1959-60, together with Andit Report thereon, were laid on the Table of Lok Sabha on the 17th March, 1961. The Committee examined these Accounts at their sittings held from the 11th to 15th July, 1961.

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

4. The Committee considered and approved this Report on the 14th December, 1961.

5. In para 5 of the Introduction to the 33rd Report the Public Accounts Committee (1960-61) had drawn attention to the delays in the drawing up of contracts and their execution. The Committee had observed that such cases could easily be avoided by streamlining the procedure. The Committee find that such lapses continue to occur in the Railway Administration resulting in heavy losses to the Railway Undertaking. In one case a firm of contractors doing the work of clearance of sea borne stores quoted lower rates in December, 1956, but the Railway Administration failed to take a decision in the matter till April, 1959. This resulted in an overpayment of Rs. 2.20 lakhs. Similarly, cases mentioned in paras 44, 63, 68 and 72 of the Report afford examples where the Railways owing to delays in taking decisions etc. forfeited their legitimate dues. *The Committee regret to observe that despite their repeated warnings and the assurances given to them by the Railway Board the position remains unsatisfactory.*

6. *The Committee were concerned to see the unsatisfactory position in the matter of recovery of maintenance and interest charges in respect of assisted sidings. The Committee have suggested that a uniform formula should be evolved as it will put an end to disputes arising out of old concessions and facilitate speedy recovery of the charges. They have also suggested for consideration the appointment of a special team to review the old agreements and a target date set for the same.*

7. From the notes submitted by the Ministry indicating action taken on the earlier recommendations, the Committee note that in a number of cases it has not been possible to pursue the disciplinary aspect owing to the officials having retired and settled up before the cases were examined by the Committee. *The Committee would watch the results of the elaborate instructions now issued by the Railway Board regarding prompt handling of disciplinary cases.*

8. Paras 50 to 59 of the Report deal with cases of frauds committed by Booking Agents as a result of non-observance of rules and regulations by the Railway Administration. *The Committee have urged that the Ministry of Railways should ensure strict compliance of the rules and instructions by the Administration at all levels.*

9. A statement showing the summary of the main recommendations/conclusions of the Committee has been appended to this Report (Appendix XIV). For facility of reference, these have been printed in italics in the body of the Report.

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

NEW DELHI;

Dated the 27th January, 1962.

Magha 7, 1883 (Saka).

C. R. PATTABHI RAMAN,

Chairman,

Public Accounts Committee.

General Review of the Financial Working of Railways during 1959-60

Receipts: During the year under review, the gross traffic receipts amounted to Rs. 4,22.34 crores against the budget estimate of Rs. 4,22.03 crores. There was thus an increase of Rs. 31 lakhs.

Working Expenses: The ordinary working expenses, excluding appropriation to Depreciation Reserve Fund and payments to worked Lines, amounted to Rs. 3,34.35 crores and exceeded the budget estimate of Rs. 3,30.60 crores by Rs. 3.75 crores.

Depreciation Reserve Fund: The provision for appropriation to Depreciation Reserve Fund was maintained at Rs. 45 crores.

Development Fund: The budget anticipated a surplus of Rs. 21.19 crores which was proposed to be taken wholly as credit to Development Fund. The surplus expected in the revised estimates was Rs. 14.75 crores but the year actually closed with a surplus of Rs. 20.12 crores which was appropriated wholly to the Development Fund.

Operating Ratio: The operating ratio for the year 1959-60 was 79.54 as against 82.72 for the previous year.

II

Budgeting and control over Expenditure

Unnecessary Supplementary Grants/Appropriations—para 4 of Audit Report—

2. Nine cases were reported by Audit in which funds obtained through Supplementary Grants/Appropriations proved either unnecessary or largely in excess of requirements. There were large surrenders/savings towards the end of March, 1960; the Supplementary Grants and Appropriations themselves were mostly obtained in that month (the last month of the financial year) on the basis of earlier figures adopted in the revised estimates. The Committee took special note of the following cases wherein the Ministry could not spend even the original Grant and the supplementary sums obtained had to be surrendered at the close of the year:—

No. and Name of the Grant	Original Grant	Supplementary Grant (Amount and month in which obtained)	Amount surrendered in March 1960	Final saving
(Amount in lakhs of rupees)				
2—Revenue—Miscellaneous expenditure.	1,78.45	3.00 (May, 1959) 10.64 (March 1960)	13.68	17.75
4—Revenue—Working Expenses—Administration.	35,47.21	28.02 (March 1960)	54.81	80.18
6—Revenue—Working Expenses—Operating Staff.	66,27.11	61.00 (March 1960)	51.21	98.19
10—Revenue—Working Expenses—Labour Welfare.	9,24.35	10.89 (March 1960)	45.03	76.51
15—Construction of New Lines.	45,09.38	18.00 (May, 1959)	17,02.08	17,81.49

In extenuation, it was urged that the important reason for obtaining Supplementary Grants during the year in these cases was the desire of the Ministry to avoid 'excess' over Grants voted by Parliament as had occurred in the year 1957-58. The Committee consider

that the explanation is not satisfactory. They have in the past deprecated the tendency on the part of Ministries to err on the safe side by obtaining Supplementary Grants and thus inflating their estimates. *"Safe" Supplementaries are no less serious than excesses over Voted Grants. The Committee trust that the Ministry of Railways will endeavour to frame their estimates in future with greater precision.*

3. Under Grant No. 4—Revenue Working Expenses—Administration, the Supplementary Grant (Rs. 28 lakhs) was reported to have proved unnecessary because of less expenditure on staff as a result of a directive issued by the Railway Board to all the Railways to effect economy in expenditure. The same plea was advanced before the P.A.C. to explain savings under certain Voted Grants in the accounts of the year 1958-59. The Committee are not happy at the repetition of this explanation. *When the economy directive had been issued by the Railway Board in the year 1958, it was incumbent on them to obtain a revised forecast of the requirements of the Railways before approaching Parliament for a Supplementary Grant in March, 1960. The Committee deprecate the practice of approaching Parliament for funds with defective or incomplete data.*

Savings in Grants and Appropriations—paras 5-7—

4. While the number of Grants and appropriations under which savings occurred during 1959-60 (16 Grants and 2 Appropriations) was nearly the same as in the previous year the aggregate net saving, taking all the Grants and Appropriations put together (Rs. 56·55 crores) was greater than in the previous year (Rs. 51·72 crores). The percentage of the total savings had also increased as follows:

	Percentage of savings to net aggregate Grants/ Appropriations
1957-58	1·07
1958-59	4·85
1959-60	5·50

The larger savings in the year 1959-60, as in the previous year, occurred mainly under Grants relating to expenditure met from Capital, Depreciation Reserve Fund and Development Fund. The Audit Report had drawn attention to the following instances of savings:

- (a) Large saving of about Rs. 13·5 crores on the Railway Electrification Project at Calcutta due to more time than anticipated having been taken in negotiating the most advantageous arrangements for the procurement of overhead equipment and to alterations in the phased delivery of locomotives;

- (b) Substantial saving of Rs. 14 crores as a result of delay in the construction of wagons by wagon-building firms due to
- (i) difficulties in getting imported matching steel and certain components for a new type of wagon and more time taken in evolving a suitable design and proto-type for this type of wagon, and
 - (ii) difficulties in getting matching steel for the conventional type of wagons.

5. In evidence, it was admitted that longer time than anticipated was taken in negotiating the terms for procurement of overhead equipment for the electrification project. As regards the construction of wagons it was reported that shortage of steel was hampering the work of wagon building. *While the Committee appreciate the difficulties mentioned above, they nevertheless feel that the trend of steel supply could have been foreseen at the time of framing the estimates. It is thus apparent that the savings were due to over-optimism on the part of the Railway Administrations in estimating their requirements and subsequent delays in the planning and execution of the work. The Committee are, however, glad to receive the assurance that with the introduction of the practice of obtaining 'token' grants in the year 1960-61, as suggested by the P.A.C. (1959-60), such large savings would not recur. They would watch the results through subsequent Audit Reports.*

Excess over Voted Grants and Charged Appropriations—para 8—

6. In the year under report there was excess expenditure under three Voted Grants and four Charged Appropriations as shown below:

GRANTS

(Figures in units of rupees).

No. and name of Grant	Original Grant	Supplementary Grant	Final Grant	Expenditure	Excess	Real excess after taking into account misclassifications	Percentage of real excess (Col. 7 to Col. 4)
1	2	3	4	5	6	7	8
3—Revenue—Payments to Worked lines and others	₹19,77,000	..	₹19,77,000	₹21,27,130	1,50,130	1,50,130	7.59
7—Revenue—Working Expenses—Operation (Fuel)	62,44,52,000	3,83,44,000	66,27,96,000	66,56,67,248	28,71,248	28,71,248	0.43
8—Revenue—Working Expenses—Operation other than staff and fuel	2,0,55,79,000	2,09,13,000	22,64,92,000	22,86,86,835	21,94,835	21,77,473	0.96

APPROPRIATIONS

No. and name of the Appropriation	Original Appn.	Supplementary Appn.	Final Appn.	Expenditure	Excess	Real excess after taking into account misclassifications
1	2	3	4	5	6	7
4—Revenue—Working Expenses—Administration.	76	76	76
5—Revenue—Working Expenses—Repairs and Maintenance	8,188	8,188	8,188
15—Construction of New Lines	2,53,751	2,53,751	2,65,379
16—Open Line Works—Additions	16,666	16,666	29,792

The detailed reasons for the excess expenditure under each Grant|Appropriation have been set forth in the notes (Appendix II) submitted to the Committee by the Ministry of Railways (Railway Board). The Committee recommend that the above excesses be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

South Eastern Railway—Expenditure on a “New Service” without a vote of Parliament—para 9—

7. The Audit Report mentioned two cases of construction of new lines on which expenditure was incurred by the Railway during the year 1959-60 without obtaining a specific vote of Parliament. Subsequently, however, specific provision was made in the Budget Estimates for the expenditure to be incurred on these works during the following year (1960-61). In one case, decision was taken by the Ministry of Railways in June, 1959 that an extension of the Railway line from Barabil to Panposh Gorge which had originally been taken up as a siding in 1957 and as a Deposit Work on behalf of the Hindustan Steel (P) Ltd., should be treated as a branch line of the Railway financed wholly by the Ministry of Railways. An expenditure of Rs. 75·69 lakhs was incurred on the construction of the new branch line.

8. In evidence, the Committee were informed that the Ministry of Steel, Mines and Fuel had informed the Ministry of Railways that Parliament had already sanctioned funds for the construction of the line in question for the Hindustan Steel (P) Ltd., through the Demands relating to the Ministry of Steel, Mines and Fuel. The Ministry of Railways considered it as “unnecessary duplication” to approach Parliament again when the construction of the line was taken over by Railways as a branch line. Audit, however, pointed out that the vote of Parliament referred to above was for a lump sum under the nomenclature “Shares” and that it did not constitute a specific vote for the construction of the line in question. The Committee agree with the views of Audit that a specific vote of Parliament should have been obtained by the Ministry of Railways before incurring expenditure on this work. They trust that the Ministry of Railways will note this for future.

North-Eastern Railway and Northeast Frontier Railway—Expenditure on a “New Instrument of Service” without a vote of Parliament—Para 10—

9. In two cases*, important works for the development of traffic facilities estimated to cost Rs. 12·47 crores and Rs. 2·09 crores

* (i) Construction of Broad Gauge rail connection between Barsoi and Siliguri on an alignment closely following that of the Meter Gauge line between the two places.

(ii) Construction of a Broad Gauge line between Barauni and Samastipur to run along with the existing Metre Gauge line.

respectively were commenced during 1959-60 without specific provision of funds either in the original budget or through a supplementary grant. In both the cases funds were made available by reappropriation, as the Ministry of Railways held the view that the term 'New Service' did not include 'line capacity works'. Subsequently, however, specific provision was made for each of these works in the Budget Estimates for the year 1960-61. According to Audit the works should be treated as 'New Instruments of Service' for which specific provision of funds with the approval of Parliament was necessary as the expenditure involved was large and the construction of new Broad Gauge lines was involved even though on an alignment close to the existing Metre Gauge lines.

10. In evidence, it was urged that the works were more or less in the nature of doubling of the existing lines, although on a different gauge, in order to meet growing traffic. It was also suggested in this connection that in determining whether an item of expenditure constituted a 'new service' or not, the nature of the service should be the criterion rather than the amount of money spent.

11. *The Committee feel that while the nature of the service should as a rule be the determining factor, the volume of expenditure involved on an item of work cannot be ignored from the point of view of effective Parliamentary control over expenditure. The Committee, therefore, consider it necessary that Parliament should be apprised and their financial approval taken in advance of commencing works involving large amounts of expenditure as in the present cases.*

Suspense Balances—Para 14—

12. The rules require that the suspense accounts of the year should close with as few items in them as possible and those that unavoidably remain should all be proved to be current and efficient. Against the total outstandings of Rs. 74 crores (debits) and Rs. 44 crores (credits) under the suspense heads "Miscellaneous Advances (Capital)", "Miscellaneous Advances (Revenue)" and "Purchases" as on the 31st March, 1960, the balances which had remained uncleared for more than two years amounted to Rs. 22 crores (debits) and 16 crores (credits), respectively and represented about 30 and 35 per cent of the total outstandings respectively. On 31st March, 1959, the corresponding figures were Rs. 20 crores (debits) and Rs. 14 crores (credits) representing 26 and 32 per cent of the total outstanding debits and credits, respectively.

The Audit Report gave instances of some of the old outstandings on individual Railways awaiting clearance for more than two years.

13. In evidence, the representative of the Ministry of Railways admitted that the position of the suspense balances was not quite satisfactory and that active steps were being taken to improve the position.

14. At the instance of the Committee, a note* was submitted by the Ministry of Railways mentioning the progress made in the clearance of outstanding suspense balances as reported by Audit and the remedial measures adopted to avoid accumulation thereof. *The Committee will watch the results of the steps taken through future Audit Reports. Meanwhile, they would draw the attention of the Ministry to their observation contained in para 14 of their 10th Report (First Lok Sabha) and reiterate that large sums lying under "Suspense" without being charged off to the respective final heads of accounts vitiate Parliamentary Control over expenditure and are, therefore, highly objectionable. Further as the outstandings under this head comprise of advances to contractors, there is a risk of serious financial loss if these dues are not claimed in proper time.*

*Not printed.

III

Losses, Nugatory Expenditure, Financial Irregularities and other topics of interest

Import of wooden sleepers—defective supplies—para 19—

(i) Imports from U.S.A.

15. An order for the supply of treated wooden sleepers was placed in June, 1958 at a total cost of Rs. 77 lakhs. The supplies were inspected prior to shipment by an Inspecting Company nominated for the purpose by the India Supply Mission, Washington and arrived in Bombay between December, 1958 and August, 1959. In June, 1959 it was reported by the Central Railway that a number of sleepers laid in the track had developed large longitudinal cracks after they had been on the line for about a month and further that when sleepers from stacks were spread and exposed to the sun, cracks developed within a matter of hours. The India Supply Mission, Washington, were then instructed by cable to stop all outstanding payments until further advice and a letter was sent to them on the 9th July, 1959, explaining the nature of the defects. After considering the matter the I. S. M. decided on 29th August to make full payment pending settlement of claims against the firm, after giving it notice of the extent and value of the damages. As the firm of Suppliers and the Inspecting Company, with whom the matter was taken up, did not accept responsibility for the defects, the Railway Board gave notice to the firm of suppliers on 23rd September, 1960 that the dispute should be referred to arbitration. The ISM also gave notice to the Inspecting Company on the 4th October, 1960 of Government's intention to claim damages from them. Meanwhile on instructions from the Railway Board that no more sleepers received from the U.S.A. should be laid in track until further orders, the bulk of the sleepers are being kept in storage. An amount of Rs. 65 lakhs is thus locked up in this transaction since August, 1959.

16. The Chairman of the Railway Board informed the Committee that the legal aspects of the case were under active consideration and gave an account of various developments which had transpired since the publication of the Audit Report. *The Committee desire to be apprised of the final outcome of the case pending which they would*

defer their comments regarding this deal. The Committee cannot, however, refrain from expressing their dissatisfaction at the inordinate delay which had occurred in this case in deciding upon the line of action to be taken. In their opinion this delay will entail the Railway in a threefold loss, viz.

- (i) *due to deterioration of sleepers lying unused;*
- (ii) *due to accidents like fire; and*
- (iii) *due to inability to assess precisely the claim for damages because of efflux of time.*

17. Copies of the correspondence between the India Supply Mission and the Ministries of Works, Housing and Supply and Railways regarding the execution of the contract in question were submitted to the Committee at their instance. According to clause 10.1 of the contract entered into by the Ministry of Railways with the firm of suppliers inspection was to be carried out by an agency to be nominated by the buyer and the cost thereof was to be borne by the seller. Further, the Inspecting Agency was to be appointed by mutual agreement with the buyer and the seller. The India Supply Mission in Washington was accordingly asked to arrange inspection and shipment of the sleepers in accordance with the above terms of the contract. The India Supply Mission was not happy with the above provisions in the contract as the suppliers by approaching the inspection agency nominated by the I. S. M. to do the initial inspection also, deprived the buyer (Railways) of the advantages of an independent inspection. In reply to a question, the representative of the Ministry of Works, Housing and Supply stated that the I. S. M. had to nominate the inspection agency in terms of the contract and after doing so, pointed out the practical difficulty for further guidance. The Chairman, Railway Board, however, maintained that it was a common practice to appoint inspectors with the approval of the seller and the condition that the cost of inspection would be borne by the seller, was incorporated in other similar contracts for purchases from abroad. The Committee desired to know the particulars of the other cases. In a note submitted to the Committee, it has been mentioned that standard provision to this effect was included in contracts for purchase of wooden sleepers from abroad against "Global Tender" called for in 1957-58. The Committee note that para 9 of the standard conditions of the contract attached with the Global Tender stipulated only that "the inspection will be carried out by the purchaser or his nominee". It is, however, not clear to the Committee why in the relevant clause of the contract it was added that the cost of the inspection would be borne by the seller. It was urged on behalf of the Ministry of Railways that similar provision had been made in all the contracts

with the Australian suppliers also and it was to the advantage of Government financially. The Committee cannot accept this plea. *In their opinion, inspection, if it is to serve the intended purpose, should be independent of the seller and the cost thereof is only of secondary importance.* Compared to the financial stakes in the contract, the cost of inspection should not be large and any attempt to save on this will mean economy of dubious value. Further, the Committee note from the contracts with the Australian suppliers that inspection of the sleepers was to be done by Departments of the foreign Government, whereas in the present case, the inspection was by a private agency. The Committee feel that by making the seller pay for inspection there is a grave risk of the efficiency of the inspection being lost, inasmuch as knowledge on the part of a non-Government inspecting agency, however reputed it may be, about the source of its remuneration will raise the problem of dual allegiance. *The Committee, therefore, consider that the terms, as regards inspection in contracts, should be so framed as to ensure the independent characteristic of the inspection on behalf of the buyer. They endorse the view of the Ministry of Works, Housing & Supply that where the India Supply Mission is called upon to arrange inspection or shipment of stores, the Railway Board should consult the Mission on the relevant clauses regarding inspection in order to avoid practical difficulties in their execution of which the Mission would be best aware; and where time does not permit such consultation the Ministry of Works, Housing & Supply should invariably be consulted.*

18. *Another unsatisfactory feature of this contract to which the Committee would like to draw the attention of the Ministry of Railways at this stage is that the contractual arrangements did not permit withholding of the final payment for the sleepers even though defects in the supplies had been noticed in the meantime and there was a justifiable case for withholding the payment.*

(ii) *Imports from Australia*

19. Against the global tenders for the supply of wooden sleepers, invited by the Railway Board in October, 1957, various offers covering a large number of species were received from Australia. After a joint examination by the Timber Adviser, Ministry of Railways, and an officer of the Forest Research Institute, Dehra Dun nineteen species were approved and revised quotations were invited for the approved species only. Three of the species which did not find a place in the approved list were Blackbutt, White Stringybark and Yellow Stringybark, the reason being that on the data then available, the life expectancy of these species was below 12 years. The 1681 (Aii) LS—2.

New South Wales Railway Administration had given a life expectation of 8 to 10 years for these sleepers in November, 1957.

Orders were accordingly placed in May, 1958 on eight Australian firms for a total quantity of 18 49 lakhs sleepers of the approved species. The actual supplies amounted to 14.68 lakhs sleepers of which about 51,055 sleepers were shipped by two firms in the three unapproved species. They were received in India during the period May to July, 1959, and ultimately accepted by the Railway Board in September, 1960.

During this period of about 15 months, the firms continued to press for the acceptance of the sleepers of the unapproved special but their requests were turned down categorically in October, 1958 and again in September, 1959. In the meantime, the Railway Board obtained technical opinion in the matter. In May, 1959, a revised opinion was received from the New South Wales Railway Administration indicating that in the New South Wales track, it would be reasonable to assess the life of the unapproved species of sleepers at 12 years if unplated and 15 to 16 years if sleeper plates were used. Other technical literature furnished by the Australian authorities was forwarded to the Forest Research Institute, Dehra Dun for examination and advice. In its first report forwarded in September, 1959 after a study of the literature and on the basis of the tests so far conducted by it, the Institute felt hesitant to recommend the species in question even from the durability point of view. In its second report which became available in October, 1959 after more detailed tests, the Institute observed that the "information available regarding the behaviour of these species is meagre. They do not justify any opinion being given in their favour. The matter may be decided after a careful examination of all the data available for Australia and making allowance for conditions prevailing in India". In April, 1960, the President of the Institute stated that it was not possible to draw general and final conclusions from the limited results obtained in India; but subject to this reservation, he graded two of the unapproved species higher in the order of durability than some of the accepted species.

In September, 1958 the Timber Adviser expressed the opinion that "on no account should these (three) species be accepted." He could not also express a definite opinion in August, 1959 about the behaviour of the sleepers on Indian tracks; but he concluded on the basis of the Australian data that the species could give more or less the same service as could be expected from other Australian species.

He also added that, if it was administratively decided to accept the species, the life expectancy could be fixed as between 15 to 18 years for blackbutts and 12 to 15 years for other species.

On 21st March 1960 the Ministry of Railways decided that, in view of the clear notice of non-acceptability of the sleepers already given to the contractors, the sleepers of the unapproved varieties could not be accepted and that no useful purpose would be served in pursuing the question further. The matter was, however, reopened the same day on an enquiry from the Australian High Commission and a decision was conveyed on the 23rd March, 1960 that on the basis of experience available in Australia, actual observations made by Indian Inspectors in that country and the experiments so far carried out in India, these species could be accepted for use in India. Finally the sleepers were accepted in September, 1960 at a reduced price—25% below the contract rate in respect of the bulk of the sleepers and at 30% below that rate for a small balance.

It has been pointed out in the Audit Report that the two firms seemed to have been shown the following concessions:

- (i) A clause was inserted in the contract outside the terms of the tender notice, for acceptance of the unapproved species, subject to a proviso that if after further technological tests the species were found to be unacceptable, the total quantity of sleepers to be supplied under the contract might be reduced by a third at the seller's option.
- (ii) Even after the insertion of the clause, the firms were specifically informed by the Railway Board not to ship the unapproved species but they persisted in shipping them in spite of protests from a senior Indian Railway Officer in Australia. In some cases, the supplies did not even correspond to the inspection certificates which were received later. In one instance full payment was made in India for 4,191 sleepers through "oversight".
- (iii) The firms had already supplied more than the maximum percentage of Class III sleepers under the contract. This percentage was allowed to be further exceeded.

20. Denying the suggestions of Audit that undue concessions were shown to the two firms, the Chairman, Railway Board, observed in evidence that the sleepers were accepted mainly to meet the pressing needs of the Railways after their suitability had been established; the price paid for them was below the rate quoted in the

original tender. He added that the special clause regarding the conditional acceptance of these species was inserted as the suppliers (i) had expressed inability to supply the full quantity of sleepers in case the species in question were not accepted; (ii) insisted on such a provision in the contract and (iii) were keen to export. The Committee were not convinced by this explanation. *In their opinion inclusion of even a conditional acceptance in the contracts of the species which had been excluded in the call for tenders was a concession to the suppliers. Apparently, because of this extraneous clause in the contract the firms shipped sleepers of the unapproved species despite the rejection of their request in October, 1958 for the inclusion of these species in the approved list. Nor did the firms seem to have paid any heed to the protests made by the Railways' representative in Australia. The Committee found from copies of certain letters and telegrams sent by the Railways' representative in Australia to the Railway Board (which were furnished to the Committee) that the firms had despatched not only timber of the three unapproved species but also certain quantities of defective sleepers contrary to the instructions given to them by this officer. The Committee were not enlightened as to what action was taken by the Ministry of Railways on receipt of these communications. It was, however, brought to the notice of the Committee that the following note had been recorded by the Senior Dy. General Manager of the Eastern Railway in May, 1959:*

"Member (Engineering) rang me up this morning from Melbourne, Australia. I informed him that about 43,000 sleepers from Messrs.....and about 20,000 sleepers from Messrs.....were expected to be received in Calcutta Port in a day or two. ME was anxious that we should take delivery of the sleepers and not incur demurrage by refusing to accept the consignment because it contains sleepers of species Blackbutt and Stringybark which so far have not been approved under the contract. ME gave me to understand that further information has been obtained by him in his tour to Australia and very likely he will recommend the acceptance of the sleepers when he returns to Delhi. Meanwhile, he said that I could work on the assumption that these two species will eventually be accepted."

No further protests in this regard were made by the Railway authorities. In extenuation, it was urged that this step had been taken by the Member (Engineering) (now Chairman of the Railway

Board) to avoid any complications and payment of avoidable demurrage at the port in India. When the Committee enquired how payment of demurrage by Government could arise in this case when the firms were sending the sleepers at their own risk disregarding the protests of the Railway Board's representative on the spot in Australia, the Chairman of the Railway Board observed that the unloading of the ship in India by the Railways did not impose any liability on them (as consignee) to make payment for the unapproved sleepers.

21. *The Committee feel that by giving the instruction that the consignee Railway in India "could work on the assumption that these two species will eventually be accepted," the Member (Engineering) had acted beyond his powers. These instructions had in fact turned out to be tacit encouragement to the firms for sending further shipment of the unapproved species. For against their total contracts for 520 thousand sleepers, the firms had supplied only about 39 thousand numbers till the end of March, 1959, of which about 4½ thousand sleepers were of the three unapproved species. It was only during the period May, 1959 to end of September, 1959 (upto which the firms were given an extension of time) that the firms had shipped 51,055 sleepers of the unapproved species.*

Another aspect of this transaction is that whereas on the 21st March, 1960, the Ministry had categorically repudiated the acceptability of the sleepers in the unapproved species under the terms of the contract, the species became acceptable on the 23rd March, 1960 after the matter had been reopened at the instance of the Australian authorities. It was contended on behalf of the Ministry that there was no contradiction between the two inasmuch as the repudiation on the 21st March was based on the letter of the contract which had been fully discharged already and the subsequent acceptance of the species was extra-contractual to meet the unrequited demand of the Railways for sleepers. It was urged that even on the earlier date the Ministry were fully convinced of the acceptability of the supplies in the three species on technological grounds. If so, the Committee could not appreciate the categorical refusal to accept the species on the 21st March when the additional demand for sleepers continued to be pressing. The Committee's attention has been drawn in this connection to the following orders passed by the Minister of Railways on 11th March, 1960 which formed the basis of the Ministry's refusal on the 21st March, 1960 referred to above:—

"I am afraid, we are not in a position with the technical report from the F.R.I. to include these three species in the

acceptable category, though the case for their non-inclusion also is not very strong.

The question of purchasing these species does not arise at all. . . .”

In the light of this, the categorical observation made before the Committee by the Chairman, Railway Board, that “the Ministry is assured at the highest level that, on all data available, it (the timber in the three species) was technically acceptable” is not substantiated.

22. As regards suitability of the sleepers in question, the Committee understood that a complaint had been made by the Divisional Superintendent, Eastern Railway indicating that about 15% of the sleepers of these species had cracked. *While the Committee would await the result of the enquiry promised in this regard, they feel, in the light of their observations in the above paragraphs, an enquiry is called for to ascertain whether undue concessions were shown or improper encouragement given to the Australian firms in this deal.*

23. In the course of evidence the Chairman, Railway Board informed the Committee that the price paid for the sleepers of the unapproved species was reasonable (being 25% lower than the average rate fixed under the contract) and it would not be correct to assume that the price had not been “tested by tender”. It is not clear on what basis the reduction of 25% was decided upon. According to the revised opinion of the New South Wales Railway Administration received in May, 1959 the average life of the unapproved species was assessed as 12 years if unplated and 15 to 16 years if sleeper plates were used. *The Committee desire to be furnished with a note as to how the reduced price was fixed for the sleepers of the unapproved species and the life expectancy assumed for them.*

Southern Railway—Excess payments to handling contractors for shipment of coal—para 20—

24. A contract was entered into in November, 1954, by the then Chief Mining Engineer, Railway Board with two firms of shipping agents, who supervised shipment of coal from Calcutta to ports in South India for the Southern Railway. This contract subsisted during the period from the 1st September, 1953 to the 29th February, 1960. The contractors were required to make payment to the collieries in the first instance for coal intended for the Railway on the basis of the invoiced weight, and also to make payment of other incidental charges such as railway freight, port charges etc. Reimbursement of the amounts to the contractors was to be made in accordance with Clause 21 of the respective agreements which provided that the contractors would submit bills, duly pre-receipted, in respect of the quantity of coal certified by the surveyor as having

been actually shipped by the particular steamer on actual cost basis, i.e. for all the actual expenditure incurred by them against that shipment. It was found that the weight so assessed by the surveyor was generally greater than the "invoiced weight" of the consignments booked from the collieries. This disparity was reported by the Southern Railway in December, 1956, March 1957 and September 1957 to the Deputy Coal Controller, who had taken over the functions formerly performed by the Chief Mining Engineer. The Deputy Coal Controller advised the Southern Railway in November, 1957 that the contractors should be paid on the basis of the "manifest quantity" (i.e. as assessed by the surveyor). The Railway Board to whom the matter was referred by the Railway examined the question in November, 1948, and also consulted the Ministry of Law. The two Ministries were agreed that Government could legitimately refuse to pay for any quantity of coal in excess of the 'invoiced weight'. The Railway Board advised the Southern Railway accordingly in May, 1959 who had in the meantime withheld payment to the contractors for quantity in excess of the invoiced weight. The contractors felt aggrieved by this decision and threatened stoppage of work. According to them the variation between the "manifest quantity" and the "invoiced quantity" arose on account of inclusion of coal received through "unconnected" wagons (i.e. wagons received in the docks without identification labels to indicate to whom they were consigned) and shipped to the Railway by the contractors. The contractors agreed in October, 1959 to give a certificate to the effect that they had paid for such "unconnected" coal and that they would indemnify the Railways against any claims that might arise out of such payments. The contractors, however, did not subsequently implement this undertaking to the satisfaction of the Southern Railway.

In December, 1959, the Deputy Coal Controller referred the disputed provision of the agreement independently to the Solicitor to the Central Government in Calcutta. The Solicitor gave his opinion that the certificate of the surveyor was binding on both the parties and that payment was to be made on that basis; but he also indicated that the contractor would be entitled to be paid "the actual expenditure incurred by him" against each shipment.

The Deputy Coal Controller informed the Railway Board on the 18th January, 1960 that in terms of clause 27 of the contract under which his decision was final in the event of disputes under the contracts, the contractors were entitled to receive payments on the basis of weight certified by the surveyor to have been loaded into the hold of the ship.

At a meeting of the representatives of the Ministries of Railways, Steel, Mines and Fuel and Law, when the Coal Controller was also present, it was felt that in the circumstances it would be difficult to persuade the contractors to accept the Railway Board's view. Subsequently on 22nd February, 1960, at a meeting of the contractors arranged by the Railway Board, an *ad hoc* settlement was reached according to which the contractors were to be paid on the basis of 'manifest quantity' upto the 31st March, 1959 and thereafter on the basis of 'invoiced weight' till the termination of the contract i.e. the 29th February, 1960.

The total excess payment to the contractors on account of difference between the 'manifest quantity' and the 'invoiced quantity' had been estimated at Rs. 15.37 lakhs for the period from 1st September, 1953 to 31st March, 1959.

25. The Committee enquired why the Deputy Coal Controller did not insist on the production of clear proof from the shippers in support of their having paid the price of coal to the collieries before certifying their bills. The representative of the Department of Mines and Fuel (who was assisted by the Coal Controller also) stated that it was not possible for the shippers to produce such evidence in all cases. In the case of unconnected wagons the collieries sent the bills to the contractors to whom the wagons were sent and the latter had to pay them, whether they received the consignment or not. In his opinion, the agreement was for the payment of the actual cost on the basis of manifest weight. The Committee enquired whether the shippers had paid to the collieries on the basis of the manifest weight. The witness replied that the price of coal, the port charges, the railway freight etc. and the tonnages supplied as per manifest weight being known, the actual cost could be worked out.

26. The Committee do not find the above explanation satisfactory. *In their opinion, the weight of the shipments on the basis of which the collieries were paid the price of coal, was the most important factor which the Deputy Coal Controller should have verified with reference to the documentary evidence, before he certified the bills. Since in regard to the actual price of coal paid to the collieries the manifest weight is not relevant, the explanation given begs the question. Although Clause 21 of the contract is defectively worded the Committee feel that it cannot reasonably be interpreted to mean that, at least so far as the price of coal is concerned, the actual expenditure reimbursable to the contractor was the payments made by him to the collieries on the basis of manifest weight.*

Again, the Committee learnt that the manifest weight was in several cases in excess of the invoiced weight plus the weight of the unconnected wagons and this fact was brought to the notice of the Deputy Coal Controller by the Railway authorities. Normally due to losses in transit the manifest weight should have been less than the invoiced weight plus the weight of the unconnected wagons. In a reference to the Dy. Coal Controller, the Ministry of Railways had clearly stated that the legal implications of the matter having been considered, they were satisfied that the Railway was within its right to refuse to pay for any quantity of coal in respect of which there was no proof of the contractor's having incurred actual cost within the terms of the contract. Despite this, the Deputy Coal Controller with the concurrence of the Coal Controller and in consultation with the Central Government Solicitor at Calcutta decided that payment should be on the basis of the manifest weight completely ignoring that part of the provision in the contract that the reimbursement to him should be of all the actual expenditure incurred by him against a shipment. This decision was purported to have been taken in terms of Clause 27 of the agreement under which his decision was to be final in the event of disputes in relation to the interpretation of the contract. The Committee are at a loss to understand how the occasion arose for the Deputy Coal Controller to invoke Clause 27 as sanction for his views. *In their opinion it was wrong on the part of the Deputy Coal Controller to have invoked clause 27 without giving an opportunity to the Ministry of Railways to explain the legal basis of their view.* It was urged in extenuation that no harm had been done by his decision, firstly because it was not communicated to the contractors and secondly it was not binding on the Railway Board to accept it. The Committee are unable to understand the latter plea. From the copies of the relevant records furnished to them, the Committee notice that in considering the reasonableness of the final settlement, the Ministry of Law had referred to the finality of the Deputy Coal Controller's decision in terms of Clause 27 of the contract, as a particularly unfavourable factor. It is also mentioned in the Law Ministry's note that at the meeting held with the contractors when the whole question was discussed thread-bare the contractors leaned too much on the Deputy Coal Controller's decision in terms of clause 27 of the contract. *The Committee, therefore, find it difficult to be persuaded that no damage was done by the decision of the Deputy Coal Controller to the case of the Southern Railway.*

27. To conclude, the Committee are unhappy to note that the handling of the case at different stages by the Deputy Coal Controller was indicative of special pleading on behalf of the contractors; he failed in his duty in not having insisted on proof of payment by the contractors in respect of the quantities in excess of

the invoiced weight, particularly after the discrepancies between the invoiced weight and the manifest weight were brought to his notice. The contractors finally accepted the payment for 11 months, from 1st April, 1959 to end of February, 1960 on the basis of the invoiced weight. *This fact makes it demonstrably clear that the alleged difficulties in establishing the correct invoiced weight were not real and that the contractors, though aware of the weakness of their case, thrived on the lapses of the Dy. Coal Controller. The Committee, therefore, feel that a thorough inquiry into the case is called for.*

Central Railway-contract for the clearance of sea-borne stores—para 21—

28. (i) A firm of contractors who had been doing the work of clearance of imported stores at Bombay Port at the rates accepted by the ex-G.I.P. Railway (now Central) in 1946 quoted lower rates for the same type of work in response to open tenders invited by the Western Railway in December, 1956 and offered the same lower rates to the Central Railway also. A decision on this offer was, however, not taken by the Central Railway Administration until April, 1959. When in April, 1959 the Administration conveyed their acceptance of the offer at lower rates with retrospective effect from 1st January, 1957 the firm stated that their offer had lapsed by reason of the Railway's acceptance and payment of their bills at the original rates. They, however, agreed after discussion to accept lower rates from 1st January, 1959. The overpayments upto December, 1958 by reason of the delay in acceptance of the lower offer amounted to Rs. 2.20 lakhs. The question of delay of more than two years was examined by an Enquiry Committee appointed in August, 1960. After considering the report of the Enquiry Committee, the Ministry of Railways held that the former Deputy Controller of Stores, who had retired in July, 1958, was primarily responsible for the delay and a small residual amount of special contribution to Provident Fund, which had not been paid to him, was forfeited.

(ii) Payments were also allowed to the same firm in respect of assembled locomotives, coaches, cranes, etc. landed on their own wheels in the docks direct from the ship's hold and packages unloaded direct by the ship's cranes into wagons, although these items were not specifically provided for in the contract and little or no labour was involved in their clearance. The question was specifically raised by the Controller of Stores when the acceptance of lower rates offered by the firm in December, 1956 was under consideration. The firm was warned on 31st December, 1959 that the payments made to it in respect of fully assembled stock should be deemed to be erroneous but that the Administration would consider outside the contract its claim for labour and work involved in their

clearance. After negotiations a compromise was ultimately reached according to which the firm agreed to refund to the Railway a sum of Rs. 3·20 lakhs in full settlement of all claims.

29. At the instance of the Committee, a note* was furnished to them indicating the time taken at the different stages in processing the case:—

18-12-56: The Controller of Stores agreed that financial concurrence should be obtained to the adoption of the new schedule of rates as accepted by Western Railway and offered by the Contractor by cancelling the Central Railway's schedule.

9-2-57: Above proposal sent to the Accounts Office for concurrence before getting General Manager's sanction to entering into a revised agreement.

14-5-57: Having regard to the larger quantum of work on the Central Railway than on Western Railway and the consequent likelihood of obtaining more competitive rates than even the lower rates of the Western Railway offered by the contractor, the Accounts Office suggested fresh advertised tenders.

28-6-57: The Controller of Stores replied, pointing out the desirability, with the immediate prospect of large imports, of continuing an experienced contractor who was well equipped, as well as the advantage, in the public interest, of having the same contractor with the same rates for the two Bombay Railways.

6-8-57: The Accounts Office pointed out again the prospect of even more advantageous rates than the lower rates of the Western Railway if tenders were invited.

23-9-57: The Controller of Stores wrote back reiterating the advantages of continuing the existing contractor but substituting the Western Railway's rates.

14-10-57: The Accounts Department finally agreed to the above proposal if the Controller of Stores was satisfied about the financial advantages and provided also the contractor agreed to its operation from the date the rates took effect on Western Railway and provided further the arrangement was to be for a limited period until fresh tenders were invited.

19-11-57, 4/6-12-57 and 21-5-58: Demi-official reminders to the Dy-Controller of Stores from the Senior Accounts Officer (Stores), Dy-Financial Adviser and Senior Accounts Officer (Stores) were issued on the respective dates mentioned above.

3-7-58: The Controller of Stores wrote to the Accounts Office confirming the financial advantage to the Railway and agreeing to

*Not printed.

consider the invitation of tenders in due course. This letter is reported as not having been received in the Accounts Office.

31-3-59: The Controller of Stores wrote to the Accounts Office requesting financial concurrence as a final step, before obtaining General Manager's sanction to continue the existing contractor with the Western Railway's lower rates—inviting attention to the earlier letter of 3-7-58.

1-4-59: The Accounts Office replied pointing out that the proposal had, in fact, been accepted in their letter of 14-10-57.

21-4-59: The Controller of Stores communicated to the contractor the acceptance of the offer dated 5-12-56 on the understanding that it would have retrospective effect from 1-1-57.

30. The representative of the Ministry of Railways stated in evidence that the delay in taking a decision in this case was mainly attributable to the inefficiency in the office of the Controller of Stores. The Ministry were not satisfied with some of the findings of the Enquiry Committee and the Railway Administration had been asked to review the matter further. Instructions had also been issued to all concerned to avoid recurrence of such cases.

31. The Committee are astonished to see the inordinate delay in the office of the Controller of Stores in pursuing the case at every stage. They are unable to be persuaded by the explanation of the Ministry. *In their opinion if the Controller of Stores really meant business, he would not have taken so much time especially when the Accounts Office was also stationed at the same place. Obviously the financial interests of Railways were not uppermost in his mind. The Committee feel that he had been let off lightly.*

32. *The Accounts Department is also not free from blame in this matter. It is not clear to the Committee why the Accounts Department should not have accepted in February, 1957 the unconditional offer of lower rates by the firm on a provisional basis without prejudice to the right of the Railway to call for fresh tenders. Again, even after acquiescing in the proposal of the Controller of Stores in October, 1957, they went on passing the bills of the firm at the old higher rates regardless of the overpayment involved. Nor did they warn the firm that pending consideration of their offer dated the 5th December, 1956 payments on the basis of the earlier rates should be regarded as provisional.*

The Committee note that the matter is being reviewed further as the Ministry are not satisfied with the findings of the Enquiry Committee. They would like to be informed of the results of the review.

33. With regard to the overpayment in respect of clearance of fully assembled stock viz. locomotives, coaches, etc. the Committee were informed that at the time of entering into contract with the firm in 1946, it was not visualised that fully assembled locomotives would be unloaded. Later in 1950 when this matter was considered it was felt that considering the rates in the contract as a whole they were reasonable. In 1959 when the matter was considered again, it was decided that there should be distinction. It passes the comprehension of the Committee how such an obvious fact that little or no labour was involved in the clearance of locomotives, coaches, etc. landed on their own wheels or packages loaded direct into the wagons by the ship's cranes was lost sight of for such a long time by all those who, either examined the terms of the contract or were responsible for making payments to the firm. They are given to understand by Audit that the amount paid (erroneously) to the firm for loading a locomotive of 87 tons weight was Rs. 4,959 as against Rs. 957 to a new contractor from 1960; and computed on this basis, the net amount overpaid to the firm would be of the order of Rs. 26.91 lakhs. *If so, the Committee question how the repayment of Rs. 3.20 lakhs by the firm in full settlement of all claims is considered by the Ministry to be a "reasonable settlement in all the circumstances of the case." The Committee feel that this case requires a thorough investigation.*

North Eastern and North-East Frontier Railways—Loss due to deterioration of sleepers at Sleeper Treating Plants—Para 22—

34. The Railway Board purchased large quantities of wooden sleepers from the Government of Assam in 1954, but the Sleeper Treating Plant at Naharkatiya was not able to cope with the work. The N. E. Railway Administration had informed the Railway Board in November, 1954 and again in February, 1955 that they would not be in a position to treat all the sleepers that were proposed to be accepted from the Assam Government and that the Railway would be forced to suffer a heavy loss. The Railway had also proposed the adoption of open tank treatment at Naharkatiya as a prophylactic measure to prevent deterioration. But the open tank for prophylactic treatment could also not be brought into use at Naharkatiya. It was only in December, 1955 that instructions were issued by the Railway Board to move the surplus sleepers to Clutterbuckganj for treatment. As soon as the first consignment was received in February, 1956, the Superintendent, Clutterbuckganj Treating Plant reported that a considerable percentage of the sleepers was much below specification and unfit for treatment. An inspection carried out in December, 1956 showed that 21,975 sleepers had deteriorated resulting in a loss of Rs. 2:59 lakhs excluding freight, handling and other charges.

35. In extenuation it was urged before the Committee that the Railway Board had satisfied themselves before the purchase of the sleepers that arrangements for their treatment at Naharkatiya were available. The scheme for expansion of Naharkatiya plant by installing an open tank, was initiated mainly with the object of increasing the Railway's capacity for treating all the sleepers locally. Besides this, it was also decided to increase the creosoting capacity of other depots by multiplying the shifts. However, due to wide spread breaches on the route, inadequate supply of creosote—reasons beyond their control—the extra plant could not be set up at Naharkatiya and the removal of the sleepers to Clutterbuckganj was also delayed.

36. In a note *sent to the Committee in September, 1961 it has been observed by the Railway Board that:

“Admittedly the Railway Administration should have shown greater vigilance and taken special measures to minimise the delays or ordered the transfer of the sleepers to Clutterbuckganj much earlier, as both the plants were under the control of the same administration. This aspect of the matter has been taken up with the Railway in the letter of the 25th July, 1961 from the Railway Board.”

The Committee find from the letter of 25th July, 1961 from the Railway Board to the North Eastern Railway that the responsibility for the failure to effect the transfer of the sleepers was clearly that of the then Chief Engineer who had retired five years ago. *The Committee do not see why this aspect of the matter has been taken up by the Railway Board as late as July, 1961 although the unsatisfactory state of affairs at the Naharkatiya Plant warranting enquiry were brought to their notice in 1955 and 1956. This is yet another case where because of delay in investigation the delinquent officer retired without punishment. The Committee would suggest that an inquiry be made into the causes for this delay of 6 years.*

Delay in the recovery of interest and maintenance charges in respect of assisted sidings—Para 27—

37. The recovery of interest and maintenance charges in respect of assisted sidings had not been satisfactory on some of the Railways and substantial amounts were outstanding from several firms.

Eastern Railway:

38. The terms and conditions of certain old agreements on this Railway for the construction of assisted sidings did not conform to the

*Not printed.

codal provisions which prescribed an annual recovery on account of interest and maintenance charges at $8\frac{1}{2}\%$ of the cost of siding borne by the Railway. Most of the agreements provided for the recovery of these charges at specific rates only on receipt of a notice by the party from the Railway Administration of termination of the agreement on account of insufficient traffic. A few agreements required the party concerned to make up a guaranteed return on the railway capital outlay if the siding charges recovered on the traffic booked over the siding did not come up to this percentage. Annual reviews of the earnings from the sidings and issue of notices to the siding owners, where necessary, were not done systematically. Although in August, 1951, special instructions were issued by the General Manager to expedite this work by September, 1960 the review of 339 industrial sidings and 842 colliery sidings for the period 1953-54 to 1959-60 was still in arrears; the review outstanding for previous years having been waived by the General Manager. There was no up-to-date list of industrial and colliery sidings upto May, 1960 on the basis of which a review could be carried out. The outstanding charges recoverable on various counts in respect of sidings amounted to Rs. 16.19 lakhs.

39. In evidence, it was urged before the Committee that the delay in completion of reviews of sidings on the Eastern Railway was mainly due to non-availability of certain details *viz.* cost of construction and difficulty in assessing remunerativeness of the sidings, which were constructed as early as 1870. In the absence of records it was now proposed to recalculate the capital cost of some of the sidings on the basis of existing assets. It was claimed that substantial progress had since been made by the Railway in the review of sidings and recovery of outstanding charges.

40. *The Committee deplore the delay of nearly 10 years in implementing the special instructions issued by the General Manager in 1951. Failure to conduct systematic annual reviews of the earning from the sidings with a view to determining how far they were unremunerative and to recover the dues from the parties had deprived the Railway Administration of its legitimate revenue. The Committee note that efforts (though belated) are being made by the Railway Administration to recover the arrears on the basis of current review. They will, however, urge the imperative need for an up-to-date list of sidings and timely review thereof so that recoveries from the parties concerned are prompt.*

North-East Frontier and North-Eastern Railways

41. The position of recoveries of interest and maintenance charges for assisted sidings on the North-East Frontier Railway was also un-

satisfactory and it was agreed in 1957 that no siding should be maintained without reimbursement of interest and maintenance charges. **Fresh agreements** on a standard form were to be executed with all the siding owners and the revised agreements were to come into force with effect from 1st April, 1958. The Railway Administration had, however, not finalised the standard form till May, 1961.

On the North-Eastern Railway siding registers were not maintained properly in the Accounts Office. The registers included large number of sidings which had been closed or were not in use and the amounts shown outstanding against them were not realistic.

42. In evidence, it was stated that the abnormal conditions prevailing on the NEF Railway after partition and the dislocation of work caused by frequent organisational changes stood in the way of speedy completion of the work. *While the Committee appreciate the difficulties encountered by the Railway Administration, they regret to observe that the Administration took more than 3½ years to devise a standard form of agreement to be entered into with the siding owners. The laxity in maintenance of proper accounts by the Accounts Office of the N.E. Railway is also deplorable and calls for stern action.*

Northern Railway

43. The agreements governing the sidings in three Divisions which were transferred from the East Indian Railway in 1952 contained a provision for their termination on six months' notice, if, in the opinion of the Railway Administration the traffic was inadequate to justify the retention of the sidings. Otherwise, the parties had to pay interest and maintenance charges fixed by the Railway. The annual review due for 1946-47 was completed in May, 1951 which indicated that 47 sidings were unremunerative. Bills for payment of interest and maintenance charges were sent to the firms concerned but no recoveries could be effected in view of the protests from the firms that the deterioration in traffic was due to factors beyond their control. The General Manager of the East Indian Railway agreed in March, 1952 to examine each case on its merits and asked the firms to honour the bills in the meanwhile. The firms did not make payments and it was decided three years later in April, 1955 that the firms should submit facts in support of their objections. Ultimately in 1956-57 all the bills amounting to Rs. 1,43,474 were withdrawn by the Northern Railway, one of the reasons being that proper notices had not been given to the firms by the East Indian Railway Administration in time. As a result of reviews for subsequent years, large amounts were found to be outstanding both against Government Departments and private bodies.

44. It was admitted in evidence before the Committee that had the annual review been prepared and bills sent to the firms in time, the amounts due under the terms of the agreements could have been collected. *The Committee deprecate the tardy manner in which the collection of legitimate dues was processed by the Railway Administration at different stages.*

General

45. The preceding paragraphs indicate beyond doubt the unsatisfactory position in the matter of recovery of maintenance and interest charges in respect of assisted sidings by the Railway Administration. Similar was the situation in regard to recovery of siding charges and the Committee in para 31 of their 15th Report (1958-59) have impressed upon the need for devising a uniform formula for levying siding charges. For the same reasons the Committee would suggest that in respect of recovery of maintenance and interest charges also there should be a uniform formula as it will put an end to disputes arising out of old concessions given in the past for various reasons and facilitate speedy recovery of the charges. The Committee note that action is being taken in this direction by the Railway Administration. *They are, however, not satisfied with the pace of progress. They accordingly recommend that the Ministry of Railways should consider the feasibility of appointing a special team to review the old agreements and bring them over to the new pattern and fix a target date for this purpose.*

South-Eastern and Western Railways—Overpayments in connection with the execution of earth work on projects—para 28—

46. Three cases of overpayments to contractors estimated at about Rs. 19 lakhs in all on certain construction projects as a result of upward revision of the classification of soils by District Engineers were reported in the Audit Report, 1960. It was stated that the officers concerned were under suspension and the allegations against them were being investigated by the S.P.E. The following further cases of such overpayments in the South-Eastern and Western Railways have been reported in the Audit Report, 1961.

South-Eastern Railway

(1) In one doubling project the Vigilance Cell reviewed in June, 1959 the earth work classification on small portions of two sections and observed that *“the classification given in the earth-work registers did not bear any relation whatever to the actual nature of the soil existing”*. It was further observed that the officer had given final

classification of 6 and 4 miles of earth work and secured the contractor's acceptance thereto in one day, that lower categories of soil had been deleted altogether and the quantities in the higher categories had been greatly increased. The excess payments were assessed by the Vigilance Cell on the two sections at Rs. 4.24 lakhs and Rs. 1.66 lakhs respectively. In July, 1960 an officer of the rank of Engineer-in-Chief reviewed the matter and assessed the overpayments at Rs. 2.27 lakhs and Rs. 1.07 lakhs respectively. He also observed that the assessment by the Vigilance Cell was exaggerated and completely divorced from practical realities. The Administration accepted these findings and the overpayments were recovered from the contractors. The District Engineer concerned had already been suspended in connection with another case reported in the previous Audit Report.

(2) On some doubling projects, the contractors were paid additional charges for the operations of "excavating the earth and carrying to, and spreading it on the bank" although these operations were included in the original earth-work rates. The overpayments made to the contractors on this account estimated at Rs. 3.95 lakhs were recovered. It was stated that the erroneous payments were due to *"the adoption of a certain interpretation of the schedule for which it is difficult to blame any one"*.

Western Railway

(3) In March, 1957, October, 1957 and March, 1958 the Accounts Department pointed out that in certain "on account" bills for earth-work on a doubling project the initial classification had been upgraded by the engineers from soft rock to hard rock. In some cases the classification had been altered more than once necessitating further payments in respect of some works even though the contractors had already given 'no claim' certificates. While preparing the final bills in January, 1959 the Executive Engineer concerned assessed further payments of about Rs. 6 lakhs as due to the contractors in respect of 12 contracts and overpayments amounting to Rs. 9 lakhs as recoverable in the case of 15 other contracts. The Deputy Chief Engineer, who made a further assessment, recommended an additional recovery of Rs. 8 lakhs in the case of 21 contracts. But in regard to 2 contracts (in which he had himself classified the soil as hard rock in the on account bills in his capacity as Executive Engineer) he did not accept the downgrading of the classification as assessed by the Executive Engineer but proposed an additional payment of Rs. 1.93 lakhs to the contractors. In view of the large differences in the assessment made by different officers the Engineer-in-Chief after inspecting the entire length of the cuttings reassessed the classification of soil and computed in September, 1959 a further recovery of Rs. 21.37 lakhs

as due over and above the recovery of Rs. 3 lakhs initially assessed by the Executive Engineer. While a sum of Rs. 18·96 lakhs had been recovered from the dues of different contractors, 12 contractors had sought arbitration. The cases were under investigation by the S. P. E.

(4) In connection with the bridge work on a doubling project, coffer dams were stated to have been put up during 1957-58 at a cost of Rs. 4·77 lakhs at 39 bridges. Following an anonymous complaint, a Fact Finding Committee was appointed in April, 1959 which submitted its report in September, 1959. According to the report of the Committee, the coffer dams at 5 places were unavoidable, whereas the expenditure of Rs. 3·17 lakhs on the remaining 34 projects, the very construction of 10 of which appeared to be fictitious, was avoidable. The disciplinary proceedings were stated to be pending because the officer who was primarily responsible had proceeded on sick leave abroad for an eye-operation.

47. In evidence before the Committee, it was stated by the Chairman, Railway Board, that it was not possible to determine the nature of the soil in earth-work before it was actually dug. The classification of earth-work was an act of personal judgement of the Engineer on-the-spot and was inherently subject to a margin of error. The Railways had experimented with a large and a smaller number of categories of earth-work and had also adopted, where possible, a consolidated rate for earth-work. An absolutely objective system could still not be obtained. Ultimately the Ministry had come to the conclusion that irregularities of the type mentioned in the Audit Report could only be checked by proper vigilance, care and intensive inspection by superior officers. Accordingly adequate instructions had been issued by the Ministry of Railways.

48. The Committee are very much perturbed to find these irregularities and the magnitude of overpayments involved in these cases. While they recognise the scope for a margin of error in classifying earth-work, the wide variations (diametrically opposite in some cases) pointed out by Audit cannot by any stretch of imagination be regarded as marginal errors.

For instance, in the case relating to Western Railway, the Executive Engineer assessed the overpayment due to such wrong classification at Rs. 3 lakhs; the Dy. Chief Engineer raised it to Rs. 8 lakhs and the Engineer-in-Chief computed a further recovery of Rs. 21·37 lakhs.

Again in another case, a Dy. Chief Engineer proposed an additional payment of Rs. 1·93 lakhs in two cases (dealt with by him earlier

as Executive Engineer) although his successor had assessed an overpayment in those cases. *In the opinion of the Committee, these instances establish beyond doubt a grave abuse of power. It is a pity that the Cassandra-like observations of the Railway Corruption Enquiry Committee, 1953—55 that “the officers can favour the contractors by over-measurements or more favourable classification of execution” were not given the attention they deserved and proper safeguards devised to prevent such abuses. The Committee find it difficult to accept the plea of personal equation in extenuation nor share the complacency of the Chairman, Railway Board. As already pointed out by them in their 33rd Report (1960-61) the irregularities seem to be of a widespread nature having spread to the Western Railway. Unless prompt and deterrent action is taken in time, it may become difficult to combat the evil in the context of large scale construction of new and doubling up of lines as part of the Plan.*

49. In a note* submitted to the Committee it has been stated that the disciplinary action against the officials held responsible for the avoidable expenditure in the construction of coffer dams could not be proceeded with after the Fact Finding Committee had submitted its report in 1959 firstly because the S. P. E. was investigating the matter upto May, 1960 and thereafter because the officer who was primarily responsible in this case proceeded on sick leave from July, 1960. Such procrastination and belated investigations will nullify the curative effect of the investigation. *The Committee have on more than one occasion (cf. paras 30 of 5th Report and 13 of 13th Report—First L.S.) emphasised that suitable departmental action should be taken against the employees in cases of irregularities committed by them without waiting for criminal prosecution. They trust that the Railway Administration will process the departmental enquiries against the officials concerned expeditiously and bring to book those adjudged guilty.*

Default in payment of sale proceeds of railway tickets by travel agents—para 32—

50. The above para mentioned two cases of default by Travel Agents in regard to remittance of sale proceeds of railway tickets. The firms had been granted recognition by the Ministry of Transport as approved Travel Agents before the Railway entered into agreements with them. The Committee examined in detail the case relating to the first firm.

*Not printed.

The firm was granted recognition in April, 1953 by the Transport Ministry as an approved Travel Agent. It was recognised that the past performance of the Managing Director of the firm would not justify the grant of recognition but on the basis that he was the only one functioning in Banaras, the firm was recognised for the one year in the first instance. Subsequently the recognition was confirmed in August, 1953. In August, 1954 recognition was accorded to a branch of the firm at another place for a period of six months in the first instance, subject to a review of its working after the expiry of this period. The Northern Railway Administration did not mention this fact in the notification issued by it to other Railways nor did it review the position after six months. The firm was also supplied tickets for sale from this branch without further agreement or additional security deposit.

The initial security deposit of Rs. 5,000 representing the estimated average value of one and a half month's transactions was to be revised after three months in terms of the agreement if the average monthly transaction during the period exceeded the estimated amount. No action was, however, taken by the Railway Administration to review the monthly transactions till May, 1956 (for three years) when the firm was asked to pay an additional sum of Rs. 25,000. This figure was later (in April, 1957) reduced to Rs. 20,000 on the basis of the then average figures.

The firm delayed making monthly remittances of sale proceeds in June and December, 1955, and the delays became chronic from July, 1956. On the 2nd April, 1957 the firm was asked to pay up before the end of the month the additional security deposit and all the outstanding dues (Rs. 1,00,150 upto end of February, 1957) failing which the agreement was to be terminated. Though the firm did not pay off the dues it was allowed to continue the sale of tickets. Nor did it furnish the additional security. While the further issue of tickets was stopped in September and December, 1957, no action was taken to withdraw the stock in possession of the firm, which sold tickets worth Rs. 1.26 lakhs after December, 1957. Blank paper tickets were also supplied direct by the Printing Press and the indents were not even vetted by the Accounts Office.

In September, 1958 the supply of tickets was recommended on the execution of a fresh agreement by the firm to pay up the dues, but the firm did not strictly comply with the conditions of the agreement. In December, 1958 when the question of stopping the agency was raised, the firm showed the Railway Administration cheques for Rs. 15,000 without, however, actually delivering them. Subsequently a cheque given by the firm in December, 1958 was also

dishonoured. The sale of tickets was ultimately stopped from 1st March, 1959, by which date the outstandings against the firm amounted to Rs. 2.35 lakhs. A civil suit for the recovery of the amount was filed in April, 1960. The question of fixing responsibility for the various lapses/omissions was stated to be under consideration of the Railway Administration.

51. In evidence, it was admitted that the Railway Administration had failed to review the working of the agency and its branch office with a view to fixing the security deposit and also to examine the question of granting extension of recognition to the Branch Office. The precise reasons for this mistake could not be ascertained as the officers concerned had retired from service. In reply to a question, however, the Committee were informed that the officers concerned with this case had retired during the period December, 1956 to 1960—long after the case had come to light. If so, the Committee do not feel satisfied at the above explanation. *When the Railway Administration had knowledge of the past performance of the Managing Director of this firm, it should have been obvious to any responsible officer that a close watch was called for in the matter of prompt realisation of the sale proceeds of tickets. There has been gross neglect of the financial interests of the Railways.*

52. It has been pointed out in the Audit Report that according to the Railway Administration the extensions to the firm from time to time were allowed at the highest level in the Administration and the senior officers responsible did so “in the full and *bona fide* belief that they were acting in the best public interests for the purpose of recovering the Railway’s dues without involving the Railway in prolonged and costly litigation;” and the consideration that unless the firm was kept in business, it might not be possible to realise the arrears, impelled them to allow the firm to continue to sell Railway tickets.

The Committee are astonished at this defence. It is inexplicable why the Railway Administration had chosen to be so indulgent to this firm. It is also surprising why no action was taken by the Ministry of Railways although the fact that the firm was defaulting was brought to their notice during the four year period. They are assured that instructions have been issued to guard against such cases in future. *They would like to be apprised of the final outcome of the recovery from the firm.*

53. *The Ministry of Transport and Communications are not also blameless in the matter. Having recommended the agency with a*

not altogether satisfactory record, that Ministry should have watched its working by calling for reports from the Railway. Similarly in regard to the second firm the Ministry decided to include it in the list of recognised travel agents for a period of one year in the first instance because of its unsatisfactory financial position. After a year the Ministry decided that the firm was financially sound and no further action was called for on this account. The Committee regret to state that in this case also the Ministry of Transport and Communications have not kept a close watch on the working of the firm as they should.

The Committee are informed that a procedure has since been drawn up by which a close watch will be kept over such agencies. They trust that the result of such reviews will be communicated in time to Railways (and other agencies) to enable them to take action wherever necessary.

South-Eastern Railway—Non-remittance of cash collections by a City Booking Agency contractor—Para 33—

54. A contractor entrusted with the working of a city booking agency did not remit the earnings from 4th March, 1954 to 2nd April, 1954 aggregating to Rs. 32,268. According to the agreement he was required to deposit the cash collections *daily* in the Town Treasury and send the Treasury remittance notes through the Station Master to the Chief Cashier of the Railway for onward transmission to the Accounts Office. The default went unnoticed for nearly a month.

A telegram was issued from the Cash Office on the 23rd March, 1954 asking for immediate remittance of the detained earnings, but this was not followed up. Early in April, 1954 when the contractor did not produce his records for inspection, enquiries about the position of his daily remittances were made and the city booking agency was closed from the 9th April, 1954. The contract was terminated from the 2nd August, 1954.

On prosecution, one of the partners of the firm and its supervisor were convicted by the Court, but, while an appeal from the contractor was still *sub-judice*, the case was compounded on the advice of the Public Prosecutor and in consultation with the Railway's Law Officer.

As the contractor failed to comply with the terms of the settlement a civil suit had since been filed against him for recovery of the outstanding amount. (Rs. 16,445).

55. In extenuation of the failure of the Accounts Office to detect the non-remittance of daily earnings by the contractor it was urged that there were about 12,000 stations on the Railways which sent daily reports of cash collections and it was difficult to exercise a hundred per cent check on these transactions. Instructions had, however, since been issued to the effect that the accounts of the city booking offices should be subjected to a hundred per cent check. It was added that the Station Master and the Cash Office were merely transmitting agents and were not primarily responsible in the matter. The Committee are unable to accept this view. In their opinion, the Station Master was expressly charged with the duty to see that the Treasury remittance notes were duly received and transmitted to the Accounts Office in time. Otherwise, there was no purpose in routing the remittance through him. *They regret to note that the question of fixing responsibility of the Station Master in this matter was not pursued before he retired.* According to the Audit Report the Railway Administration had admitted that "the disciplinary action against the Station Master was not processed as it was considered that this would prejudice the criminal case which was then going on against the contractor, and after the criminal case was compounded, this aspect was unfortunately not pursued". It is surprising why the Railway Board have chosen to take a different stand before the Committee. *The Cash Office also was to blame, as it did not pursue the matter after having taken it up with the Contractor. The Committee are unhappy that the disciplinary aspects of this case were not properly considered by the competent authority.*

56. *Even in the matter of pursuing the case with the contractor there had been a delay of nearly 3 years (between July, 1957 and March, 1960) on the part of the Railway Administration in instituting civil action against him. The Committee deplore such delays in a Commercial Department like the Railways.*

Eastern and North-Eastern Railways—Irregularities in the sale and accountal of tickets by a contractor working a city booking office—Para 34—

57. A contractor working a city booking office on the Eastern Railway had been committing irregularities in the issue and accountal of tickets since October, 1954. The irregularities continued undetected upto the 8th April, 1957 and the defalcation of Government money during this period amounted to Rs. 47,003. After adjusting the security deposit and the dues of the contractor a sum of Rs. 7,068 was found outstanding against him for which a civil suit had been

filed. An employee of the Accounts Office was punished for slackness in checking the returns received from the booking office.

In July, 1952 the contractor was permitted to sell tickets of the North-Eastern Railway also without, however, settling the terms and conditions and without recovering any additional Security deposit. Later, when it was found that the contractor had withheld remittances of sale proceeds of tickets he was asked to discontinue the work from July, 1954. A sum of Rs. 2,591 remained unrealised for want of security deposit.

58. In this case what struck the Committee was the failure on the part of the Eastern Railway Administration to detect the irregularities for a period of 2½ years, although the city booking office was reported to have been regularly inspected by the Inspectors of the Accounts and Commercial Departments. It was urged that the nature of the fraud committed by the contractor was not susceptible of detection in the normal course of inspections of the booking office. This explanation is hardly convincing.

It has been stated in the Audit Report that at the time the contractor's defaults in making remittances of sale proceeds of tickets to the North-Eastern Railway came to light in July, 1954 the question of terminating his contract with the Eastern Railway also was considered, but no action was taken to issue a notice to the contractor terminating the agreement as advised by the Law Officer of the Railway. *It passes the Committee's comprehension why the Railway Administration did not even alert their inspectors and caution vigilance. The Committee note that the case has been taken up by the S.P.E. for investigation. They would like to be apprised of the results of the investigation.*

59. *The Committee regret to observe that the cases dealt with in the preceding paragraphs show how non-observance of the prescribed checks and delay in pursuing the cases had entailed the Railway Administration in loss of revenue. They were informed in the course of evidence that remedial measures had been devised in the light of those cases to strengthen control. They are not satisfied that this action will go far enough unless the Ministry of Railways ensure strict compliance of the instructions by the Administration at all levels. They trust that the Ministry will appreciate the importance of this.*

North-Eastern Railway—Non-recovery of demurrage charges due from a handling contractor—Para 35—

60. In this case demurrage charges on account of unnecessary detention of wagons were not recovered from a contractor entrusted

with the transshipment and handling work at a ferryghat station (Maniharighat), between 15th August, 1947 and 30th April, 1956. Under the agreement the contractor was responsible for all demurrage that might, in the opinion of the General Manager, have been caused by or through any unreasonable detention or delay on his part; but such charges had to be accepted by the contractor at the time the bills for handling were certified

In May, 1955, the Assistant Traffic Superintendent concerned sent a note to the contractor pointing out unnecessary detention of wagons for want of labour, but without indicating the details of the detention and the demurrage accrued on that account. A copy of this note was also sent to his senior officers suggesting penalisation of the contractor. But no action was taken after issuing this note either to ensure recovery of the demurrage charges in future or to assess these charges and get them accepted by the contractor when passing his bills. A senior Travelling Inspector of Accounts who was asked to check the last bill of the contractor with reference to station records, reported in September, 1956 that demurrage amounting to Rs. 44,920 had accrued against the contractor during the period March, 1955 to June, 1955 but that the registers containing the particulars of detention of wagons had not been got signed by the contractor. A joint inspection by two officers of the Railway with which the contractor was also associated confirmed this on the 25th September, 1958. The legal adviser to whom the question was referred in July, 1959 observed that in view of the uncertainty of the agreement and the attitude of the officer in submitting the contractor's bills it would be very difficult to make out a case against the contractor. The recovery of the amount was, therefore, finally waived in April, 1960.

61. In evidence before the Committee it was urged by the Ministry of Railways that no demurrage could have in fact accrued against the contractor, as the location of the railway station at Maniharighat was often shifted from place to place depending upon the current of the river, season and the suitability of the ghats, rendering it difficult to fix any time for the handling operations. Further in calculating the amount of demurrage (Rs. 44,920) to be recovered from the contractor the Railway Administration had taken into account the entire time from the arrival of the tug to its departure after allowing a free time of 6 hours for handling work. This was not a correct basis as the work involved two operations *viz.* unloading and reloading, for which a period of 12 hours was generally allowed at other stations. There were also other factors like late running of staff shuttle trains, checking of stores by the

railway staff, etc. which should have been taken into account by the Administration.

62. The Committee are amazed at this *volte-face*, when the Railway Administration had after successive enquiries over a period of years and investigation of contemporary records admitted the accrual of demurrage and written it off too. All these extenuating factors should have been apparent to the Railway Administration at the time of engaging the contractor. In his report the Assistant Traffic Superintendent had pointed out cases of unnecessary detention to wagons for want of labour. *It was unfortunate that he failed to record detailed particulars thereof; nor did he pursue the matter properly. The senior officers also failed in their duty in not making prompt investigations and fixing the contractor's responsibility. Had this been done the Railway could have got its legitimate dues.*

63. In a Memorandum* now submitted to the Committee it has been stated by the Ministry of Railways that taking the various factors into account a minimum of 17 hours free time should have been allowed to the contractor for handling work and that statements prepared on this basis indicated that even if some demurrage had accrued it would be perhaps only in the region of Rs. 4,090 (as against Rs. 44,920 originally assessed). It has, however, been admitted that—

“.....the absence of full and clear indications in the registers has made it difficult to establish, beyond doubt, the amount of demurrage accrued.....The failure in the matter of keeping proper records has been taken up with the Railway Administration and general remedial instructions to Railways have also been issued reiterating the fundamental principle that the initial records furnishing the basis of claims against, or payments to, outsiders such as contractors etc. should be written up fully as and when the events occur and should be got accepted in writing by the outside parties concurrently.”

The Committee would like to be apprised of the action taken in this case.

S. E. Railway—Loss of revenue in the absence of proper weighing facilities—para 36—

64. The weigh-bridge at a station from which there was a heavy traffic in manganese ore was condemned in 1952 and had not been

*Not printed.

replaced so far. The D.T.S. reported that considerable leakage of revenue was taking place due to overloading of wagons and that the staff who were expected to put a loading mark on each wagon to adjust the cubical contents within the permissible weight had seldom done so. On the basis of a train load weighed on the 15th April, 1953, it was estimated that the loss of revenue would be about Rs. 1.31 lakhs a year. Further test weighments made during the years 1957--60 showed overloading in a majority of cases. In July, 1958 the District Mechanical Engineer reported that the excess loading amounted to as much as 6 to 7 tons per wagon in some cases. He also recommended that strong action should be taken against the staff responsible for the overloading, particularly as the overloading was likely to result in serious accident.

65. The Committee were informed in evidence that the weigh-bridge was after repairs kept in use till 1954. It was admitted that there had been avoidable delay although there were some difficulties in procuring a new bridge. The Committee were assured that this question would be taken up with the South-Eastern Railway Administration.

According to the Audit Report, provision for the replacement of the weigh-bridge was made in the works programme for 1956-57—four years after its condemnation in 1952—and the new weigh-bridge has not yet been installed. *The Committee are concerned to see that the successive warnings of leakage of revenue from 1953 onwards had not been heeded. In their opinion, this is a case of gross neglect of the financial interests of the Railways which requires investigation and fixation of responsibility.*

66. It was urged in extenuation that while certain wagons were being over-loaded, there were others which were under-loaded and this fact should be taken into account in assessing the loss incurred by the Railway. The Committee are surprised to hear this argument. When the Railways charge freight on the basis of wagons depending on their capacity they are unable to see how under-loading of certain wagons could compensate the loss due to failure to collect freight on the over-loading in other wagons. *Apart from the loss in revenue and quicker wear and tear, disregard of loading restrictions may result in serious accident and should, therefore, be dealt with sternly.*

S. E. Railway—arrears in the realisation of fees, etc. by Station Committees—para 37—

67. On the ex-Bengal Nagpur Railway, Station Committees composed of elected and nominated Railway Officers and staff were set

up to look after the sanitary arrangements, trees, gardens etc. in the Railway lands at important stations. They were also entrusted with the realisation of conservancy cess from the residents, fee for grazing rights, rent of shops etc. The accounts of the Station Committees disclosed heavy arrears in the recovery of dues at some stations between the years 1950—1959. It was assessed on the basis of the information available in the Accounts Office upto December, 1960 that the total outstandings amounted to Rs. 3.96 lakhs.

68. The Committee are unhappy to note the laxity on the part of the Railway Administration in recovering railway dues. It was urged in extenuation that the Station Committees were till recently powerless against the defaulters. In 1958, the Senior Deputy General Managers were delegated with powers of evicting the lessees, who defaulted the payment of rents, fees etc. and the position was expected to improve now. *While the Committee would like to watch the effect of this measure on the recovery of the outstanding amounts, they would suggest that the Ministry of Railways should examine the suitability of Station Committees for this type of work in view of their continued ineffective working for over ten years.*

S. E. Railway—outstandings against firms enjoying credit note facilities—para 38—

69. In cases where established firms are allowed the facility of payment of railway dues by credit notes, a security deposit adequate to cover the average transactions over a prescribed period (usually 15 days) is obtained and it is laid down that the amount of unrealised credit notes outstanding against a firm should not at any time exceed the security deposit. The para in the Audit Report refers to two cases in which the outstandings were allowed to accumulate to an extent considerably in excess of the security deposits taken from the firms.

In one case, a firm of Clearing Agents was allowed credit note facilities at a station in February, 1957 on furnishing a security deposit of Rs. 2,000. The monthly transaction of the firm in February, 1957 amounted to Rs. 19,572. In April, 1957 the firm was asked to furnish an additional security deposit of Rs. 7,800 as provided in the agreement, but it did not comply with this request. The credit note facility was, however, not withdrawn; on the other hand in July, 1958 the facility was extended to the firm at another station also on furnishing a security deposit of Rs. 300. The amounts outstanding against the firm rose to Rs. 11,396 in January, 1958, to Rs. 23,912 in September, 1958 and Rs. 77,518 in August.

1959, when the credit facility was withdrawn. The Railway Administration as a test case, detained the goods covered by the Railway Receipts granted to one of the firms served by the clearing agents. The firm filed a *mandamus* petition in the High Court for the release of its goods. As a result of the Court's decision action was being taken to recover proportionate dues.

Another firm, which had been allowed this facility, also defaulted in the payment of Railway dues with the result that the outstandings rose to Rs. 22,780 in September, 1958 to Rs. 31,839 in April, 1959 and Rs. 53,827 in August, 1959 as against a security deposit of Rs. 5,000 only. In this case also the Railway Administration initiated action in August, 1959 to recover the dues by detaining certain consignments the railway receipt for which had been unconditionally endorsed in favour of the clearing agent. A suit filed by the real owners of the goods is *sub-judice*.

70. It was stated in evidence that the outstandings represented 41 days' transactions in the case of the first firm and 60 days' in the case of the second firm. The Committee were informed that the Railway Administration expected to recover the outstanding amounts from both the firms.

The Committee regret to observe that the failure on the part of the Railway Administration to adhere strictly to the terms of the agreement, has led to this position. They understand that action is being taken against the officials at fault. They desire to be apprised of the final outcome of these cases and also of the disciplinary action taken by the Railway Administration.

Central Railway—Write off of wharfage charges—para 39--

71. A sum of Rs. 34,445 representing wharfage and demurrage charges outstanding from a consignee for wagons of charcoal received between October, 1954 and August, 1955 was finally written off in March, 1960. The station staff had allowed delivery of the goods without recovering the accrued wharfage and demurrage charges on the plea that the merchant would be able to obtain remission of these charges from the Chief Commercial Superintendent. It was further noticed that in regard to certain other consignments of the same merchant received at the station during the period August, 1954 to August, 1955 a sum of Rs. 18,985 had been waived under the authority of the officers of the Commercial Department on the plea that the wharfage accrued was out of proportion to the value of the goods and that charcoal had been pilfered while lying in the goods shed.

72. The Committee were informed that the station staff responsible for allowing the contractor to remove the goods without discharging wharfage and other dues had since been punished. As regards the waiver of the wharfage by the officers of the Commercial Department during the period August, 1954 to August, 1955, it was stated that such decisions were taken on the facts of each case by officers under the powers delegated to them. Therefore, there was no financial irregularity as such in these cases. The Committee, were, however, given to understand by Audit that there were 49 waivers in a period of one year (1954-55) out of which 42 were in favour of this firm; and 26 of them pertained to August and September, 1954. The Committee, therefore, enquired whether the Ministry had satisfied themselves about the exercise of the powers of waiver in favour of this firm.

The representative of the Ministry of Railways stated that the Central Railway Administration had assured the Ministry about this aspect and the Ministry would look into this case and submit report to the Committee.

Accordingly the Ministry of Railways have submitted a note extracts of which are given below:—

“The relevant files of the Commercial Department, on which the waiver of wharfage was sanctioned in the individual cases pertain to the years 1954 and 1955 and these files are not now available. It has, however, been possible to make a general review of the statements of sanctions to waiving of wharfage, which are available so as to compare the amount of wharfage charges waived on similar consignments received by other merchants at the same station during the relevant period. This review has indicated that the arrivals of wagons at the station in question during the relevant period i.e. from August, 1954 to September, 1955 were not regular and very often wagons were received in large numbers in particular months. The wharfage accrued, collected and competently foregone on the arrivals during the relevant period, consignee-wise, were as under:—

	Wharfage accrued Rs. As.	Wharfage collected Rs. As.	Wharfage for gone Rs. As.	percentage of waiver to accrual
*Consignee 'A'	22416—14	3431—6	18985—8	84.7
Consignee 'B'	452—15	100—0	352—15	78.0
Consignee 'C'	201—15	Nil	201—15	100.0
Consignee 'D'	127—14	Nil	127—14	100.0
Consignee 'E'	212—2	20—0	192—2	90.6
	23411—12	3551—6	19860—6	

*The firm referred to in the Audit Para.

* Not printed.

It is clear from the above tabulation that the percentage of waiver of wharfage, partially or in full, by the officials of the Commercial Department was not generally higher in the case of Consignee 'A' than in those of other consignees, although due to the very large number of wagons received by Consignee 'A', the amount of wharfage accrued and foregone in his case was substantial. The Ministry of Railways, therefore, submit that, on the basis of available records, no case of undue preference to the particular consignee in question can be established."

73. The Committee are surprised to hear that files which relate to matters dealt with in the Audit Reports "are not now available". In the opinion of the Committee, the matter requires a thorough investigation as loss of relevant files at the crucial time will vitiate important enquiries.

The Committee find it difficult to subscribe to the view of the Ministry of Railways that "no case of undue preference to the particular consignee in question can be established" as the comparative statistical data in the table do not lead to such an inference. While the Committee are not averse to delegation of powers, they are emphatically of the opinion that there should be periodic reviews on exercise of such powers and any abuse/misuse of such delegated powers should be severely dealt with.

Heavy station outstandings—para 40—

74. The total outstandings at stations on all the Railways taken together on 31st May, 1960 amounted to Rs. 9.15 crores as against Rs. 9.46 crores on the 31st May, 1959.

A review of the old outstandings showed that on five Railways the amount outstanding for more than one year/two years constituted an appreciable proportion of the total as indicated below.

The old accumulations mainly represented freight outstandings and debits raised against stations pending recovery from the staff.

Railway	Period	Total Out-standings. Figures in lakhs	Out-standings more than one year old Figures in lakhs	Expressed as a percentage of Col. 3	Out-standings more than two years old Figures in Lakhs	Expressed as a percentage of Col. 3.
1	2	3	4	5	6	7
Eastern	May, 1959	180.30	56.49	31	44.54	25
Northern	August, 1959	107.69	26.90	25	15.36	14
South-Eastern	July, 1959	182.87	78.77	43	29.02	16
North-Eastern	November, 1959.	63.31	43.65	69	26.93	43
North-East Frontier.	November, 1959.	47.75	25.80	54	16.88	35

75. In evidence, the representative of the Ministry of Railways claimed that the outstandings had been considerably brought down since the matter was included in the Audit Report, (March, 1961). At the instance of the Committee the Ministry submitted a note* showing the latest position and indicating the steps taken to liquidate the old outstandings. According to the note the amount of outstandings more than one year old has been reduced from Rs. 232 lakhs to Rs. 89 lakhs. Similarly, outstandings more than two years old aggregating to Rs. 133 lakhs have been brought down to Rs. 85 lakhs.

It has been stated that—

“the freight outstandings do not necessarily represent amounts remaining uncollected from consignees, as the outstandings include freight on consignments re-directed at the instance of the consignor to another station, but in respect of which the accounts at the originally intended receiving station have not been cleared through failure to link such transactions. There are also cases of loss or damage in transit, for which compensation has been paid by the Railway, but which have not been linked with the accounts of the stations concerned so as to clear the outstandings.”

76. While the Committee note the improvement in the position of outstandings, they feel that cases of unrealised dues on redirected consignments alone cannot account for this reduction. As all freight claims are to be recovered currently as and when the consignment are received and delivered and claim for remission of charges are also to be settled promptly, the Committee do not see why large sums should remain outstanding for years. Nor can they appreciate the plea that accounting delays should go to show an inflated figure of outstandings. *The Committee are concerned to note the heavy outstandings and feel that any delay or complacency on the part of the Railway staff dealing with the outstandings should not be countenanced. They, therefore, desire the Ministry of Railways to tighten up the existing procedure by introducing such changes as are found necessary.*

77. It has been stated in the Audit Report that on the North Eastern and N.E.F. Railways large amounts may have to be written off as the Administration have been finding it very difficult to clear the old outstandings for want of records; in some cases the employees from whom recoveries were due have already retired or have migrated to Pakistan. The Committee find from the statement furnished to

*Not printed.

them that the progress made in clearing the outstandings by the two Railway Administrations is very poor compared to that by other Railways. The Committee trust that special attention will be paid to the outstandings on these two Railways.

Eastern Railway—Drawal of travelling allowance on false T.A. journals by the Railway Protection Police Staff.—Para 46—

78. An Enquiry Committee appointed by the Railway Administration in June, 1954, assessed in its two interim reports that out of a sum of Rs. 45,330 paid as travelling allowances between October, 1953 and April, 1954, a sum of Rs. 31,072 had been drawn irregularly by 613 persons of the Railway Protection Police Staff, including inspectors, sub-inspectors, head-constables and constables partly by falsification of facts relating to the journeys and partly in contravention of the rules. The records for the period January, 1953 to September, 1953 were stated to be under examination. Recovery of a sum of Rs. 44,631 had, however, been ordered.

79. The Committee were informed in evidence that punishment ranging from censure to reduction in rank and pay had been inflicted on 513 employees. The remaining 100 persons had either died or were discharged/removed from service earlier. Four officers, who were considered to be the main culprits, were also being prosecuted. The Ministry of Railways have also sent a *Memorandum to the Committee indicating the latest position of the case. The total amount irregularly drawn has been assessed at Rs. 80,352·80 nPs. for the period January, 1953 to December, 1954. Out of a sum of Rs. 44,613 ordered for recovery, Rs. 36,917 had already been recovered and efforts are being made to recover the balance. It has not been possible to order recovery of the entire amount irregularly paid as 96 persons had demitted service before the receipt of the Enquiry Committee's report in August, 1955, and in respect of 4 others who left service in 1956 it had not been possible to establish that payments were obtained by them fraudulently. As regards the disciplinary aspect, it has been mentioned in the Memo. that departmental proceedings against the four officials facing trial in a law court would be launched, if need be, on finalisation of the criminal case. The Committee can hardly appreciate this decision of the Railway Administration. When a *prima facie* case against the officials has been established, there is no point in postponing departmental action against them. They would draw attention in this connection to their recommendation in para 13 of their 13th Report (1954-55) that suitable departmental action should be taken against the employees in cases of irregularities committed by them without waiting for the

*Not printed.

outcome of the prosecution that may be launched in such cases. They regret to observe that this recommendation has not been followed by the Railway Administration in this case. They are also unhappy to note that although the irregularities had come to notice in May, 1954, the fraud had continued till December, 1954 indicating lack of vigilance on the part of both the Railway Administration and its Accounts Department. The Committee would like this aspect to be gone into.

North-East Frontier Railway—Delay in enforcing recoveries or taking action on objections raised by Audit and Accounts—Para 48 (i)—

80. A special compensatory allowance termed 'Operational allowance' was sanctioned by Government for the period from 1st January, 1957 to 30th June, 1957 (extended upto 28th February, 1958) to railway staff serving in Naga Hills District and also in adjoining border areas as determined by the Government of Assam for the grant of similar allowance to their staff. An expenditure of about Rs. 23,000 was incurred by the Administration by way of irregular payment of the 'operational allowance' (a) to staff living in border areas where the Government of Assam did not pay similar allowance to their own staff and (b) to running staff posted outside the border areas but entering the area in trains worked by them. No action was taken by the Railway Administration to withhold the payments until 1st March, 1958 although Audit had drawn attention to the conditions attached to the grant of the allowance in May, 1957 and the Railway Board themselves had issued orders in November, 1957 restricting the allowance to the Naga Hills District. The recovery of the amount overpaid was subsequently waived by the Ministry of Railways.

81. In evidence, the Committee were informed that the 'operational allowance' was given by the General Manager to the staff in question as a special case after making a personal study of the conditions prevailing in the area. He had simultaneously approached the Railway Board for necessary sanction.

On receipt of the Audit objection in May, 1957 and the decision of the Railway Board, the Railway Administration did not consider advisable to stop the allowance as it would have caused administrative difficulties and jeopardised the train services in the area. Although the Railway Board had not appreciated the position correctly in the first instance, they fully agreed with the action of the General Manager by sanctioning the write off of the overpayments.

82. *While the Committee appreciate the difficult conditions under which the Railway had to work in this area, they do not approve in principle the action of the General Manager in ignoring the view of Audit and the decision of Government and continuing the payment of the allowance without proper authority. In this connection they would draw the attention of the Ministry of Railways to para 21 of the Report of the Public Accounts Committee on the accounts of the year 1946-47, recommending that the views expressed by Audit should normally be accepted and acted upon provisionally pending final decision by competent authority. The Committee regret to observe that this recommendation was overlooked in this case. They desire that suitable instructions should be issued for the guidance of all concerned.*

IV

Outstanding Recommendations

83. The Committee will now proceed to deal with some of the more important items outstanding from the previous reports of the Committee—those of less importance are referred to in Appendix I.

North Eastern Railway—Delay in Revision of siding charges—Para 21 of 15th Report (1958-59)—

84. A special investigation conducted in 1948 disclosed that against an expenditure of Rs. 37,560 per annum incurred by the Railway, a sum of Rs. 6,000 a year only was being recovered from an oil company as siding charges. The siding charges were thereafter revised on the basis of actual shunting engine hours and the cost of shunting engines. A letter was sent to the oil company in 1957 claiming a sum of Rs. 2·66 lakhs as siding charges for the period 1st January 1949 to 31st December, 1956. The Public Accounts Committee (1958-59) deprecated the inordinate delay on the part of the Railway Administration in fixing the basis for the calculation of siding charges, which resulted in accumulation of heavy outstandings. The Committee were then informed that the oil company had accepted the revised rates of siding charges and had paid half of the amount due; no difficulty was anticipated in recovering the balance. Subsequently, however, it was reported to the Committee (1960-61) that—

“the company having refused to pay the outstanding amount in full and having indicated their willingness to pay in part, the question whether legal action may be taken for the recovery of the full amount or a compromise may be negotiated, has been referred to the Ministry of Law for their advice.”

85. In a note (Appendix I) now furnished to the Committee it has been stated that the Ministry of Law have advised that the Railway Administration had a good case for going to Court of Law; but negotiations were going on with the oil company for referring the case to arbitration. *The Committee fail to understand why the Railway Administration should choose to refer the matter to arbitration when the Ministry of Law have advised them to refer the matter to a court of Law. They desire that effective steps should be taken to settle the matter without such avoidable delays.*

Eastern Railway—Extra expenditure on the purchase of caustic soda cells—Para 36 of 21st Report (1959-60)—

86. An indent for the supply of caustic soda cells was placed by the Controller of Stores, Eastern Railway on the D.G.S.&D. in December, 1954 with the stipulation that the supplies were required by the 31st July, 1955. Offers received in May, 1955 were open up to the 3rd July 1955. As there was a delay on the part of the D.G.S.&D. in placing the order, the tenderers demanded increased prices and purchase had to be made at an extra expenditure of Rs. 14,710. The Committee were informed in July 1959 that the whole case was being reviewed from the disciplinary aspect for fixing the responsibility for the lapses at various stages in this case and to award suitable punishment to the delinquents. After 2 years, the Committee are now informed that the Assistant Director, Section Officer, and the Assistant concerned have been warned. A copy of the warning has not, however, been placed in their confidential dossiers. *The Committee consider that warning without any record thereof in the confidential personal record of the officers concerned is, in effect, no punishment at all. They desire that suitable note of the warning should now be kept in the confidential dossiers of the officers concerned.*

North Eastern Railway—Loss owing to delay in finalisation of tenders—para 13 of 33rd Report (1960-61)—

87. In this case an order for building of coaches was not promptly handled in the Ministry of Railways with the result that the contract had to be awarded at higher rates involving an extra expenditure of Rs. 45,100. The Committee (1960-61) observed that the time taken in the office of the Railway Board in taking a decision in this case (5 months) was rather excessive. In reply it has been stated that the recommendation from the Railway Administration in regard to the award of the contract was received in the Railway Board's office in September, 1956. The Railway Board sought some clarifications from the Administration on 3rd October, 1956 and gave their final decision in February 1957 after matters had been clarified. It has been stated that the question of expediting decisions generally in the Railway Board's office had been receiving added attention and the matter was also discussed at a meeting of the Railway Board with the senior officers held on 25th November, 1960. *The Committee are not satisfied with the reply as it does not explain the reasons for the delay in question. They desire that the Ministry of Railways should examine the reasons for the delay in handling this case in the Ministry and take action wherever necessary.*

South Eastern Railway—Delay in the construction of coaches by a contractor—Paras 15-16 of 33rd Report (1960-61)—

88. In this case an order for the construction of broad gauge coaches was placed with a firm which submitted the lowest tender.

The work was taken in hand by the firm in December, 1956 subject to the execution of the agreement. The stipulated date for completion of the work was not, however, described precisely in the tender documents. According to Schedule IV of the tender the work was required to be completed "within a period of 15 months from acceptance of the tender"; Schedules II & III, however, mentioned respectively the completion date as "15 months from the date of the execution of the agreement" and "15 months from the date of the commencement of the contract". The Committee were then informed that the contractor had not been able to maintain the scheduled outturn and the Railway Administration had issued a warning to him that he had rendered himself liable for payment of liquidated damages under the contract. The Committee (1960-61) felt that the ambiguity in the tender documents left the due date of completion of work indeterminate for more than a year after the commencement of the work. They could not also understand how such apparent discrepancy in the contract could escape detection both by the Railway Administration and the Railway Board.

89. In a note (Appendix I) submitted by the Ministry of Railways it has been urged that the discrepancies in the tender documents did not result in any loss to the Government as the contractor ultimately accepted the stand of the Administration that the criterion for completion of the work was 15 months from the date of the acceptance of the tender. *If so, the Committee desire to be informed of the final settlement of the case, namely, whether the contractor completed the work within the stipulated period, if not, what action had been taken to recover the liquidated damages from him.*

90. In the course of evidence before the Committee (1960-61) it was urged by the Chairman of the Railway Board that as the quotation of this firm was the lowest the Railway Administration could not reject it. He added that in most of the cases, even though the Administration was aware that the firm might not be able to fulfil the contract, it was difficult to reject the lowest offer. The Committee pointed out that under the existing rules governing competitive tenders the lowest tender need not always be accepted, if in the opinion of the competent authority the rate quoted was manifestly low and the contractor was not able to fulfil the contract. With reference to this observation of the Committee the Ministry of Railways have now stated:

"the Ministry of Railways are grateful for the Committee's reiteration of the provision that the lowest tender is not necessarily to be accepted as this will certainly dispel any apprehension on the part of the officers in regard to rejecting the lowest tender, whenever it is reasonably considered that the contractor is not likely to fulfil the contract

at that rate. The Committee's reiteration of the provision will encourage officers to take a calculated risk, in the public interest, in accepting other than the lowest tender, where justified, without the fear of being penalised for such action."

The Committee do not appreciate these comments. So long as the discretions vested by the rules are exercised rightly by the officers, the Committee doubt why the question of fear of being punished therefor should arise. In fact the necessary protection is implicit in the rules themselves. The Committee, therefore, consider the remarks of the Ministry of Railways as uncalled for.

South Eastern Railway—Irregular classification of earth work—para 20 of 33rd Report (1960-61)—

91. Three cases of over-payments to contractors estimated at about Rs. 19 lakhs in all in certain construction projects as a result of upward revision of classification of the soil by District Engineers were reported in the Audit Report (Railways) 1960. It was stated for the information of the Committee (1960-61) that Vigilance Cells consisting of Railway Officers had been created on the Railways in pursuance of the recommendations of Railway Corruption Inquiry Committee (1953-55) and the cases mentioned in the Audit Report had been investigated by such a Cell. The Committee observed that the stress laid by the Railway Corruption Inquiry Committee on the vigour and impartiality of Vigilance Organisation had much to commend in itself for the appointment of non-Railway Engineers to these Vigilance Cells. While accepting the recommendation of the Public Accounts Committee, the Ministry of Railways have stated that in spite of sustained efforts it had not been possible to procure the services of suitable non-Railway Engineers of requisite calibre for the Vigilance Cells.

92. The Committee are not convinced by this explanation. Further irregular classifications resulting in heavy over-payments have been reported in para 28 of the Audit Report (1961) which are dealt with in paras 46—49 of this Report. *Considering the widespread nature of irregularities and the extent of losses suffered by the Railway Undertaking, it is in the interests of Government as a whole to arrange for the services of competent non-Railway engineers to serve on the Railways' Vigilance Organisation.*

C. R. PATTABHI RAMAN,
Chairman,
Public Accounts Committee.

The 27th January, 1962.
Maaha 7. 1883 (Saka)

PART II

**Proceedings of the Sittings of the Public Accounts Committee held on
11th to 15th July and 14th December, 1961.**

PROCEEDINGS OF THE 8TH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 11TH
JULY, 1961

93. The Committee sat from 10-00 to 13-15 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Dr. Pashupati Mandal
6. Shri S. A. Matin
7. Dr. G. S. Melkote
8. Dr. N. C. Samantsinhar
9. Pandit Dwarka Nath Tiwary
10. Kumari Mothey Vedakumari
11. Shri K. K. Warior
12. Shrimati Savitry Devi Nigam
13. Shri Rajeshwar Prasad Narain Sinha.

Shri A. K. Roy, *Comptroller & Auditor General of India*.

Shri G. Swaminathan, *Addl. Deputy Comptroller & Auditor
General (Railways)*.

Shri M. S. Bhatnagar, *Addl. Dy. C. & A.G. (S.D.)*.

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*.

Shri Y. P. Passi, *Under Secretary*.

WITNESSES

Ministry of Railways (Railway Board)

1. Shri Karnail Singh, *Chairman, Railway Board*.
2. Shri S. Jagannathan, *Financial Commissioner, Railways*.
3. Shri E. W. Isaacs, *Member, Engineering*.

4. Shri D. C. Baijal, *Member, Staff.*
5. Shri Kripal Singh, *Member, Transportation.*
6. Shri C. T. Venugopal, *Addl. Member, Finance.*

Ministry of Works, Housing & Supply

Shri B. D. Kumar, *Deputy Secretary.*

Ministry of Finance (Department of Economic Affairs)

Shri A. G. Krishnan, *Under Secretary.*

AUDIT REPORT (RAILWAYS), 1961

Unnecessary Supplementary Grants/Appropriations—para 4, Audit Report—

94. Nine cases were reported in the above-mentioned para in the Audit Report in which funds obtained through Supplementary Grants/Appropriations proved either unnecessary or largely in excess of requirements. There were large surrenders/savings towards the end of March, 1960 and Supplementary Grants were obtained during that month on the basis of earlier estimates.

95. Explaining the procedure for obtaining of Supplementary Grants, the Financial Commissioner, Railways, stated that the revised estimates for the financial year were prepared sometime in the month of December on the basis of actuals then known. It was possible to conduct a later review and revise the estimates as was done in 1960-61. One important reason for obtaining Supplementary Grants during the year in the cases mentioned in the Audit Report was reported to be the desire of the Ministry to avoid "excess" over Grants voted by Parliament as had happened in 1957-58. The Supplementary Grants during 1959-60, the year under report, amounted to only 1 per cent. of the total Grants and they related to a lesser number of Grants as compared to the previous year. Further the total amount (Rs. 9.91 crores) was substantially less than that of the previous year (Rs. 42.76 crores). When it was pointed out that the Ministry could not spend even the original Grant in respect of Grant Nos. 2, 4, 6, 10 and 15 and the supplementary sums obtained in respect of these Grants had to be surrendered at the close of the year, the Financial Commissioner admitted it.

96. Dealing with the cases individually, the Financial Commissioner (Railways) stated that the Supplementary Grant of Rs. 18 lakhs under Grant No. 15—Construction of New Lines—was obtained in May 1959 to meet expenditure on construction of new lines, which being a 'New Service', expenditure thereon required the prior

approval of Parliament. He, however, admitted that a smaller amount by way of a 'token Grant' could have served the purpose.

Under Grant No. 4—Revenue-Working Expenses-Administration—the Supplementary Grant (Rs. 28 lakhs) proved unnecessary because of less expenditure on staff as a result of an economy directive issued by the Ministry of Railways in 1958. It was pointed out that the economy drive was started in November, 1958 and it should, therefore, have been possible for the Railways to forecast their requirements more precisely before approaching Parliament for a Supplementary Grant in March, 1960.

Savings under Grant No. 10—Revenue-Working Expenses—Labour Welfare were also reported to be due to the efforts made by Railways towards economy in expenditure. It did not in any way result in the abandonment of any welfare measures for staff.

Savings in Grants and Appropriations—paras 5—7—

97. Savings occurred under 16 Grants and 2 Appropriations during the year 1959-60. The aggregate net saving was Rs. 56.55 crores which was greater than the corresponding figure of Rs. 51.72 crores in the previous year. The percentage of savings had also increased. Large savings had occurred mainly under Grants relating to expenditure met from Capital, Depreciation Reserve Fund and Development Fund. The Audit Report has drawn attention to the following instances of savings:—

- (a) large saving on the Railway Electrification Project at Calcutta due to more time than anticipated having been taken in negotiating the most advantageous arrangements for the procurement of overhead equipment and to alterations in the phased delivery of locomotives;
- (b) substantial saving of Rs. 14 crores as a result of delay in the construction of wagons due to difficulties in getting matching steel, etc.

As regards (a) it was admitted that a longer time was taken in negotiating the terms for procurement of overhead equipment for the Electrification Project but the overall work done on this project was satisfactory. As regards the construction of wagons, the witness explained that shortage of steel was hampering the work of wagon building and narrated the difficulties experienced by the Railway in procuring steel, both imported and indigenous. The Financial Commissioner, however, informed the Committee that with the adoption of the practice of obtaining 'token Grants' on the Railways as suggested by the P.A.C. (1959-60) such large savings would not occur.

Excess over Voted Grants and Charged Appropriations—para 8—

98. There was an excess of expenditure over three "voted" grants and four "charged" appropriations during 1959-60. The Committee considered the explanatory notes furnished by the Ministry of Railways with regard to each of the excesses. In the cases of Charged Appropriations under Grant Nos. 4, 5, 15 and 16 the excesses were stated to be mainly due to omission to provide funds for payment of sums decreed by courts. The Committee inquired why, despite instructions issued by the Railway Board, provision for these items of expenditure was not made in the estimates. In extenuation the Financial Commissioner, Railways, stated that in most of the cases intimations about these payments were received late in the year (February, 1960) by which time the revised estimates had been finalised for presentation to Parliament.

South-Eastern Railway—Expenditure on a "New Service" without a vote of Parliament—para 9—

(1) In June, 1959, it was decided that an extension of the railway line from Barabil to Panposh Gorge which had originally been taken up as a siding in 1957 as a Deposit Work on behalf of the Hindustan Steel (P) Ltd. should be treated as a branch line of the Railway. No specific vote of Parliament was, however, taken for taking up the construction of the new branch line and an expenditure of Rs. 75.69 lakhs was incurred. Specific provision of Rs. 15 lakhs was, however, included for this work in the following year (1960-61).

(2) In another case an expenditure of Rs. 1.01 lakhs was incurred during 1959-60 on the construction of a Branch Line from Karaunji to serve Korea Coal Fields, by reappropriation of funds under Grant No. 15. No specific vote of Parliament was taken during the year. A specific Grant of Rs. 1.75 crores was, however, obtained for expenditure to be incurred during the following year.

100. In evidence the Chairman, Railway Board, admitted at the outset that the expenditure incurred on the construction of a new line should be treated as on a 'New Service' for which a specific vote of Parliament should be obtained. With regard to the first item (branch line from Barabil to Panposh Gorge) he stated that the question of obtaining specific approval of Parliament was considered by the Ministry of Railways earlier. The Ministry was then given to understand that Parliament had already sanctioned funds for the construction of the line in question for the Hindustan Steel (P) Ltd. through the Demands relating to the Ministry of Steel, Mines and Fuel. A second reference to Parliament after the line was taken over wholly by the Railway was, therefore, considered as "unnecessary duplication". The C. & A.G. pointed out that the amount voted

by Parliament for the Hindustan Steel Ltd. was a lump sum under the nomenclature 'Shares' and that there was no specific vote for the construction of the line in question.

North-Eastern Railway and Northeast Frontier Railway—Expenditure on a 'New Instrument of Service' without a vote of Parliament—Para 10—

101. In two cases, important works for the development of traffic facilities estimated to cost Rs. 12·47 crores and Rs. 2·09 crores respectively were commenced during 1959-60 without specific provision of funds either in the original budget or through a supplementary grant. In both these cases, funds were made available by reappropriation as the Ministry of Railways held the view that the term 'New Service' did not include line capacity works.

According to Audit the works should be treated as 'New Instruments of Service' as the expenditure involved was large and prior approval by Parliament for the work was necessary.

102. The Chairman Railway Board reiterated the views which had been intimated to Audit earlier that the construction of these lines should not be deemed as 'new service'. Those works were more or less in the nature of doubling of the existing lines although in a different gauge, in order to meet the growing traffic. He felt that in determining whether an item of expenditure constituted a 'new service' or not the nature of the service should be the criterion rather than the money spent.

Appropriation Accounts of Grants Nos. 16 and 17—Open Line Works Additions and Replacements—Adjustment of the cost of stores without their physical movement (Western Railway)—Para 11—

103. In contravention of the prescribed accounting procedure and instructions issued by the Railway Board, the cost of permanent way material worth over a crore of rupees upto March, 1960 was charged to relaying works and casual renewals in advance of the physical movement of the stores from a Permanent Way Depot. The materials actually were not moved from the Depot even as late as October, 1960.

The representative of the Ministry of Railways informed the Committee that it was a mistake for which individual responsibility was being fixed in the Railway administration.

Suspense Balances—Para 14—

104. Against the total outstandings of Rs. 74 crores (debits) and Rs. 44 crores (credits) under the suspense heads "Miscellaneous Advances (Capital)", "Miscellaneous Advances (Revenue)" and "Purchases" as on the 31st March, 1960, the amounts which had remained

uncleared for more than two years amounted to 22 crores (debits) and 16 crores (credits) respectively and represented about 30 per cent and 35 per cent of the total outstandings. On 31st March, 1959, the corresponding figures were Rs. 20 crores (debits) and Rs. 14 crores (credits), representing 26 per cent and 32 per cent of the total outstanding debits and credits respectively.

The Audit Report gave instances of some of the old outstandings on individual Railways awaiting clearance for more than two years. As an instance a sum aggregating Rs. 2.15 crores in all had been lying as debit under the head "Miscellaneous Advances (Capital and Revenue)" in the books of the various Railways for more than two years pending settlement of correct allocation or due to non-availability of relevant vouchers, non-acceptance of debits by other parties on whose behalf charges were incurred by railways, etc.

105. In evidence the representative of the Ministry of Railways admitted that the position of the suspense balances was not quite satisfactory in spite of various measures adopted by the Railway Board from time to time. The following further steps were being taken to improve the position:

- (i) Submission of the monthly reports by Senior Officers to the Head of the Accounts Department of each Railway regarding results of the review of suspense balances.
- (ii) A planned drive to liquidate all the old outstanding balances.
- (iii) Intensification of inspection at higher levels. This would enable the administration to know the defects and remedy them.

The witness also promised to furnish a note on the progress made in the clearance of outstanding balances under suspense and remedial measures proposed to be adopted to avoid accumulation of outstandings.

Import of wooden sleepers—defective supplies—Para 19—Imports from U.S.A.—

106. An order for the supply of treated wooden sleepers was placed in June, 1958 at a total cost of Rs. 77 lakhs. The supplies were inspected prior to shipment by an Inspecting Company nominated for the purpose by the India Supply Mission, Washington and arrived in Bombay between December, 1958 and August, 1959. In June, 1959 it was reported by the Central Railway that a number of sleepers laid on the track had developed large longitudinal cracks after they had been on the line for about a month and further that when sleepers from stacks were spread and exposed to the sun, cracks developed

within a matter of hours. The India Supply Mission, Washington, was then instructed by cable to stop all outstanding payments until further advice and a letter was sent to the Mission on the 9th July, 1959, explaining the nature of the defects. The I.S.M., however, made full payment to the firm pending settlement of claims against them. As the Suppliers and the Inspecting Company, with whom the matter was taken up, did not accept responsibility for the defects the Railway Board gave notice for reference of the case to arbitration. Meanwhile the sleepers are being kept in storage.

107. In evidence, the Chairman, Railway Board, gave detailed information on the various aspects of the case *viz.* inspection of supplies, nature of defects, etc. The attention of the Ministry was drawn to the comments of the I.S.M., Washington on clause No. 10.1, regarding appointment of inspecting agents, in the contract, which the Railway Board had executed with the suppliers. It had been provided in the agreement that the inspecting authority would be mutually agreed upon between the buyer and the seller and that the cost of the inspection would be borne by the seller. The Supply Mission considered that this clause had created some practical difficulties for them in arranging inspection and had suggested that before finalising terms and conditions of inspection of stores with foreign firms the concerned supply organisations abroad or the Ministry of Works, Housing & Supply, if the matter were urgent, should be consulted. The Chairman, Railway Board, held the view that there was nothing irregular or uncommon in the provisions of the contract. It was a common practice to appoint inspectors with the approval of the sellers. Further the stipulation that the cost of the inspection be borne by the seller was also not peculiar to this contract alone. Similar provisions were incorporated in other contracts for purchases of stores from abroad. As regards the payment of full amount to the suppliers by the I.S.M. the representative of the Ministry of W. H. & S. informed the Committee that in terms of the contract the Mission had already opened a letter of credit with the Bankers in favour of the firm and it was not possible to withhold payments even though defects had been noticed in the meantime.

Indicating the latest position of the case the Chairman, Railway Board, informed the Committee that the legal aspects of the case were under active consideration and the matter would be pursued both with the suppliers and the inspecting company and the final outcome would be intimated to the Committee.

108. *The Committee then adjourned to meet again at 10.00 hours on Wednesday, the 12th July, 1961.*

PROCEEDINGS OF THE 9TH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 12TH
JULY, 1961.

109. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri G. K. Manay
6. Dr. Pashupati Mandal
7. Shri S. A. Matin
8. Dr. G. S. Melkote
9. Shri Purushottamdas R. Patel
10. Dr. N. C. Samantsinhar
11. Pandit Dwarka Nath Tiwary
12. Kumari Mothey Vedakumari
13. Shri K. K. Warior
14. Shri Lalji Pendse
15. Shrimati Savitry Devi Nigam
16. Shri Rajeshwar Prasad Narain Sinha
17. Shri Jai Narain Vyas.

Shri A. K. Roy, *Comptroller & Auditor General of India*.

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General (Railways)*.

Shri M. S. Bhatnagar, *Addl. Dy. Comptroller & Auditor
General (SD)*.

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*.

Shri Y. P. Passi, *Under Secretary*.

WITNESSES

Ministry of Railways (Railway Board)

1. Shri Karnail Singh, *Chairman, Railway Board.*
2. Shri S. Jagannathan, *Financial Commissioner, Railways.*
3. Shri E. W. Isaacs, *Member, Engineering.*
4. Shri D. C. Baijal, *Member, Staff.*
5. Shri Kripal Singh, *Member, Transportation.*
6. Shri C. T. Venugopal, *Addl. Member, Finance.*

*Ministry of Steel, Mines & Fuel
(Department of Mines & Fuel)*

1. Shri N. N. Kashyap, *Joint Secretary.*
2. Shri A. Zaman, *Chairman, Coal Board.*

Ministry of Finance (Department of E.A.)

Shri R. K. Mukherjee, *Under Secretary.*

Import of wooden sleepers—Defective supplies—Para 19—Imports from Australia—

110. Against tenders for the supply of wooden sleepers invited in October, 1957, only 19 species from Australia were approved and revised quotations were invited for them. Three of the species, namely, Blackbutt, White Stringy-bark and Yellow Stringy-bark were not approved as on the data then available the life expectancy of these species was below 12 years. The New South Wales Railway Administration had given a life expectation of 8 to 10 years for sleepers of these species in November, 1957. Two Australian firms, however, supplied 51,055 sleepers of the three unapproved species which were received in India during the period May to July 1959 and ultimately accepted by the Railway Board in September, 1960.

Meanwhile the Railway Board obtained technical opinion in the matter. In May, 1959, a revised opinion was received from the New South Wales Railway Administration indicating that, in the New South Wales track, it would be reasonable to assess the life of the unapproved species of sleepers at 12 years if unplated and 15 to 16 years if sleeper plates were used. In its first report forwarded in September, 1959 the Forest Research Institute, Dehra Dun appeared hesitant to recommend the acceptance of the sleepers, but in April, 1960, the President of the Institute stated that it was not possible to draw general and final conclusions from the limited results obtained in India, but two of the unapproved species could be graded

higher in the order of durability than some of the accepted species. The Timber Adviser also could not express a definite opinion about the behaviour of the sleepers on Indian tracks. He stated that on the basis of the Australian data the species could give more or less the same service as could be expected from other Australian species. On 21st March, 1960 the Ministry of Railways decided that in view of the clear notice of non-acceptability of the sleepers already given to the contractors the sleepers of the unapproved varieties could not be accepted. The matter was, however, reopened the same day on an enquiry from the Australian authorities and a decision was conveyed on the 23rd March, 1960 that on the basis of experience available in Australia, actual observations made by Indian Inspectors in that country and the experiments so far carried out in India, these species could be accepted for use in India. Finally the sleepers were accepted at a reduced price—25 per cent below the contract rate.

It has been pointed out in the Audit Report that the two firms seemed to have been shown the following concessions:

- (i) A clause was inserted in the contract outside the terms of the tender notice for acceptance of the unapproved species subject to a proviso that if after further technological tests the species were found to be unacceptable, the total quantity of sleepers to be supplied under the contract might be reduced by a third at the seller's option.
- (ii) Even after the insertion of the clause, the firms were specifically informed by the Railway Board not to ship the unapproved species but they persisted in shipping them in spite of protests from a senior Indian Railway Officer in Australia. In some cases, the supplies did not even correspond to the inspection certificates which were received later. In one instance full payment was made in India for 4,191 sleepers through "oversight".
- (iii) The firms had already supplied more than the maximum percentage of Class III sleepers under the contract. This percentage was allowed to be further exceeded.

111. The Chairman, Railway Board, explained that the sleepers were accepted mainly for the following reasons:

- (i) There was a pressing need for sleepers for the Railways. In spite of their best efforts the Ministry of Railways could not meet their full requirements of sleepers for the Second Five Year Plan.

- (ii) The Ministry of Railways were satisfied that on the basis of available data the sleepers were technically acceptable.
- (iii) The price paid for the sleepers on the basis of negotiations was considered to be quite reasonable.

The witness did not agree with the views of Audit that concessions had been given to the firms in question. With regard to the insertion of the clause in the contract regarding acceptance of the unapproved species subject to their being found acceptable by technological tests, it was stated that this provision was included as the suppliers insisted on such a provision in the contract. According to the suppliers the forests from which they got timber were of a mixed type and it was difficult for them to supply only a particular type of timber excluding the others. The firms expressed their inability to supply the full quantity of sleepers in case the species offered by them were not accepted. As the Railways required a large number of sleepers and the firms were insisting that it was erroneous to regard the species in question as unacceptable, a clause was inserted in the contract for acceptance of the species, but on condition that further studies established their acceptability. The Committee enquired as to how sleepers of the three species were decided to be acceptable on the 23rd March, 1960 when, two days earlier, the Ministry had firmly repudiated their acceptability under the terms of the contract. The representative of the Ministry stated that the earlier letter dated the 21st March, 1960 was written on the basis of the terms of the contract. The letter did not mention that the species were not acceptable. As the species belonged to Class III timber of which the stipulated percentage of sleepers had already been supplied, it was decided that acceptance or rejections of the species had no bearing on the supplies in terms of the contract. Although at that time the Ministry was fully convinced of the suitability of the supplies in the three species, they did not want to take these sleepers on the average price fixed in the contract which envisaged supplies of Class I, II and III sleepers in specified proportions. Subsequent acceptance of the supplies at a reduced rate was extra contractua!. In reply to a question, the representative of the Ministry observed that there was no contradiction between the communications of the Ministry dated the 21st March and 23rd March, 1960, to the Australian High Commission in India. With regard to the reference from the Australian High Commission, the representative of the Ministry stated that inquiry was about the "outcome of the studies" conducted in India about the suitability of the timber and not about the supplies under the contract in question.

To a question why the Ministry allowed only two firms out of the eight to supply the unapproved species of timber, it was stated that

these species pertained to supplies from East Australia and only the two firms had offered to supply these varieties of timber. The other six firms were from West Australia and had not offered these species.

112. The Chairman, Railway Board denied that the firms were encouraged to ship unapproved species of sleepers. He stated that the Ministry of Railways had protested to the firm from time to time against the shipment of the unapproved species but they continued to do so at their own risk. His attention was drawn to a note recorded in May 1959 by the Senior Deputy General Manager, Eastern Railway, that the Member, Engineering, Railway Board (the present Chairman) who was then in Australia was anxious that the consignment of sleepers from Australia which included among others sleepers of the unapproved species should not be refused acceptance on arrival at Calcutta. The Chairman, Railway Board, explained that this step had been taken by him to avoid any complications and payment of avoidable demurrage at the port in India. The unloading of the ship, however, did not impose any liability on the consignee (Ministry of Railways) to make payment for the unapproved sleepers. In fact some of the rejected material was still lying at Calcutta.

113. As regards the suitability of the sleepers in question the Chairman, Railway Board, stated that they had been put on the track and were found satisfactory. When his attention was drawn to a letter from a Divisional Superintendent (Eastern Railway) complaining that about 15 per cent of the sleepers of these species had cracked, the witness stated that he was not aware of the complaint. He promised to find out the correct position.

114. About the reasonableness of the price paid for these sleepers the Chairman, Railway Board, stated that the firms had been paid a price which was 25 per cent lower than the average rate fixed under the contract. This was lower than the rates offered by the firms against the original tender. It was, therefore, not correct to assume that the price had not been 'tested by tender'.

Southern Railway—Excess payments to handling contractors for shipment of coal—para 20—

115. A contract was entered into in November, 1954, by the then Chief Mining Engineer, Railway Board with two firms of shipping agents, who supervised shipment of coal from Calcutta to ports in South India for the Southern Railway. This contract subsisted during the period from the 1st September, 1953 to the 29th February, 1960. The contractors were required to make payment to the collieries in the first instance for coal intended for the Railway on the basis of

the invoiced weight, and also to make payment of other incidental charges such as railway freight, port charges, etc. Reimbursement of the amounts was to be made in accordance with Clause 21 of the respective agreements which provided that the contractors would submit bills, duly pre-receipted, in respect of the quantity of coal certified by the surveyor as having been actually shipped by the particular steamer on actual cost basis. i.e., for all the actual expenditure incurred by them against that shipment. It was found that the weight so assessed by the surveyor was generally greater than the 'invoiced weight' of the consignments booked from the collieries. This disparity was reported by the Southern Railway in December, 1956, March 1957 and September, 1957 to the Deputy Coal Controller, who had taken over the functions formerly performed by the Chief Mining Engineer. The Deputy Coal Controller advised the Southern Railway in November, 1957 that the contractors should be paid on the basis of the "manifest quantity" (i.e. as assessed by the surveyor). The Railway Board to whom the matter was referred by the Railway examined the question in November, 1958, and also consulted the Ministry of Law. The two Ministries agreed that Government could legitimately refuse to pay for any quantity of coal in excess of the 'invoiced weight'. The Railway Board advised the Southern Railway accordingly in May, 1959 who had in the meantime withheld payment to the contractors for quantity in excess of the invoiced weight. The contractors felt aggrieved by this decision and threatened stoppage of work. According to them the variation between the "manifest quantity" and the "invoiced quantity" arose on account of inclusion of coal received through "unconnected" wagons (i.e. wagons received in the docks without identification labels to indicate to whom they were consigned) and shipped to the Railways by the contractors. The contractors agreed in October, 1959 to give a certificate to the effect that they had paid for such "unconnected" coal and that they would indemnify the Railways against any claims that might arise out of such payments. The contractors, however, did not subsequently implement this undertaking to the satisfaction of the Southern Railway.

In December, 1959, the Deputy Coal Controller referred the disputed provision of the agreement independently to the Solicitor to the Central Government in Calcutta. The Solicitor gave his opinion that the certificate of the surveyor was binding on both the parties and that payment was to be made on that basis; but he also indicated that the contractor would be entitled to be paid "the actual expenditure incurred by him" against each shipment.

The Deputy Coal Controller whose decision was final in the event of disputes under the contract informed the Railway Board on the

18th January, 1960 that the contractors were entitled to receive payment on the basis of the weight certified by the surveyors to have been loaded into the hold of the ship.

At a meeting of the representatives of the Ministries of Railways, Steel, Mines and Fuel and Law when the Coal Controller was also present it was felt that in the circumstances it would be difficult to persuade the contractors to accept the Railway Board's view. Subsequently on 22nd February, 1960, at a meeting of the contractors arranged by the Railway Board, an *ad hoc* settlement was reached according to which the contractors were to be paid on the basis of 'manifest quantity' upto the 31st March 1959 and thereafter on the basis of "invoiced weight" till the termination of the contract *i.e.* the 29th February, 1960.

The total excess payment to the contractors on account of difference between the "manifest quantity" and the "invoiced quantity" had been estimated at Rs. 15.37 lakhs for the period from 1st September, 1953 to 31st March, 1959.

116. In evidence the representative of the Ministry of Steel, Mines & Fuel (Department of Mines and Fuel) informed the Committee that clause 21 of the contract governing the payments to contractors was the same as Clause 19 of the previous contracts for the work. In his opinion the agreement was for the payment of the actual cost on the basis of manifest weight and that there was no reason to think that the agreement was unsatisfactory; for, it was not established that Government had to pay for coal which was not received by the Railway. The Committee drew the witness's attention to a specific case in which the weight of coal shipped and paid for exceeded the invoiced weight and the weight of unconnected wagons and enquired as to how this excess arose when normally a deficiency due to losses in transit should have been the case. The explanation was as follows:

The Marine Surveyor certified the total tonnage put into a ship. The measurement was done by drafts which was the basis on which the shippers billed their consignment. There was often a difference between the quantity as certified by the Railway receipt and that assessed by the Marine Surveyor. The excess might also represent coal which having arrived earlier at the port was not then shipped.

The Department was of the opinion that the Railway had made payment to the contractors for the quantity of coal put in the hold of the ships no matter from whichever source it came. On being asked as to how the Coal Controller satisfied himself about the 'actual expenditure' incurred by the contractor in the absence of invoices, the representative of the Ministry stated that he was aware

of the rate of coal, which was controlled, its weight as certified by the surveyor as well as the rates of other incidental charges. Audit pointed out that Clause 21 of the contract envisaged that the contractor could claim payment only of the actual expenditure incurred by him on a shipment and that the contractor would have paid the collieries and incurred freight only for the invoiced weight and not for the manifest weight. The Committee, therefore, enquired why the Coal Controller did not insist on the production of clear proof from the shippers in support of their having paid the price of coal to the collieries. The witness stated that it was not possible for the shippers to produce such evidence in all cases. In the case of unconnected wagons the collieries sent the bills to the contractor to whom the wagons were sent and the latter had to pay whether he received the consignment or not. The contractor in turn traced the wagon and realised the value thereof from the party who had taken it. He added that no claims for compensation in respect of the missing wagons had been lodged by the collieries against the Railways.

117. The Financial Commissioner, Railways, stated that the invoiced weight represented the assessment made at the Railway weigh-bridges and the manifest weight was the assessment of the Marine Surveyor. The two methods of assessment being involved, the actual weight assessed by each was not the same. The Railway had been getting coal carried by sea for a very long time and it had followed the internationally accepted practice of accepting the weight put on the ship as certified by the Surveyor. In the opinion of the Railway, the assessment of coal made by the surveyor was on the high side. Had the Railway known it beforehand that the 'manifest weight' could be more than the 'invoiced weight' it could have provided a safeguard in the agreement to the effect that the contractor would be paid for the lesser quantity. But it was doubtful whether in that case the same rates would have been offered for the work.

118. On being asked as to why the Deputy Coal Controller approached directly the Solicitor to the Central Government in December, 1959, without reference to the Railway Board who had obtained the opinion of the Law Ministry, the representative of the Ministry of Steel, Mines & Fuel stated that it was not clear from the communication of the Railway Board whether the opinion of the Ministry of Law had been obtained. He added that no harm had been done by this act, because firstly the decision of the Deputy Coal Controller was not communicated to the contractors and secondly it was not binding on the Railway Board to accept it. It was only after the matter was discussed by the representatives of the Ministries of Railways, S. M. & F. and Law that it was decided to pay the

contractors on the basis of 'manifest weight' upto 31-3-1959. It was pointed out to the witness that according to the Ministry of Law the finality of the decision of the Dy. Coal Controller in terms of the contract was an unfavourable factor in the case of Railway Board. The witness stated that earlier the contractor had repudiated his liability to maintain supplies and this was the consideration which influenced a compromise. Audit pointed out that it was clearly mentioned in the letter of the Railway Board to the Deputy Coal Controller that legal implications of the matter had been considered. To this the witness stated that in the judgement of the Deputy Coal Controller had the Law Ministry been consulted, it would have been clearly stated in the letter. He admitted, however, that the Railway Board could have been further consulted for obtaining a clarification of his doubt. But probably the Deputy Coal Controller was threatened with a suit and, therefore, he thought it fit to arm himself with legal opinion. The witness added that the Government Solicitor was duly informed that the Railway Board had considered the legal implications.

The Committee inquired as to why the contracts were not terminated even after an Expert Committee had pointed out defects in the system in August 1958. The Financial Commissioner (Railways) stated that in its Report the Experts Committee had recommended departmental handling of the work, but the Port Commissioners were opposed to this change. It was ultimately decided to take over the work with effect from 1st March, 1960.

119. Under the agreement it was incumbent on the contractors to train free of cost suitable officers of the Railway in the work of handling and shipment. The Committee inquired why no advantage was taken of this clause in the agreement. The representative of the Ministry of Railways stated that as long as the contract was working satisfactorily, the necessity for getting the personnel trained in the work was not felt. He added that after the work was taken over in March 1960 no difficulty was experienced on this account.

120. *The Committee then adjourned to meet again at 10.00 hours on Thursday, the 13th July, 1961.*

PROCEEDINGS OF THE 10TH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 13th
JULY, 1961.

121. The Committee sat from 10.00 to 12.30 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri G. K. Manay
6. Dr. Pashupati Mandal
7. Shri S. A. Matin
8. Dr. G. S. Melkote
9. Shri Purushottamdas R. Patel
10. Dr. N. C. Samantsinhar
11. Pandit Dwarka Nath Tiwary
12. Kumari Mothey Vedakumari
13. Shri K. K. Warior
14. Shri Lalji Pendse
15. Shrimati Savitry Devi Nigam
16. Shri Rajeshwar Prasad Narain Sinha
17. Shri Jai Narain Vyas.

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor
General (Railways).*

Shri M. S. Bhatnagar, *Addl. Dy. C. & A.G. (SD).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri Y. P. Passi, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

1. Shri Karnail Singh, *Chairman, Railway Board.*
2. Shri S. Jagannathan, *Financial Commissioner, Railways.*
3. Shri E. W. Isaacs, *Member, Engineering.*
4. Shri D. C. Baijal, *Member, Staff.*
5. Shri Kripal Singh, *Member, Transportation.*
6. Shri C. T. Venugopal, *Addl. Member, Finance.*

Ministry of Finance (Department of E.A.)

Shri A. G. Krishnan, *Under Secretary.*

*Central Railway—Contract for clearance of sea-borne stores—
para 21—*

122. A firm of contractors who had been doing the work of clearance of imported stores at Bombay Port at rates accepted in 1946 quoted lower rates for the same type of work in response to tenders invited by the Western Railway in December 1956 and offered the same rates to the Central Railway also. A decision on this offer was, however, not taken until April, 1959. After negotiations the firm agreed to accept the lower rates from 1st January, 1959. The overpayments upto December 1958 by reason of the delay in accepting the lower offer amounted to Rs. 2.20 lakhs. The question of delay was examined by an Enquiry Committee appointed in August, 1960. The former Deputy Controller of Stores, who had retired in July, 1958, was held to be primarily responsible for the delay and a small residual amount of special contribution to Provident Fund, which had not been paid to him, was forfeited.

Payments were allowed to the same firm in respect of assembled locomotives, coaches, etc., which were landed on their own wheels in the docks direct from the ship's hold and other packages unloaded direct by the ship's cranes into wagons, although these items were not specifically provided for in the contract and little or no labour was involved in their clearance. The question was specifically raised when the acceptance of the lower rates offered by the firm was under consideration. The firm was warned on 31st December, 1959 that the payments made to it in respect of fully assembled stock should be deemed to be erroneous. After negotiations a compromise was ultimately reached according to which the firm agreed to refund to the Railway a sum of Rs. 3.20 lakhs in full settlement of all claims.

A note submitted to the Committee at their instance indicated that the time taken at different stages in dealing with the contractors' offer of lower rates after December, 1956 was too long and the case remained under correspondence between the Controller of Stores and the Financial Adviser for a long time.

123. In evidence, the representative of the Ministry of Railways admitted that the delay in taking a decision in this case was mainly attributable to the inefficient working in the office of the Controller of Stores. The Comptroller & Auditor General informed the Committee that the Railway Board had expressed dissatisfaction at some of the findings of the Enquiry Committee and had asked the Railway Administration to fix further responsibility in the matter. Instructions had also been issued to all concerned to avoid recurrence of such cases.

In reply to a question whether the rates fixed in 1946 were at any time examined before the firm offered lower rates in December, 1956, it was stated that the rates were scrutinised by the General Manager in consultation with the F.A. & C A O. in 1950 when he came to the conclusion that taking all the circumstances together the rates were reasonable and that it was not necessary to call for fresh tenders.

124. With regard to the overpayment in respect of handling of locomotives, coaches, etc. the Committee were informed that when the contract was entered into, it was not visualised that fully assembled locomotives would be unloaded in the wagons. Later in 1950, this matter was considered and it was felt that considering the rates of the contract as a whole there was no overpayment. On being asked about basis for taking a refund of Rs 3.20 lakhs from the contractors, the representative of the Ministry stated that the amount had been calculated by the Railway Administration. It was pointed out by Audit that on the basis of the rates offered by the firm for these types of work in response to open tenders in December, 1956 the overpayment would amount to about Rs. 26.91 lakhs.

Delay in the recovery of interest and maintenance charges in respect of assisted sidings—para 27—

125. The recovery of interest and maintenance charges in respect of assisted sidings had not been satisfactory on some of the Railways and a substantial amount was outstanding from several firms as indicated in the Audit Report.

Eastern Railway

On the Eastern Railway most of the agreements provided for the recovery of interest and maintenance charges at specific rates only

on receipt of a notice by the party from the Railway Administration of termination of the agreement on account of insufficient traffic. Annual reviews of the earnings from the sidings and the issue of notices to the siding owners, where necessary, were not done systematically. By September, 1960 the review of 339 industrial sidings and 842 colliery sidings for the period 1953-54 to 1959-60 was still in arrears, the review outstanding for previous years having been waived by the General Manager. There was no up-to-date list of industrial and colliery sidings upto May 1960 on the basis of which a review could be carried out.

North-East Frontier Railway

In 1957 it was agreed that no siding should be maintained without reimbursement of interest and maintenance charges. Fresh agreements on a standard form were to be executed with all the siding owners taking effect from the 1st April, 1958. The Railway Administration had, however, not finalised the standard form till May, 1961.

North-Eastern Railway

On this Railway siding registers were not maintained properly in the Accounts Offices. The registers included large number of sidings which had been closed or were not in use and the amounts shown outstanding against them were not realistic.

Northern Railway

An annual review due for 1946-47, completed in May, 1951, in respect of sidings in three divisions, which were transferred to the Railway from the Eastern Railway in 1952 indicated that 47 sidings were unremunerative. Bills for payment of interest charges were sent to the firms but no recovery could be effected. The firms protested that deterioration in traffic was due to factors beyond their control. Ultimately in 1956-57 all the bills for the period prior to April 1952 amounting to Rs. 1,43,474 were withdrawn by the Northern Railway. As a result of reviews for subsequent years amounts due were realised from 29 out of 45 sidings declared as unremunerative. Recoveries from the remaining sidings were still outstanding.

126. In evidence the representative of the Ministry of Railways stated that some of the sidings on the Eastern Railway in respect of which reviews were outstanding were constructed as early as 1870. The agreements with the siding owners did not conform to the Codal

provisions which prescribed an annual recovery on account of interest and maintenance charges at 8½ per cent of the cost of the siding borne by the Railway. Each case was governed by its own agreement. The main reason for delay in completion of the reviews was the non-availability of full particulars, such as cost of construction, in respect of the sidings. Although an up-to-date list of sidings had been prepared, details in respect of some of the sidings in the Sealdah Division were not available. These sidings were constructed when they were part of the Bengal-Assam Railway whose headquarters had since shifted to Dacca (Pakistan). It was now proposed to reconstruct the capital cost of these sidings on the basis of the existing assets. Another difficulty was the calculation of the remunerativeness of the sidings. The old method of calculation was objected to by some of the siding owners. A new formula had since been evolved which, besides being acceptable to all concerned, had enabled the Railway to clear the arrears rapidly.

Indicating the progress made by the Railway in the preparation of annual reviews, the witness informed the Committee that out of 115 industrial sidings constructed prior to 1951 reviews had been completed in respect of 109 sidings. In the case of the six sidings their capital costs were being reconstructed. The witness promised to furnish a detailed note to the Committee indicating the latest position i.e. progress made in the preparation of reviews of sidings and recovery of outstanding charges.

In reply to a question it was stated that the old agreements with the siding owners could be revised with the mutual consent of the parties and efforts were being made to bring all the agreements on a uniform pattern. The Chairman, Railway Board, intervened to say that although the Railway had a right to close down a siding in the event of non-payment of interest and maintenance charges by the party concerned it could not do so for several considerations.

127. On the North-East Frontier Railway the standard form had been finalised and the process of executing agreements had started. The delay was due to the abnormal conditions prevailing on the Railway and the organisational changes which had taken place after the partition of the country. The Committee were assured that endeavours would continue to be made to expedite the matter.

128. As regards the North-Eastern Railway, the reasons for non-maintenance of siding registers were mainly attributable to the dislocation of work caused by change over from one Railway to another. Out of 91 sidings maintenance charges had been recovered for 27 sidings upto 31st March, 1962 in advance, for 31 upto 30th September, 1961 in advance and for 37 sidings upto 31st March, 1961. The

owners of the remaining six sidings had raised certain objections in regard to fixing of the revised charges and the matter was under consideration.]

129. The Divisions of the Northern Railway referred to in the Audit Report belonged to the Eastern Railway and the pattern of agreements with the siding owners was the same as for other sidings on the Eastern Railway referred to above. Explaining the circumstances in which the bills in respect of maintenance charges for the sidings upto April, 1952 were withdrawn, the representative of the Ministry stated that the firms to which the bills were sent had raised the following objections:

- (i) Traffic had gone down mainly on account of Railway's inability to provide sufficient wagons.
- (ii) Proper notice was not given to them by the Eastern Railway.
- (iii) The bills were prepared on the basis of the operating ratio prevalent on the *ex-E.I.R.*

It was admitted by the witness that had the annual reviews been prepared and bills sent to the firms in time, the amounts due under the terms of the agreement could have been collected.

South-Eastern and Western Railways—Overpayments in connection with execution of earth work on projects—Para 28—

130. Three cases of overpayments to contractors on certain construction projects as a result of upward revision of the classification of soils by the District Engineers were reported to the P.A.C. (1960-61). The Audit para cited further cases of such overpayments in the South-Eastern and Western Railways.

131. At the outset the Chairman, Railway Board, explained to the Committee the peculiar features inherent in earth-work projects and difficulties in laying down a uniform code for the guidance of engineers in regard to classification of soils. He stated that it was not possible to pre-determine the nature of the soil before it was actually dug. It was ultimately the engineer on the spot who could give a correct assessment as regards its classification. The types of irregularities narrated in the Audit Report could only be checked by proper vigilance, care and intensive inspection by superior officers. He added that whenever any irregularity came to the notice of the Ministry, immediate action was taken to recover the overpayment involved as well as to fix responsibility in the matter.

132. Dealing with the cases individually the Committee inquired why the assessment of overpayment made by the Vigilance Cell in

the first case was not accepted and what special reasons existed for a subsequent review being made by the Engineer-in-Chief. The representatives of the Ministry of Railways stated that the assessment made by the Vigilance Cell aroused a suspicion in the minds of the Administration that such wide variations in the classification of earth-work could not have been possible. The General Manager, therefore, decided to get the whole matter reviewed by a senior officer. He added that the Vigilance Cell was only a departmental organisation under the Chief Engineer whose main function was to assist the administration in detecting errors. In this case the assessment made by the Engineer-in-Chief, who was a senior officer with considerable experience, was considered to be more realistic.

133. In reply to a question the witness informed the Committee that the Ministry of Railways had accepted the recommendation of the P.A.C. (1960-61) regarding appointment of a non-Railway Engineer on the Vigilance Cell; but it had not been possible to implement the same, as officers with the requisite qualifications and experience were not available. An officer recommended by the C.P.W.D. for appointment was not found to have a satisfactory record.

134. With regard to the cases on the Western Railway the Committee were informed that the officer who was primarily responsible for the irregularities had proceeded on 'sick' leave abroad for operation of his eye. Further departmental action against all concerned was pending this officer's return to India. On being asked as to how the same officer who had reclassified the earth-work in his capacity as Executive Engineer was entrusted with the review of the cases later as Chief Engineer it was stated that the matter came up to him in the normal course of his duties.

135. *The Committee then adjourned to meet again at 10.00 hours on Friday, the 14th July, 1961.*

PROCEEDINGS OF THE 11TH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 14TH
JULY, 1961.

136. The Committee sat from 10.00 to 12.40 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman*.

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri R. S. Kiledar
6. Shri G. K. Manay
7. Dr. Pashupati Mandal
8. Shri S. A. Matin
9. Dr. G. S. Melkote
10. Shri Purushottamdas R. Patel
11. Dr. N. C. Samantsinhar
12. Pandit Dwarka Nath Tiwary
13. Kumari Mothey Vedakumari
14. Shri K. K. Warrior
15. Dr. Shrimati Seeta Parmanand
16. Shri V. C. Kesava Rao
17. Shrimati Savitry Devi Nigam
18. Shri Rajeshwar Prasad Narain Sinha
19. Shri Jai Narain Vyas.
Shri A. K. Roy, *Comptroller & Auditor General of India*.
Shri G. Swaminathan, *Addl. Deputy Comptroller and Auditor General (Railways)*.
Shri M. S. Bhatnagar, *Addl. Dy. C. and A. G. (SD)*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi—*Under Secretary*.

WITNESSES

Ministry of Railways (Railway Board)

Shri Karnail Singh—*Chairman, Railway Board.*

Shri S. Jagannathan—*Financial Commissioner, Railways.*

Shri E. W. Isaacs—*Member, Engineering.*

Shri D. C. Baijal—*Member, Staff.*

Shri Kripal Singh—*Member, Transportation.*

Shri C. T. Venugopal—*Addl. Member, Finance.*

*Ministry of Transport & Communications
(Department of Transport)*

Shri S. N. Chib—*Director General, Tourism.*

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

Shri R. K. Mukherjee—*Under Secretary.*

Default in payment of sale proceeds of railway tickets by Travel Agents—Para 32—

137. Two firms had been granted recognition by the Ministry of Transport as approved Travel Agencies. The Railway entered into agreements with them and both the firms delayed remittances of sale proceeds of railway tickets.

The first firm delayed making monthly remittances of sale proceeds in June and December, 1955, and the delays became chronic from July, 1956. Action to stop the sale of tickets was, however, taken only on the 1st March, 1959 by which date the outstandings from the firm amounted to Rs. 2.35 lakhs against a security deposit of Rs. 5,000. The security deposit, which was based on the average value of one and a half months transactions, was to be revised after three months in terms of the agreement. No action was, however, taken to review the transactions.

In the second case delay in remittance commenced from November, 1957, but it was only on the 11th September, 1958 that further sale of tickets by the firm was stopped. By that date the outstandings amounted to Rs. 62,472 against a security deposit of Rs. 8,000.

In both the cases the stock of tickets issued to the firms for sale was excessive and out of all proportions to their requirements.

138. In evidence, the Director General (Tourism) informed the Committee that the following factors were generally taken into consideration before granting recognition to Travel Agents:

- (i) Sound financial position.

- (ii) Experience in tourist promotion work.
- (iii) Annual business out-turn.
- (iv) Suitability of Office premises and
- (v) Sufficiency of trained staff.

The agents were selected after a joint inspection by the officers of the Ministries of Railways and Transport and Communications. In the case of the first firm it was stated that the conditions referred to at S. Nos. (ii) and (iii) were relaxed because it was felt at the time that if all the conditions were to be imposed rigidly no local firm would qualify. On being asked what checks were exercised by the Ministry over the working of the Travel Agencies, the witness stated that during the first three or four years after 1953, when the Directorate of Tourism undertook this work, check over the Agencies was not very strict; but since then the Directorate had been obtaining the annual reports giving complete activities of the firms and their annual balance-sheets and subjecting them to careful scrutiny. The agencies were also inspected periodically by the Regional Tourist Officers. In respect of the first firm mentioned above the defects came to the notice of the Directorate in 1957 when it was informed that the Railway was taking necessary action in the matter. He added that the firms were no longer doing tourist business.

The representative of the Ministry of Railways admitted that the Railway Administration had failed to review the working of the first agency and its branch office with a view to fixing the security deposit and also to examine the question of granting extension of recognition to the Branch office. The precise reasons for this mistake could not be ascertained as the officers concerned had retired from service. The Committee enquired whether the defaults had not already become known when the officers were still in service. They were informed that some officers of the Accounts and Commercial Departments were involved in this case. Of the two Assistant Accounts Officers, one had retired on 31st December, 1956 and the other early in 1958. On the commercial side, one junior officer retired in 1956, and two senior officers in 1959 and 1960 respectively. Explaining the circumstances in which the firm was allowed to sell tickets upto 1959 the representative of the Ministry stated that as the firm had been paying regularly for over two years and it had reputable persons on its Board of Directors, the Railway officers hoped that it would be able to pay up the dues after—what appeared to be—some temporary difficulties were overcome. The matter was considered by the General Manager from time to time at the monthly meetings of the Heads of Departments. In granting extensions to the firm from time to time the Railway Administration acted in a *bona fide* belief that

it would be possible to realise the arrears from the firm without entering into litigation. He added that efforts were now being made to recover the outstanding amount from the firm both in and out of court.

With regard to the excessive issue of tickets to the firms the representative of the Ministry stated that the procedure obtaining at the time was defective. All the stations and other booking agencies were supplied blank tickets by the Printing Press direct and the indents were not even vetted by the Accounts Office. This practice had since been stopped. Instructions had also been issued to the Railways to tighten up the inspection of the accounts and commercial transactions of Travel Agencies.

South-Eastern Railway—Non-remittance of cash collections by a City Booking Agency contractor—Para 33—

139. A contractor entrusted with the working of a city booking agency did not remit the earnings from 4th March, 1954 to the 2nd April, 1954. A telegram was issued from the Cash Office on the 23rd March, 1954, asking for immediate remittance of the detained earnings, but this was not followed up. In April, 1954, when the contractor did not produce the records for inspection, enquiries about the position of his daily remittances were made and the city booking agency was closed. The contract was terminated from the 2nd August, 1954.

On prosecution, one of the partners of the firm was convicted by the Court, but, while an appeal from the defendant was still *sub-judice*, the case was compounded on the advice of the Public Prosecutor and in consultation with the Railway's Law Officer.

As the firm failed to comply with the terms of the settlement, a civil suit had since been filed against it for recovery of the outstanding amount (Rs. 16,445).

140. In evidence, the representative of the Ministry of Railways stated that in this case the Accounts Office had failed to detect the non-remittance of earnings. It was primarily the duty of the Accounts Office to see that the accounts were rendered and checked. He added that there were about 12,000 stations on the Railways which sent daily reports of cash collections and it was difficult to exercise a 100 per cent. check on these transactions. Instructions had, however, been issued to the effect that the accounts of the city booking offices should be subjected to a 100 per cent. check. The Committee drew attention of the Railway Board to the fact that Cash Office, having sent a telegram on the 23rd March, 1954, asking for immediate remittance of the detained earnings, failed to follow it up. The reply

was that the primary responsibility for not detecting the defaults was not of the Cash Office who acted only as a receiver.

On being asked why no action was taken against the Station Master before he retired from service, the witness stated that although it was at one time proposed to fix the responsibility of the Station Master also it was later felt that he had acted only as a transmitting agent and could not be held responsible. The booking agent deposited the money in the treasury and sent only the treasury remittance notes through the Station Master. The attention of the witness was drawn to the agreement which provided that the booking agent should send the Treasury remittance notes through the Station Master and, therefore, the latter could not excuse himself of the duty to see that the notes were duly received by him.

Eastern and North-Eastern Railways—Irregularities in the sale and accountal of tickets by a contractor working a city booking office
—para 34—

141. A contractor working a city booking office on the Eastern Railway committed irregularities in the issue and accountal of tickets from October 1954 to April 1957. After adjusting the security deposit and other dues of the contractor a sum of Rs. 7,068 was found outstanding against him for which a civil suit had since been filed. An employee of the Accounts Office was punished for slackness in checking the returns received from the booking office.

In July, 1952 the contractor was permitted to sell tickets of the North Eastern Railway also without, however, settling the terms and conditions. Later when it was found that he had withheld remittance of sale proceeds of tickets the contractor was asked to discontinue the work from July 1954:

Under the agreement with the former East Indian Railway, the contractor was entitled to commission for tickets sold by him over that Railway and not over other Railways. In the absence of a similar agreement with the Eastern Railway the contractor continued to be paid commission till the 31st December, 1956 in respect of traffic over 3 divisions, which were transferred to the Northern Railway in 1952.

142. In evidence, the representative of the Ministry of Railways stated that it was a case of fraud committed by the contractor and that Special Police Establishment had taken up the case. A civil suit had also been filed to recover the money. The irregularities remained undetected for 2½ years mainly due to the slackness on the part of the Accounts Office in exercising the prescribed checks for

which responsibility had been fixed. Necessary steps had also been taken to further strengthen the internal checks.

On being asked why the contract on the Eastern Railway was not terminated in July 1954 when it came to the notice of the Railway that the contractor had withheld remittances of sale proceeds of the tickets of the North Eastern Railway, the witness explained that according to the Railway Law Officer's opinion there was no legal agreement with the contractor at that time. Instructions had since been issued to the effect that each Railway should have its own agreement and it should obtain a separate security deposit from the contractors for any work pertaining to that Railway.

143. As regards the commission paid to the contractor for the sale of tickets on the three Divisions of the Eastern Railway which were transferred to Northern Railway in 1952, the Financial Commissioner, Railways, stated that it did not involve any over-payment to the contractor nor was there any loss incurred by the Railway on this account. It was only a technical over-payment in that a separate agreement should have been executed by the Northern Railway in the case of the three Divisions.

North-Eastern Railway—Non-recovery of demurrage charges due from a handling contractor—para 35—

144. In this case demurrage charges on account of unnecessary detention of wagons were not recovered from a contractor entrusted with the transshipment and handling work at a ferry-ghat station, between 15th August, 1947 and 30th April, 1956. Under the agreement the contractor was responsible for all demurrage that might, in the opinion of the General Manager, have been caused by or through any unreasonable detention or delay on his part; but such charges had to be accepted by the contractor at the time the bills for handling were certified. The unnecessary detentions were first pointed out by an Assistant Traffic Superintendent in May, 1955 but without indicating any details. A Senior Travelling Inspector of Accounts who was asked to check the last bill of the contractor with reference to station records, reported in September, 1956 that demurrage amounting to Rs. 44,920 had accrued against the contractor during the period March 1955 to June 1955 but that the registers containing the particulars of detention to wagons had not been got signed by the contractor. A joint inspection by two officers of the Railways with which the contractor was also associated confirmed this on the 25th September, 1958. The legal adviser to whom the question was referred in July 1959 observed that in view of the uncertainty of the agreement and the attitude of the officer in submitting the contractor's bills it would be very difficult to make out a case against the contractor. The recovery of the amount was, therefore, finally waived in April 1960.

145. In evidence, the representative of the Ministry of Railways stated that on reconsideration of the whole matter, the Railway Board had come to the conclusion that no demurrage had actually accrued which could be recovered from the handling contractor. In his opinion the action of the Administration in calculating the demurrage charges and subsequently waiving the amount and promising to fix staff responsibility was wrong. Explaining his point further, the witness apprised the Committee of the peculiar conditions prevailing at the transshipment point. At Maniharighat to which the Audit para related the river (Ganga) kept on changing its course with the result that the site of the station had to be shifted from place to place depending upon the current of the river, season and the suitability of the Ghats. At times the Railway station was shifted twice or thrice during the day. On account of these difficult and variable conditions, it was not possible to fix any time for the loading and unloading operations at this station. No fixed free time was, therefore, provided in the agreement with the contractor, but it was stated that if in the opinion of the General Manager any unreasonable detention took place either of the flats or wagons, the contractor would be liable to pay demurrage charges. There were no records to prove that there was unreasonable detention of wagons through any fault of the contractor.

The representative of the Ministry further added that there were obvious defects in the method of calculation of the amount of demurrage. The Railway Administration had taken into account the entire time from the arrival of a tug to its departure after deduction of a free time of six hours. This was not a correct basis because the contractor could not start operations until the packages in the tug had been checked by the Railway staff and metre-gauge wagons were made available. Further, a free time of 12 hours was generally allowed at all other stations whereas only 6 hours were allowed at this transshipment point.

On being pointed out that the demurrage charges had been confirmed by joint inspection with which the contractor was also associated, the representative of the Ministry clarified that although the contractor was present at the time of inspection he had not accepted the decision of the Railway Officers and had represented that the matter should be referred to higher authorities.

The Committee enquired as to how all the officers right from the Inspector of Accounts to the General Manager made a mistake in calculating the demurrage. The Chairman, Railway Board promised to look into the matter and ascertain the reasons for this mistake on the part of the Railway Administration.

146. *The Committee then adjourned to meet again at 10-00 hours on Saturday, the 15th July, 1961.*

PROCEEDINGS OF THE 12TH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON SATURDAY, THE 15TH
JULY, 1961.

The Committee sat from 10.00 to 12.30 hours.

PRESENT

Shri C. R. Pattabhi Raman—*Chairman.*

PRESENT

2. Shri Rohan Lal Chaturvedi
3. Shri Aurobindo Ghosal
4. Shri Hem Raj
5. Shri R. S. Kiledar
6. Shri G. K. Manay
7. Dr. Pashupati Mandal
8. Shri S. A. Matin
9. Dr. N. C. Samantsinhar
10. Pandit Dwarka Nath Tiwary
11. Kumari Mothey Vedakumari
12. Dr. Shrimati Seeta Parmanand
13. Shri Lalji Pendse
14. Shri V. C. Kesava Rao.
15. Shrimati Savitry Devi Nigam
16. Shri Rajeshwar Prasad Narain Sinha
17. Shri Jai Narain Vyas.

Shri A. K. Roy, *Comptroller & Auditor General of India.*

Shri G. Swaminathan, *Addl. Dy. Comptroller & Auditor-
General (Railways).*

Shri M. S. Bhatnagar, *Addl. Dy. C. and A. G. (SD).*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri Karnail Singh, *Chairman, Railway Board.*

Shri S. Jagannathan, *Financial Commissioner, Railways.*

Shri E. W. Isaacs, *Member, Engineering.*

Shri D. C. Baijal, *Member, Staff.*

Shri Kripal Singh, *Member, Transportation.*

Shri C. T. Venugopal, *Addl. Member, Finance.*

Ministry of Finance

Shri A. R. Shirali—*Addl. Budget Officer.*

*Railway catering—profit and loss accounts for the year 1959-60—
para 13—*

148. The profit and loss accounts of Railway catering for the year 1959-60 showed that the percentage of commission and brokerage charges paid to vendors to sales on individual Railways varied from 0.5% to 14%. The percentage appeared to be abnormally high on the North-Eastern Railway.

149. In evidence, the representative of the Ministry of Railways informed the Committee that brokerage and commission was fixed after taking into account the conditions prevailing on a particular station and the articles to be sold. The basis of the commission was the average daily earnings of the vendor. The percentage was high on the North-Eastern Railway because the sales on that section were very poor. Even with the high percentage of commission, a vendor on this Railway hardly got a wage of Rs. 25/- per month. The rate of commission paid was thus the minimum necessary to enable any person to serve. The members made various suggestions for improving the catering service on the Railways. The Chairman, Railway Board, noted the suggestions made and assured the Committee that efforts would continue to be made to improve the quality of food stuffs served to passengers on all the Railways.

*North-Eastern and North-East Frontier Railways—Loss due to
deterioration of Sleepers at Sleeper Treating Plants—para 22—*

150. Under orders from the Railway Board, certain B. G. sleepers purchased from Assam Government and stored at the Sleeper Treating Plant at Naharkatiya were moved to Clutterbuck Ganj for treatment in February, 1956. An inspection carried out in December, 1956 showed that 21,975 sleepers had deteriorated resulting in a loss of Rs. 2.59 lakhs. The North-Eastern Railway had informed the Railway Board in November, 1954 and February, 1955 that it would not be in a

position to treat all the sleepers and the Railway would have to suffer a loss. But, the Railway Board issued orders to move the sleepers to Clutterbuck Ganj only in December, 1955.

151. In extenuation the Chairman, Railway Board stated that before deciding to purchase sleepers from the Assam Government, the Railway Board had envisaged setting up of an open tank treatment plant at Naharkatiya and had also decided to increase the creosoting capacity of other depots by multiplying the shifts. However, due to reasons beyond their control viz. widespread breaches on the Assam Rail link, the extra plant could not be set up at Naharkatiya and the removal of timber to other places also took longer time than anticipated.

*Central Railway—additional expenditure on a clothing contract—
para 25—*

152. In the background of the decision of the Administration that special arrangements should be made for stitching of uniforms to a high standard of tailoring for certain categories of staff, the Tender Committee of the Railway considered the tenders and after examining the samples of stitched uniforms recommended on the 30th June, 1958 the acceptance of the lowest offer received for each Division, observing that the stitching was satisfactory. The Controller of Stores set aside the recommendations of Tender Committee and asked it to re-examine the matter on the ground that the rates quoted by the tenderer were below the standard rates. The same Tender Committee thereupon revised its earlier recommendation and accepted the samples produced by a tenderer whose rates were not lowest. Contracts were awarded accordingly with the approval of the General Manager at 49 per cent, 99 per cent, and 149 per cent above the standard rates in respect of three types of garments. Subsequently, on a representation from one of the tenderers, whose lower rate had earlier been rejected, the contract relating to one Division was awarded to him at 3% below the standard rate which he completed satisfactorily.

153. The Committee enquired about the reasons for the change in the attitude of the Tender Committee who had made their original recommendation after inspection of the samples. The Financial Commissioner, Railways, stated that previous experience had shown that uniforms stitched at a lower rate were unsatisfactory and staff wearing them were wholly discontented. The Administration was thus not satisfied with those uniforms. Even if a sample was regarded as satisfactorily stitched, there was a possibility that all the uniforms would not be of the same standard, as these were hand-stitched uniforms.

As regards the successful completion of the order by the tenderer who had quoted lower rates the witness stated that it was not unusual on the part of an Administration to award educational orders. The Chairman, Railway Board, informed the Committee that the uniforms were now being stitched under the supervision of Mahila Samities consisting of the women-folk of Railway employees.

South-Eastern Railway—loss of revenue in the absence of proper weighment facilities—para 36—

154. The weigh-bridge at a station was condemned in 1952 and has not been replaced so far. It was reported that considerable leakage of revenue was taking place due to over-loading and that the staff who were expected to put a loading mark on each wagon to adjust the cubical contents within the permissible weight had seldom done so. Test weighments made on a few occasions during the years 1957-60 showed overloading in a majority of cases. In July, 1958 the District Mechanical Engineer recommended that strong action should be taken against the staff responsible for the overloading of wagons particularly as the overloading was likely to result in serious accident.

155. The representative of the Ministry of Railways pointed out that although the weigh-bridge was due for condemnation in 1952, it was used after repairs till 1954. The bridge could not be replaced on account of delay in taking decision as to the weighment capacity of the bridge to be installed and due to difficulties in procurement. Even so, he admitted that there was delay and the Railway Board would take up this question with the Railway Administration. A weigh-bridge which had been rendered surplus at another station had now been shifted to the station. Some spare parts which had been damaged in transit were being manufactured and the bridge would be installed very soon. As regards the overloading of wagons the witness stated that with a view to meeting the growing traffic, orders had since been issued permitting, in general, overloading of wagons upto a safety margin of two tons. Freight was being charged for this extra-weight also.

The Committee asked whether departmental action was taken against the Railway staff who permitted loading of wagons above the permissible height. They were informed that difference of one inch in the height of the load causes, in the case of iron ore, a difference of one ton in weight. Even so, the station staff could not be exonerated of not exercising due care. The Railway Administration had been asked to reconsider the question of fixing responsibility.

156. The witness, however, added that while certain wagons were certainly being overloaded there were others which were underloaded.

and this fact should be taken into account in assessing the loss incurred by the Railways.

Audit pointed out that freight was charged per wagon irrespective of the load and, therefore, the loss due to overloading of wagons could not be compensated by the underloaded wagons. Further, the test weighment made showed that in the majority of cases, the over-weighment was of the order of more than two tons per wagon.

While admitting this, the Member, Transportation, Railway Board reiterated that taking the under-weight of the rest of the wagons, the loss would be less than that indicated in the Audit Report. The Financial Commissioner further clarified that the under-weight wagons referred to above were those which had been taken as fully loaded. He added that whereas the test weighment of 1957 showed an average overloading of the order of 3 tons, that of 1958 indicated that it was of the order of 2 tons. In 1959 and 1960, it was of the order of one ton or so.

157. With regard to the suggestion from Audit that the re-weighment of wagons should be made as frequently as possible, the Member, Transportation stated that in order to quicken the turn-over of wagons the Railway had been devising measures to avoid the weighment of wagons to the maximum extent possible, with due regard to safeguarding the revenues of the Railways and to the safety of movement. For this purpose, a formula had been evolved to find out the weight of consignments by measurement.

South-Eastern Railway—arrears in the realisation of fees, etc. by Station Committees—para 37—

158. On the Ex-Bengal Nagpur Railway Station Committees composed of elected and nominated Railway officers and staff were set up to look after the sanitary arrangements, trees, gardens, etc. on the Railway lands at important stations. They were also entrusted with the realisation of conservancy cess, fees for grazing rights, etc. The accounts of the Station Committees disclosed arrears in the recovery of dues at some stations between the years 1950 to 1959. The total outstanding amount was assessed to be Rs. 3.96 lakhs.

159. In evidence the Committee were informed that the Station Committees were more or less a departmental organisation of the Railways. Until 1958 the Committees were powerless against defaulters. In 1958 the Senior Deputy General Managers had been delegated with powers of evicting the lessees who defaulted in payment of rents, fees, etc. It was hoped that the position would improve further.

South-Eastern Railway—outstandings against firms enjoying credit note facilities—para 38—

160. In cases where established firms are allowed the facility of payment of railway dues by credit notes, a security deposit adequate to cover the average transactions over a prescribed period is obtained and it is laid down that the amount of unrealised credit should not at any time exceed the security deposit. The Audit para cited two cases where outstandings were allowed to accumulate to an extent considerably in excess of security deposits taken from the firms. With a view to recover the outstanding amounts the Railway Administration had detained certain consignments of some firms, the Railway Receipts for which had been endorsed in favour of the clearing agents. The firms filed petitions in courts of law against the action of the Railway. As a result of the court's decision in the first case, pronounced in December, 1960, action was being taken to recover proportionate dues.

161. In evidence the Committee were informed that the Railway would be able to recover the outstanding amounts from both the firms. Necessary steps had also been taken for tightening up the checks to avoid recurrence of such cases. It was further proposed to delegate certain powers to the station masters authorising them to detain the goods of such firms if the amounts due against their credit notes exceeded the security deposits. Disciplinary action was already being taken against the officers who neglected their duties.

Central Railway—Write-off of wharfage charges—para 39—

162. A sum of Rs. 34,445 representing wharfage and demurrage charges outstanding from a consignee was finally written off in March, 1960. The station staff had allowed delivery of the goods without recovering the accrued wharfage and demurrage charges on the plea that the merchant would be able to obtain remission of these charges from the Chief Commercial Superintendent. It was further noticed that in regard to certain other consignments of the same merchant received at the station during the period August 1954 to August 1955, a sum of Rs. 18,985 had been waived under the authority of the officers of the Commercial Department on the plea that the wharfage accrued was out of proportion to the value of the goods and that charcoal had been pilfered while lying exposed in the goods shed.

163. In evidence, the representative of the Ministry of Railways informed the Committee of the action taken by the administration against the station staff for allowing the consignee to remove his goods without discharging the wharfage dues. One goods clerk was removed from service and the salary of the station master had

been reduced. As regards the waiver of railway dues by the officers of the Commercial Department during the period August 1954 to August, 1955, the Ministry of Railways were of the opinion that no financial irregularity was involved in these cases. The officers had taken decision exercising the discretionary powers vested in them and after considering the facts of each case. The Railway Administration was satisfied and there was no reason to suspect the *bona fide* of the officers. On being pointed out by Audit that out of a total of 49 cases of waiver of Railway dues awarded by the particular officer during one year, 42 pertained to the same merchant, the witness stated that the consignee was a big merchant and he happened to have received the largest number of consignments during the year. On being pressed further, the representative of the Ministry agreed to investigate the matter with a view to ascertaining whether the waivers were excessive.

Heavy Station Outstandings—para 40—

164. The Audit paragraph disclosed that heavy amounts were outstanding at certain stations for more than one or two years. Taking all the Railways together the outstandings on 31st May 1960 amounted to Rs. 9.15 crores.

165. The representative of the Ministry of Railways explained that station outstandings were of two types:—

(i) *Freight outstandings*—As soon as an invoice or railway receipt was received at a station it was taken into account for the purpose of freight even if the goods had not arrived. The amount was shown outstanding till the goods were actually received at the station and delivered to the consignees. In some cases goods were either despatched to other stations, not properly connected or even lost in transit. Freight charges in all such cases remained outstanding till the consignments were properly connected.

(ii) *Debits against station staff*—In the course of Audit whenever it was found that the staff had recovered amounts less than what they should have done the balance was debited against them and recovered in due course. In some cases where sufficient evidence was not forthcoming to establish the responsibility of the persons concerned, these amounts had to be written off.

The witness informed the Committee that sufficient progress had been made on all the Railways to clear the outstandings. He promised to furnish a note to the Committee stating the steps taken on each of the Railways to clear the station outstandings mentioned in the Audit Report.

North-Eastern Railway—Claim against a contractor for the supply of defective air-conditioning plant—para 44—

166. An air-conditioning plant purchased at a cost of Rs. 44,520 was put into commission in April, 1955. After a few days' trial it was noticed that the plant was not working satisfactorily. As the firm refused to accept any responsibility and blamed the Railway for the defects an arbitrator was appointed in June, 1956, to settle the dispute. The arbitration could not be proceeded with as the contractor filed a suit challenging the basis of arbitration, which was finally dismissed in December, 1959. The Legal Adviser to the Railway had, however, observed in August 1958 that there was nothing to prevent the arbitrator from starting the proceedings, as no court had issued any orders preventing him from so doing.

167. In evidence, the Financial Commissioner, Railways, admitted that there had been delay in starting arbitration proceedings in this case. Explaining the reasons for the delay the Chairman, Railway Board, stated that in a big organisation like the Railways, such delays occurred sometimes in spite of the Administration's best efforts. He, however, assured the Committee that steps would be taken to reduce such delays.

Eastern Railway—Drawal of travelling allowance on false T.A. journals by the Railway Protection Police Staff—para 46—

168. An Enquiry Committee appointed by the Railway Administration in June, 1954, assessed in its two interim reports in May and August, 1955 that a sum of Rs. 31,072 had been drawn irregularly during the period October, 1953—April, 1954 by 613 persons of the Railway Protection Police Staff (including inspectors head-constables, etc.) partly by falsification of facts relating to the journeys and partly in contravention of the rules.

The records pertaining to the period January, 1953 to September, 1953 were still under examination.

169. In evidence, the Committee were informed that the Railway Protection Force was under the administrative control of the State Government at that time. Of the 613 persons 100 had either died or had been discharged or removed from service. Disciplinary action had been taken against 513 persons, 5 of whom were facing prosecution in a court of law. In reply to a question it was stated that Departmental action had not been taken against the five Officers facing trial in the court as it might prejudice the police case against them. The officers had, however, been suspended from service.

North-East Frontier and North-Eastern Railways—delay in enforcing recoveries or taking action on objections raised by Audit and Accounts—para 48—

170. The Audit paragraph cited two instances of delays in taking action on objections raised by Audit and Accounts Officers on the North-East Frontier and North-Eastern Railways. The Committee examined the case pertaining to the North-East Frontier Railway. In this case an "operational allowance" was sanctioned by the Government to Railway staff serving in Naga Hills District and also in adjoining areas as determined by the Government of Assam for the grant of similar allowance to their staff. An expenditure of Rs. 23,000 was incurred by the Administration by way of irregular payment of operational allowance—

- (a) to staff living in border areas where the Government of Assam did not pay a similar allowance to their own staff, and
- (b) to running staff posted outside the border areas but entering the areas in trains worked by them. No action was taken by the Railway Administration to withhold the payments although Audit had raised an objection in May 1957 and the Railway Board issued orders in November, 1957 restricting the payment of the allowance specifically to Naga Hills District. The recovery of the amounts overpaid was subsequently waived by the Ministry of Railways.

171. In evidence, the Committee inquired why the General Manager on his own responsibility ignored an Audit objection based on specific orders of Government. The representative of the Ministry of Railways stated that the General Manager had received representations from the Railway staff working in the Naga Hill area for the grant of this allowance. He visited the places and after satisfying himself ordered the payment of the "operational allowance" to the staff in anticipation of the approval of the Railway Board. The General Manager simultaneously approached the Railway Board recommending the grant of "operational allowance" to the concerned staff. It was, therefore, not correct to say that the General Manager had at any time ignored the Audit objection as he immediately approached the Railway Board for orders in the matter. On being pointed out that the General Manager should not have continued the payment of the allowance after Audit objection and the Railway Board had also upheld the views of Audit, the Chairman, Railway Board, stated that the officer had taken a decision after taking into account the local conditions and

the stoppage of allowance in the middle would have caused administrative difficulties and jeopardised the train services in the disturbed area. He admitted that the General Manager had apparently made a mistake in not pursuing the matter at the appropriate level. The witness further added that the Railway Board had not appreciated the position correctly in the first instance but later on it had fully supported the action of the General Manager by sanctioning the write off of the overpayment.

Northern Railway—Delay in investigation of irregular payments of overtime allowance—para 49—

172. Irregular payments of overtime allowances to the extent of Rs. 26,916 made to the loco staff at three stations during the period 1950 to December 1953 remained under enquiry by successive Departmental Committees during September, 1954 to September, 1958.

173. In evidence the representative of the Ministry of Railways apprised the Committee of the circumstances under which the Departmental Committees were appointed to enquire into the irregular payments and how the case remained pending for some time. He added that responsibility had since been fixed for the irregular payments and the officials concerned punished. The Chairman, Railway Board, also informed the Committee of the directives issued by the Board to all the Railways which were based on the observations of the P.A.C. made from time to time stressing the need for expeditious disposal of disciplinary cases.

174. *The Committee then adjourned sine die.*

PROCEEDINGS OF THE 35TH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THURSDAY, THE
14TH DECEMBER, 1961

175. The Committee sat from 16.00 to 17.05 hours.

PRESENT

Shri Rohan Lal Chaturvedi—*Chairman.*

MEMBERS

2. Shri Aurobindo Ghosal
3. Shri Hem Raj
4. Shri R. S. Kiledar
5. Shri G. K. Manay
6. Dr. Pashupati Mandal
7. Shri S. A. Matin
8. Dr. G. S. Melkote
9. Dr. N. C. Samantsinhar
10. Pandit Dwarka Nath Tiwary
11. Shri Ramji Verma
12. Dr. Shrimati Seeta Parmanand
13. Shri V. C. Kesava Rao
14. Shri Jai Narain Vyas

Shri G. Swaminathan, *Addl. Dy. Comptroller and Auditor-General.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*
Shri Y. P. Passi—*Under Secretary.*

176. The Committee considered their draft Fortieth Report on the Appropriation Accounts (Railways), 1959-60 and Audit Report (Railways), 1961 and approved it with certain modifications here and there.

177. The Committee authorised the Chairman to present the Report on the Table of Rajya Sabha.

The Committee also authorised Shri R. P. N. Sinha to lay the Report on the Table of Rajya Sabha.

178. *The Committee then adjourned.*

*In the absence of the Chairman, Shri C. R. Pattabhi Raman, the members of the Committee chose Shri Rohan Lal Chaturvedi, to act as Chairman for the sitting in terms of sub-Rule 3 of Rule 258 of the Rules of Procedure and Conduct of Business in Lok Sabha.

APPENDICES

APPENDIX I

Statement showing action taken or proposed to be taken on the previous recommendations of the P.A.C. on Railway Accounts

Sl. No.	Ref. to para No. of the Report	Ministry/ Department concerned	Particulars of the item	Remarks of the Ministry	Comments of the Committee
1	2	3	4	5	6
<i>Seventeenth Report (1955-56)</i>					
1	5 (Intro.)	Railways Finance	An early decision should be arrived at in the matter of action to be taken when expenditure had been incurred without the sanction of the competent authority and <i>ex-post-facto</i> sanction thereof was refused by the Ministry of Finance or the Finance Branch of the Railway Board's Office, as the case may	The procedure in this matter is being evolved by the Ministry of Finance. [Appendix XXII to Fourth Report of PAC (1957-58)]. A note has been submitted by the Ministry of Finance.	The matter is under consideration of the Committee separately.

1	2	3	4	5	6
			be, as suggested by the Committee in para 5 of their Thirteenth Report (1954-55).		
2	8	Railways	Proper vigilance on the use of savings for the commencement of any new work not contemplated in the original budget should be exercised.	This recommendation is linked up with the general question raised in para 10 of the 13th Report of the Committee which is under consideration by the Ministry of Finance in consultation with other Ministries and the Railway Ministry would await the decision.	The matter is under consideration of the Committee separately.
				[See Appendix XXII to Fourth Report of PAC (1957-58)].	
3	69	Railways	The Committee would draw the attention of the Railway Board to the recommendations made by the Railway Convention Committee of 1954 in para 25 (b) of their Report and emphasise that the Railway Board should urgently look into the matter of assessment of rent in regard to the Class III and Class IV staff quarters and thus ensure that a fair return of rent commensurate with the capital	On the basis of the recommendation of the Pay Commission orders have been issued that:— (i) The rent of Railway quarters for Class III and IV staff should also be assessed at 6% of the capital cost of the quarter with effect from 1-10-1961. (ii) Class IV staff appointed upto 30th June 1959 and	No comments.

cost is obtained on all residential buildings.

Comments of the Public Accounts Committee (1960-61) in their 33rd Report.

Further developments may be reported.

who were not liable to be charged rent for quarters, when allotted, should continue to be exempted from payment of rent so long as they are not promoted to Class III irrespective of whether they were actually occupying any quarters on that date or not. Other Class IV staff appointed upto 30th June 1959, and all those appointed on or after 1st July 1959, should, however, be charged rent for the quarters allotted to them at the rates in force from time to time.

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Railways/
Labour & Employment.

The implications arising from the recommendations made by the Committee in the matter of amendment of the Payment of Wages Act to ensure the recovery of traffic debits from the station staff should be carefully examined at an inter-Ministerial meeting and the matter expedited. In the meantime, the Committee should like to know the extent of improvement effected in the recovery of outstandings of traffic debits

The Ministry of Labour have been constantly urged by the Railway Board to expedite finalisation of the amending legislation to the Payment of Wages Act. That Ministry has advised recently that the proposals for amendment of the Act are under consideration with the Ministry of Law, and that as soon as the scrutiny of the draft amending legislation by the Law Ministry is complete, steps will be taken to

The progress made in the recovery of outstanding debits may be reported.

since the Committee last examined this matter.

Comments of the Committee (1958-59) contained in their 15th Report :

The Committee may be apprised as to when Govt. propose to introduce a Bill to amend the Payment of Wages Act, 1936. The Ministry of Railways may state the improvements effected in the recovery of outstandings of traffic debits.

Comments of the Committee (1959-60) contained in their 21st Report :

The Committee do not appreciate the statement now made by the Ministry of Railways that the delay in amending the Payment of Wages Act had not prevented the recovery of admitted debits from the station traffic staff to any significant extent as the whole question arose out

expedite introduction of the proposed amending Bill in the Parliament.

of the plea put forth earlier by the Ministry of Railways that the Payment of Wages Act stood in the way of quick recovery of these outstandings.

The Committee may be apprised of further developments.

Comments of the Committee (1960-61) in their 33rd Report:

The latest position regarding recovery of traffic debits from the Station Staff may be reported to the Committee.

Fourth Report (1957-58)

5 22-23 Railways

The Committee are surprised to observe that the safety margin of 1.25 tons for furnishings which was usually allowed in wooden coaches was not provided in the case of these metal coaches. It is regrettable that an expert Organisation like the Central Standards Office should have committed such a serious error in a matter which ultimately involved the safety of thousands of railway passengers. The Committee suggest that an investigation

The Committee deprecate the delay in taking action in this case. They desire that the result of the investigation may be reported to them without further delay.

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*Note has been received after the Committee finalised this report.

should be made into this case and responsibility fixed.

Comments of the Public Accounts Committee (1959-60) in their 21st Report:

The result of investigation by the high Level Team of officers appointed to examine the case may be intimated to the Committee.

Comments of the Public Accounts Committee (1960-61) in their 33rd Report:

The case may be expedited and a report submitted to the Committee.

6 47 Railways :

The Committee would like to be apprised of the settlement of the case mentioned in Para 21 of the Audit Report, in due course.

Comments of the PAC (1959-60) in their 21st Report:

The Committee may be informed of the result of corres-

The Andhra Pradesh Govt. has since made a payment of Rs. 7 lakhs on 27-3-61 as an 'on account' payment towards their share of the liability.

As regards the consent of the other two State Governments viz., Bombay (now Maharashtra) and Mysore to pay their share of liability direct to the

Further developments may be reported.

pendence with the Mysore and Bombay Governments and the progress made in the recovery of the outstanding amounts. In the opinion of the Committee the settlement of this case has been unduly delayed.

Comments of the Committee (1960-61) in their 33rd Report:

“The matter should be taken up at a high level with the State Governments concerned and the final outcome reported to the Committee”.

Railway, the Andhra Pradesh Govt. has reported that the two Govts. referred to, are not agreeable to accept their liability unless the division of assets and liabilities of the ex-Road Transport Department is finally settled. For this purpose, they have asked for certain particulars from the Andhra Pradesh State Road Transport Corporation. The Andhra Pradesh Govt. have directed the Corporation authorities to expedite furnishing of the requisite information, so that another inter-State Conference of the representatives of the three States could be held, if necessary, to finalise the question without further delay.

The case will continue to be pursued actively by the Ministry of Railways.

Fifteenth Report (1958-59)

7 17 Railways

The Committee regret to observe the laxity shown by the Railway Administration in the matter of prompt recovery of rent

A Memo, has been submitted by the Ministry of Railways (Appendix III). No comments.

for Railway land leased to outsiders at a number of station areas such as Shalimar, Garden Reach and Cuttack. In their opinion, action to forfeit the security deposits should have been taken when the lessees defaulted consistently for years. The Committee trust that the Railways will ensure the prompt recovery in all such cases in future.

*Comments of the Committee
(1959-60) in their 21st Report:*

The Committee are not impressed by the vigorous efforts made by the Railway Administration in effecting recoveries. Unless the arrears are promptly paid up, the Railway Board should invoke the provisions of the Public Premises (Eviction of Unauthorised Occupants) Act, 1958 for evicting the defaulting licensees and forfeit their securities.

*Comments of the Committee
(1960-61) in their 33rd Report:*

The latest position regarding recovery of rent may be reported.

8 21 Railways

The Committee deprecate the inordinate delay on the part of the Railway Administration in fixing the basis for calculation of siding charges from the oil company concerned, which resulted in an accumulation of heavy outstandings. As a commercial undertaking, the Railways should be business-like in their transactions and prompt and quick in their settlement.

Such unconscionable delays not only reflect on the working of the undertaking but make the chance of recovery more remote, thus depriving the Railways of their legitimate dues. The Committee trust that the Railway Board will issue necessary instructions in the matter for future guidance.

Advice has since been received in the matter from the Ministry or Law that the Railway Administration has *prima facie* a good case for going to Court of Law.

See paras 84-85 of Report.

The Assam Oil Company, however, have already agreed to this case being referred to arbitration by two arbitrators with a provision that, in the event of disagreement between the two arbitrators, the matter may be referred to an umpire. In view of this, it has been decided on the advice of the Ministry of Law, to refer this

*Comments of the PAC (1960-61)
in their 33rd Report.*

Note from the Ministry of W.H.
& S. may be awaited.

10	119	Railways	The Committee cannot refrain from observing that the high level officers who were responsible for weakening the Government claim against the firm concerned, which supplied defective cylinders (cf. paras 23-28 of the 17th report of the PAC), in this manner did not act in the best interest of Government. The Committee do not know whether the Railway Board have jeopardised their claim against the Consultants also. If not, they desire that the claim should be taken up with the Consultants.	Noted.	No comments.
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Comments of the Committee (1959-60) contained in their 21st Report :

The Committee did not feel happy with the explanation given by the Railway Board. The oral discussions between the Railway Board and the

Managing Director of the supplying firm weakened the case of the Railway Board for which the Railway Board should accept the blame.

Comments of the Committee (1960-61) in their 33rd Report:

The Committee suggest that written record should be kept of all such negotiations in future.

Twenty-First Report (1959-60)

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| 11 | 7 (Intro.) | WH&S | The Committee would like to be informed of the steps taken by the Ministry of Works, Housing & Supply to revise the procedure for purchase of stores and the processing of indents in the light of suggestions made by them from time to time. | The procedure for purchase of stores by the DGS&D is kept under constant review and necessary changes are carried out in the light of experience and recommendations made by the P.A.C. from time to time. | No comments. |
| 12 | 5 | Railways/WH&S | The feasibility of implementing the suggestion, viz., submission of regular reports and returns by the D.G.S.&D. in | The DGS&D have been submitting information in respect of indigenous stores on the basis of statistics which could | No comments. |

respect of stores procured indigenously might be examined by the Ministry of Works, Housing & Supply as early as possible.

be readily compiled. The Ministry of Railways, however, require that this information should be complete and furnished by the end of February. The matter was discussed with the Ministry of Railways in two joint meetings. The last one was held on 3-5-61. Further action will be taken in consultation with the Ministry of Railways and a report will be sent to the Lok Sabha Secretariat.

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Railways

An early decision should be taken in the matter of introduction of uniform procedure for providing funds for repairs and maintenance of residential buildings of Railways with reference to capital cost etc. and fixation of suitable ceilings in this respect on lines similar to the system obtaining in the C.P.W.D. and M.E. S. The introduction of such a procedure will not only help the Railway Administration to frame their budget estimates on a realistic basis but also

Attention of the Committee is invited to the Memorandum submitted by the Ministry of Railways on the subject wherein it was advised that final instructions would be issued after the reports received from the Railways in this connection for 1959-60 and 1960-61 are scrutinised in Board's Office. Progress in this matter will be reported to the Committee in due course.

Further progress may be reported.

ensure uniform and economic standards of maintenance of buildings.

[Remarks of the Committee (1960-61) in their 33rd Report.]

Further progress may be reported.

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|----|----------|--|---|--------------|
| 12 | W.H.&S. | The Committee are not happy with the manner in which this case was handled by the I.S.D, London. They trust such cases will not recur. | The recommendation has been noted and brought to the notice of the India Store Department, London. | No comments. |
| 13 | Railways | The Committee deplore the way in which the Railway Board explained the failure on their part to take action on the letter of 14th December, 1955 from the Railway Adviser attached to the Office of D. G., I.S.D., London. They desire that the Railway Board should investigate why | The observations of the Committee have been noted. In fact a high level meeting of the Railway Board with the Senior Officers of the Board was held on 25-11-60 with a view to improve generally the handling of cases in the Board's Office. | No comments. |

the doubts raised by the Railway Adviser regarding cost of re-erection of wagons in India were not cleared immediately.

Also the reminder from the Railway Adviser was not dealt with by the Railway Board expeditiously. The Committee regret to observe that the urgency of the matter and the consequence of delay entailing financial loss were not appreciated by those who dealt with the case in the Railway Board.

Comments of the Committee (1960-61) in their 33rd Report:

The Committee trust that the Railway Board will ensure better co-ordination among its Directorates for prompt handling of cases regarding contracts under execution.

16 19 Railways

The Committee trust that the Railway Board will pursue the question of claiming liquidated damages from the firm for the delay in erection of

An overall settlement has been reached in respect of all outstanding claims the Government had against the contractor including that for

The Committee are surprised how the alleged error in such an important provision in the contract

wagons and arrive at a final settlement at an early date.

Comments of the Committee (1960-61) contained in their 33rd Report :

“Further progress may be awaited.”

liquidated damages and the counter claims of the contractor against the government.

The rate, at which the liquidated damages for delayed deliveries have been effected is, however, 1% per month or part of a month of the contracted value of uncompleted works as specified in the invitation to tender, which formed the basis of the contractor's quotations against the rate of half a per cent per week or part of a week as indicated in the contract agreement. The higher rate of liquidated damages contained in the agreement was apparently an error of commission which had escaped the notice of both the parties to the agreement at the time of executing the same. While arriving at the overall settlement referred to above, it was not considered equitable to take advantage of this erroneous provision in the agree-

escaped the notice of both the parties.

ment of a higher rate than what was originally contemplated. Accordingly, recoveries of liquidated damages for delayed deliveries attributable to the contractor have been effected at 1% per month or part of a month and full and final settlement has been reached on all outstanding issues after making these recoveries.

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|----|--------|------|---|---|-------------------------------|
| 17 | 36(i) | WH&S | The Committee would like to be informed of the disciplinary action taken in the case (referred to in para 23 of the Audit Report). | The Assistant Director, Section Officer and the Assistant concerned have been warned. A copy of the warning has not, however, been placed on their confidential dossiers. | See para 86 of Report. |
| | 36(ii) | Do. | The Committee consider that there is considerable scope for improvement both in placing indents and in processing them, if this case is typical of its kind. If the indenter wants a proprietary brand of stores in preference to other available stores for valid reasons, it should be made clear in the indent in the first instance in unequivocal terms. | Purchase of proprietary stores is governed by the provisions of this Ministry's O.M. No. Pur-19/Recom. 35/55 dt. 17-4-56, based on the recommendations of the Stores Purchase Committee. This O.M. lays down that against indents for proprietary stores where D.G.S. & D. have an alternative to suggest, they may, without holding up the coverage of the indent in question, try to persuade the | No comments. |

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indentor to accept the alternative for future indents. However, in case of indents for substantial value with prolonged deliveries, the D.G.S. & D. may hold over for discussion with the indentor such number or quantities for which the alternative stores can be supplied within the specified delivery period and try to persuade the indentor to accept the same. The balance quantity must, in all circumstances be purchased as stipulated in the indent. The D.G.S. & D. are required to finalise, with the least possible delay, after discussion with the indentors, the purchase of the quantity held over, for which alternative stores can be made available.

All indents requiring supply of proprietary stores are accompanied invariably by the requisite proprietary certificate. Instances where proprietary certificates have to be called

from the indenter after receipt of the indent, are very rare. The existing instructions to all purchase officers are adequate and need no revision. If the indenter requires proprietary stores, the responsibility for furnishing the prescribed certificate entirely rests on him. Suitable instructions in this regard have been issued to all indentors.

- 36(iii) WH&S . The D.G.S. & D. should also devise a procedure by which he could watch the processing of indents placed on him against the date of supply of the stores as specified by the indenter.
- An elaborate system for processing indents received from various indenting Departments is already in existence which is recapitulated below :
- No comments.
- (a) All indents received in the DGS&D are referred to the Planning Wing within two days of receipt in case these indents require any technical scrutiny.
 - (b) Indents not requiring any technical scrutiny are passed on to the Supply Sections concerned within two days of receipt.
 - (c) Indents returned by the Planning Wing after scrutiny are
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passed on to the Supply Sections on the same day or at the latest on the next day.

- (d) Tender enquiries whether limited or advertised are issued within one week of the receipt of the indents. Where this is not possible, the case is brought to the notice of Director concerned for investigation of the causes of delay.
- (e) A period of 30 days is given to tenderers to quote against the enquiry.
- (f) Comparative statements are completed and submitted to the officers concerned within 3 to 7 days from the date of opening of tenders.
- (g) Tender decisions are taken within 3 weeks of opening of tenders and within 6 weeks in case of stores requiring detailed check-up of specifications etc. or consultations with the

indentor. All cases, however, where tenders are not decided within 8 weeks of the date of opening of tenders, are brought to the notice of the Director General.

- (h) Formal contracts are placed within 2 days from the date on which decision is taken or where this is not possible due to exceptional circumstances the advance acceptance of the offer is communicated to the successful tenderer within this time to be followed by formal contract embodying full details within 5 days thereafter.

Purchase Officers have to work within the given time schedule and as such there is very little likelihood for delay in the coverage of indent on the ground of inadequacy of the existing instructions. In fact, delay in this case had occurred not due to absence of sufficient orders on the subject, but mostly due to anxiety to widen the scope of competition more particularly as indentor did not, in the first instance, call for any proprietary brand.

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Responsibility of the D.G.S. &D. does not end merely by placing a contract on a firm but active progressing of demands is done by a full-fledged Progress Wing, so that supplies are arranged by the specified date. To achieve this object, it maintains a close liaison with the indenter, suppliers, inspector and the purchase section concerned and ensures that there is no delay at any stage in regard to allotment of raw materials, issue of import licence, amendment to contracts, inspection and despatch of stores etc. Progress Officers maintain constant and personal contacts with the Purchase Officers at all levels and assist them in the prompt removal of bottlenecks, if any.

Active chasing is done by the Progress Wing in order of priority through the Field Officers posted at important industrial centres who frequently visit

the suppliers to ensure expeditious supplies.

The procedure followed by the India Store Department, London, and India Supply Mission, Washington, or coverage of indents is reviewed periodically. A monthly progress report of indents which remain uncovered, is obtained from the Overseas Missions. The Heads of the Missions personally check up the progress of coverage and discuss the position with their subordinate officers so as to resolve difficulties and problems relating to outstanding indents.

18 38 Railways

The Committee would like to be informed of the disciplinary action taken in the case regarding extra expenditure due to error in the indent of axle oil and remedial measures adopted to avoid recurrence of such cases.

Comments of the Committee (1960-61) in their 33rd Report :

The superior officers who failed to detect the error in the in-

A Memorandum submitted by the Ministry of Railways is at Appendix V. **No comments.**

dent should also share responsibility for the loss. The case should be reviewed.

19 43 Railways

The Committee would like to await a report on the case regarding loss due to supply of defective sleepers after the investigation by the Special Police Establishment was over.

Comments of the Committee (1960-61) in their 33rd Report.

Further report may be awaited.

Disciplinary action against one of the two employees held responsible in this case has been finalised, and 50% of this special contribution to Provident Fund of one of them has been withheld.

The enquiry against the other employee has revealed that the percentage of defective sleepers passed by this officer was very small and that there was no evidence of any malafide on his part in passing the defective sleepers. His lapse was in having passed some sleepers which had permissible tolerances in two dimensions instead of one as prescribed in the specifications, and also in having overlooked defects such as knots, etc. in a few sleepers. Considering the large number of sleepers passed by this officer

A copy of the warning administered to the second officer should be placed in his Confidential dossier if not already done.

The Committee trust that the Railway Board would vigorously pursue the recovery of arrears of rent for lands leased for growing food crops and arrive at a settlement at an early date.

Comments of the Committee (1960-61) in 33rd Report.

“Further progress may be reported.”

and the very low percentage of such defective sleepers found therein the Ministry of Railways submit that the lapse on his part in passing these sleepers cannot be viewed as gross misconduct in the discharge of his duties.

In the circumstances, the Railway Administration has decided that the requirements of the case will be met by conveying displeasure to the officer for his failure mentioned above ; and this has been done.

The Railways have continued to make vigorous efforts to obtain particulars of the dues recoverable from the State Governments. In the case of Eastern and South Eastern Railways, some progress has been made in collecting the requisite particulars from the State Governments concerned though the information is not yet complete. The land adviser attached to the Railway Board has also continued his

No comments.

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personel contacts with the revenue authorities of various States for this purpose. Out of a total of Rs. 19.78 lakhs due to Railways (excluding the Eastern and South Eastern Railways) a sum of Rs 15.66 lakhs has been collected. A further sum of Rs. 1.95 lakhs is lying in treasuries pending transfer to the account of Railways. A sum of Rs. 1.76 lakhs has been realised in addition on the Eastern and South Eastern Railways. Every effort is being made to see that the Railway's dues in this regard are realised with as little delay as possible.

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Railways

The Committee are surprised how the officers who dealt with the recoveries of outstanding freight charges could forget the disciplinary aspect of the case. Even if a large number of officers had dealt with this case, there was no reason why

Noted. The latest observations of the Committee are being conveyed to the Railway Administration who had in fact issued necessary instructions already in the matter to departments concerned, to obviate recurrence of such

No comments.

responsibility could not be fixed. cases in future.

Comments of the Committee (1960-61) in their 33rd Report.

The Committee are not satisfied with the explanation. Had the question of fixing responsibility been taken up earlier, this situation would not have arisen.

22 66 Railways

The Committee urge that the matter of fixing responsibility on the Divisional Engineer and other officers for failure to keep a watch on the consumption of permanent way material requires more serious examination. They would also like to observe that nine changes within a period of three years in the post of Divisional Engineer in charge of a Project could not have been in the best interests of the Project itself.

Noted. Instructions have been reiterated to the Railways to ensure that Departmental action in all cases is initiated and finalised promptly. No Comments.

Comments of the Committee (1960-61) in 33rd Report.

In this case also delay in dealing with the disciplinary aspects of

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			the case resulted in the delinquent officials escaping punishment.		
23	69	Railways	Considering the sizeable expenditure on haulage of wagons over these numerous points and also the fact that the Railway pays rent to the Port Trust for the land in which the sidings are situated, the Committee feel that there is a strong case for reviewing <i>de novo</i> whether suitable siding charges should not be levied on the Oil Companies for the unusually liberal facilities provided.	A Memorandum submitted by the Ministry of Railways is at Appendix VI.	No Comments.
24	180	Do.	The Committee are of the view that the forfeiture of the security deposit of Rs. 10,000/- of the contractor who after receiving 735 tons of pig iron did not supply sleepers would not adequately meet the needs of the case.	As regards the first recommendation, it is stated that besides issuing orders forfeiting the security deposit of Rs. 10,000 from each of the two contracting parties, necessary notification blacklisting the two firms has also been issued on 27th December, 1960.	No comments.

The Committee see no reason why the Railway Board cannot proceed against the contractors who failed to supply C.I. Sleepers for breach of contract and claim suitable damages.

Comments of the Committee (1960-61) in their 33rd Report.

Further progress may be reported.

The suggestion of the P.A.C. contained in the Second recommendation, for proceeding against the firm for breach of contract and claim for damages, has also been carefully considered in consultation with the Ministry of Law. It has been held by the Ministry of Law that though the provision in the contract relating to the forfeiture of the security deposit does not preclude claim for damages in addition to the forfeiture, in a case where the amount of damages is less than the amount of security deposit the amount which can be recovered would be either the amount of security deposit or the amount of damages. In that context, the Ministry of Law took into account the comparative rates offered for the orders placed on 27th May, 1955 (the subject matter of comment by the P.A.C.) and on the 14th June, 1956 viz. the first set of orders subsequent to 27th May, 1955. On the

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basis of these rates, which in both cases represent the overall rate per ton including the cost of raw materials and fabrication charges, the Ministry of Law expressed the view that there was actually a gain (or in other words that no loss could be reckoned) with reference to the contract with M/s. Kashi Iron Foundry as the 1956-57 rate for B. G. sleepers was Rs. 263 per ton against the 1955-56 rate of M/s. Kashi Iron Foundry of Rs. 285 per ton. In the case of M/s. Lakshmi Engineering Works, however, who were to have supplied M. G. sleepers but failed, the 1956-57 rate of Rs. 285 per ton was higher by Rs. 5 compared to the 1955-56 rate of Rs. 280 per ton as per the contract with that firm.

The Railway Board have assessed the loss at Rs. 5,000. The Ministry of Law have opined that the loss suffered due to the failure of M/s. Laxmi Engineering Works to honour the contract towards the supply of 1,000 tons, being of the order of Rs. 5,000 only, against which we have already forfeited the amount of security deposit of Rs. 10,000, the amount of damages recoverable by Government in the contract with M/s. Laxmi Engineering Works is covered by the deposit which already stands forfeited. In the circumstances, the Ministry of Railways submit, for the Committee's consideration, that no further action is called for.

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184 Railways

The Committee suggest that the Railway Board, in consultation with the Ministries of Steel, Mines and Fuel, Law, etc. should devise suitable measures to safeguard

The suggestion contained in the earlier part of the recommendation is being processed with the Ministry of Steel, Mines and Fuel (Department of Iron and Steel) and the

Further report may be submitted.

against such contingencies arising in future strict instructions should be issued to the Railway Administrations impressing upon them the importance of executing formal agreements with private firms before the commencement of the works and supply of the material to the contractors as stipulated in the contract. Even in cases where a work is to be started on emergency basis adequate precautions should be taken to ensure that any material supplied to the contractor is properly utilised by him towards the fulfilment of the contract.

Comments of the Committee (1960-61) in their 33rd Report.

Further progress may be reported.

result will be communicated to the Committee in due course. Meanwhile in compliance with the Committee's second part of the recommendation above, the Railway Board have finalised a procedure, in consultation with the Ministry of Law by which, simultaneously with the placing of the order, formal agreements with the firms are also signed. The question of any time lag between the placing of the order and signing of the formal agreement will not henceforth arise in respect of C. I. Sleeper Orders. Further, in the Standard Conditions of Contract the following specific provision has also now been introduced with a view to removing any possible lacuna in the contractual provisions in regard to the utilisation of the pig iron issued on Railway Ministry's re-

commendation for the specific purpose of C. I. Sleeper Manufacture :

“ The recommendation made for the procurement of pig iron/coal/coke shall be utilised for the purpose of procuring raw materials for use ONLY against this contract for supply of C. I. Sleeper Plates ”.

Thirty-Third Report (1960-61)

27	5 (Intro.)	Railways	The Committee consider that the case of delays, procedural and otherwise, in the execution of contracts which resulted in avoidable expenditure, can easily be avoided by streamlining the procedure.	The recommendations of the Committee have been noted. The procedure for execution of contracts is constantly under review by the Ministry of Railways. Necessary instructions providing improvements are issued from time to time.	No comments.
28	6 (Intro.)	Do.	The Committee attach great importance to centralised purchases through the Organisation under the Ministry of W. H. & S. as it will be more economical to Government in the long run. In the opinion of the	This has been brought to the notice of all the Railway Administrations for their information and guidance.	No comments.

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Committee, cases of this kind can be avoided by advance planning and resort to direct purchases should be had only in clearly emergent cases.

29	7 (Intro.)	Railways	The Committee are concerned to observe that despite their repeated emphasis on quick disposal of disciplinary cases the position on the Railways is still far from satisfactory. They trust that in future greater attention will be paid to this aspect of cases.	The observations of the Committee are noted. Necessary instructions have been issued to the Railway Administrations in the matter.	No comments.
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30	8 (Intro.)	Do.	The Committee have urged the need for tightening up the internal checks and supervision to minimise the occurrence of cases of frauds and misappropriation.	A memorandum in respect of cases referred to in paras 57 to 60 of the 23rd Report above has been submitted separately, in which the aspect of the tightening up of the internal check and supervision has also been dealt with.	No comments.
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As regards item mentioned in para 44 of Audit Report the position is as under :—

The Railway was defrauded to the extent of Rs. 24,866 by preparing two forged bills which were passed for payment in July, 1956 (Rs. 8,977) and February 1957 (Rs. 15,889) by the Expenditure Branch of the Accounts Office which branch was not authorised to deal with the payment of those bills.

The case was one of perpetration of a deliberate fraud in the shape of downright forgery by an accounts clerk. The Pay Order was not issued by the Commercial Department as usual but *from a Different pay order book in the Expenditure Section.* The signature of the Commercial Officer recorded thereon was also not genuine. The Sub-head failed in his duties in that he did not compare the signature of the Officer of the Commercial Department as shown on the Pay Order with the specimen signature main-

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tained in the office as required. It is unfortunate that he did not see that the Pay Order was marked 'original' nor checked with reference to the spurious entry regarding sanction of the competent authority quoted on the Pay Order.

As the fraud was facilitated mainly by unauthorised use of blank pay order forms, instructions are being issued to all Railways to ensure that the blank pay order books are kept in safe custody by responsible officials nominated for the purpose.

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Railways

The percentage of savings have shown an upward trend which is indicative of loose budgeting. With the adoption of the practice of obtaining 'token grants' the Committee hope that the position would improve.

A memorandum submitted by the Ministry is at Appendix. VII. **See para 3 of Report.**

32	3	Do.	In the light of the trend of past years the Committee feel that the savings were in a large measure due to over-budgeting. They regret to observe that the information called for in this regard is still awaited.		
34	4	Do.	The Committee recommend that the excesses referred to in para 4 of the Report be regularised by Parliament in the manner prescribed in article 115 of the Constitution.	The Committee's recommendation regarding regularisation of the excesses over voted grants and charged appropriations during 1958-59 has been noted for necessary action.	No comments.
34	7	Do.	(i) The Committee are amazed to learn that the various technical officers having considerable experience of track work displayed lack of knowledge of the factors affecting the key drive. Because of these lapses there had been so much publicity and criticism regarding alleged supply of defective C.I. sleepers which the Committee consider unfortunate. It is equally surprising how there was such an inadequate appreciation of the technical	It is unfortunate that the technical officers were misled by the apparent identity of the foot-width of the old and new British Standard 90 lbs. rail section, and came to incorrect conclusion.	No comments.
				It is also unfortunate that there was lack of coordination in the Railway Board's office in that the case was transferred to the special Police Establishment (SPE) without consultation with either technical	

position in the Railway Board also.

- (ii) Referring to some of the unsatisfactory features of the case, the Committee regret to observe that in such an important matter, investigations by senior technical officers in the earlier stages were rather perfunctory.

officers of the Railway Board such as Director Civil Engineering, or the Additional Member, Works, or the senior technical officers of the Railway such as the Chief Engineer or Dy. Chief Engineer. It has now been arranged in Railway Board's office that such matters will be processed in consultation with the appropriate technical directorate before it is decided to transfer them to the SPE.

The Senior Railway Engineer, who was nominated by the Railway Board to assist the Special Police Establishment on technical matters, no doubt, erred in reaching his conclusions. But considering his consistently good record over a period of more than 2 decades, the Ministry of Railways have decided that the needs of the case will be met by communicating to him the Railway Board's displeasure.

In the earlier stages of the case, the Track Supply Organisation of the Northern Rly. did not appreciate that the key drive obtained was due to the 90 /BSS rails. The Railway Board's displeasure has also been communicated to the Track Supply Officer.

35	8	Railway	The Committee would like to know in due course the action taken by Government on the different recommendations of the Departmental Enquiry Committee.	The recommendations of the Departmental Committee have since been considered by the Railway Board and suitable instructions have been issued to the Railways.	No comments.
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The Research, Design and Standardisation Office has also since taken suitable action in regard to the relevant drawings of the C.I. Sleepers as recommended by the Departmental Committee.

36	10	-do-	It is obvious that the adoption of the revised handling contract form at Wadi Bunder regardless of the prevailing	The time taken in fixing of responsibility in this particular case, has been explained in Railway Board's Memo-	The Committee defer further consideration of this case pending receipt
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practice in that station placed the Railway Administration in a disadvantageous position when the contractor demanded higher rates for the work excluded from the contract. The Committee are disturbed over the delay in fixing responsibility for this mistake and trust that the matter will be decided expeditiously.

random submitted to the Committee vide O.M. No. 59-B (C)-3129 dated 27th October, 1960. The measures adopted to obviate similar delays in future were also indicated in paragraph 3 of the aforesaid Memorandum.

of further information called for.*

As regards the adoption of the revised handling contract form at Wadi Bunder regardless of the prevailing practice in that depot, it was unfortunate that the administrative officer concerned in the Finance Branch, after drawing the attention of the Commercial Department in a general way to the special requirements of Wadi Bunder at the stage of scrutiny of the tender notice, omitted to follow up this matter at the Tender Committee meeting and later. It was also unfortunate that the Senior Commercial officer at headquarters, on receipt of the letter from the

Finance Branch, interpreted the letter as conveying no specific suggestion and did not try to resolve matters either by putting up the letter to his superior officer or by discussion with the Finance officer concerned. Having regard, however, to the unblemished record of both the aforesaid officers, the Ministry of Railways have decided that the needs of the case would be met by conveying the Railway Board's displeasure to them and by keeping a copy of this communication in the files of confidential reports of the officers. Necessary action has been taken accordingly, and the Ministry of Railways request that the case may kindly be treated as closed.

37	13	Railways	(i) The Committee are concerned that cases such as referred to in para 11 of the Report should recur in the Railway Administration. They trust that in the light of the instructions issued by the	The observations of the Committee are noted. As remedial instructions in the matter have already issued, the Railway Board trust that such cases will not recur.	No comments.
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*Note has been received after the Committee had finalised this report.

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Railway Board such cases will be avoided.

(ii) The Committee regret to observe that the time taken by the Railway Board in taking a decision in this case was rather excessive.

The recommendations from See para 87 of Report the Railway Administration in regard to the award of the Contract in this case were received in Administration's letter No. M/Con (Contract)/240/899 dated 4/5/-9-56. The Railway Board sought some clarifications from the Railway Administration on 3-10-56 and gave a final decision in February, 1957, after matters had been clarified. The question of expediting decisions generally in the Railway Board's office has been receiving added attention and in this connection, copy is enclosed of the Minutes of a meeting of the Railway Board with the Senior officers of the Board held on 25-11-1960.

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Railways

The Committee cannot understand how such apparent discrepancies in a contract

As explained to the Committee during discussion on this para, some ambiguity was

See paras of Report,

88-89

which is an important legal document could escape detection both by the Railway Administration and the Railway Board.

created due to the somewhat unprecise wording in the contract, but the Ministry of Railways plead that these discrepancies in themselves did not result in any loss to the Government as the contractor ultimately accepted the stand of the Administration that the criterion for completion of work was 15 months from the date of acceptance of tender. As appreciated in the Committee's Report, however, in order to obviate the possibility of such ambiguity, instructions have been issued to the Railway Administrations to be precise in the wording of the contracts.

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Do. . It was urged before the Committee that it was difficult to reject the lowest tender even when the Administration had doubts about the capability of the contractor. The Committee are surprised that such a justification should at all be advanced when there existed a clear provision already in the rules that the lowest

The Committee have referred to the provision already existing in the rules for not accepting the lowest tender if *inter alia* the rate quoted is manifestly low and the contractor *will not be able* to fulfil the contract. It will be appreciated that any categorical expression, at the stage of the tenders, that the con-

See paras
of Report.

88-89

tender need not always be accepted if *inter alia* the rate quoted is manifestly low and the contractor will not be able to fulfil the contract.

tractor *will not be able* to fulfil the contract is not feasible in most cases; it is presumed, therefore, that the Committee's intention is to refer to the *likelihood of the contractor not being able* to fulfil the contract.

On this understanding, the Ministry of Railways are grateful for the Committee's reiteration of the provision that the lowest tender is not necessarily to be accepted, as this will certainly dispel any apprehension on the part of the officers in regard to rejecting the lowest tender, whenever it is reasonably considered that the contractor is not likely to fulfil the contract at that rate. The Committee's reiteration of the provision will encourage officers to take a calculated risk, in the public interest, in accepting other than the lowest tender, where

justified, without the fear of being penalised for such action.

In the case in question, the quotation of Rs. 74,900.00 for each 'TLR', though Rs. 29000 lower than the next highest, was worth taking a chance with. The quotation could not be dismissed as being manifestly low, since the Northern Rly. soon after this let out a contract for building 'Ts' near Delhi at Rs. 88,760.00 each. The latter type was more expensive to build than TLR coaches and for such work the Delhi area would also be more costly than the Calcutta area. Allowing for these factors, the quotation of Rs. 74,900.00 could not have been more than 5 % lower than a reasonably workable quotation, and there was no substantial ground to think that the contractor would not be able to fulfil the contract. The assessment of tenders for building coaches was made more difficult by the fact

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that this was a relatively new type of work given on contract, for which the full capabilities of the contractors could not be precisely assessed by the Administration. The Railways in the past either built coaches in their own workshops, or obtained them by import. In view of the large number of coaches provided for in the 2nd Five Year Plan, coach building by contract by new entrepreneurs was adopted as a measure to make good the gap in the number of coaches that required to be built. In all the circumstances, the Railway Board, submit that it would have been difficult, both on financial and administrative grounds, to ignore the offer under consideration and that the later difficulties arose from a number of other largely unavoidable and unforeseen reasons.

The Committee trust that the investigation into the allegations against officers regarding irregular classification of earthwork will be expedited.

The investigations into the allegations against the officers referred to by the Public Accounts Committee, relate to work on:—

Further progress may be awaited.

- (i) Manoharpur-Rourkela Section.
- (ii) Rajkharswan-Barajamda Section, and
- (iii) Naomandi-Banspani Section, of the South Eastern Railway.

The case, referred to in item (i) above, was handed over to the S.P.E. for investigation in June, 1959. Their Report suggesting departmental action against the District Engineer (DEN) involved who is still under suspension, was received in December, 1960, and the General Manager, D.B.K. Rly. Projects, has been directed in January, 1961 to initiate and progress disciplinary action against the D.E.N.

An Assistant Engineer also involved in this case has already been dismissed from service with reference to another case against him.

The cases, referred to in items (ii) and (iii) above, were handed over to the S.P.E. for investigation in November/December, 1959. The S.P.E. have recently reported that their investigations have been completed. Their final report is awaited.

Railway The Committee enquired whether any cases of the type have been brought to the notice of the Railway by other Railway Administrations also and the total amount of overpayment. The information is still awaited.

Other cases of a similar nature have been included in paras 28 (1) and (3) of the Audit Report Railways, 1961. The cases mentioned in paras 28(2) and (4), are, however, of a different type.

See paras 46-49 of Report.

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The case referred to in para 29 (2) was in connection with the payment of additional charges for the operations of "excavating the earth and carrying it to, and spreading it on the bank".

The Ministry of Railways submit that the erroneous payments in this case were due to

the adoption, on a few districts, of a certain interpretation of the schedule for which it is difficult to blame any individual. As, however, the overpayments have been fully recovered and the staff have become aware of the correct interpretation of the schedule, a revision thereof is not considered necessary.

The case mentioned in para 28 (4) was in connection with bridge work on a doubling project which required, in some cases, construction of coffer dams. A copy of the Report of the Fact Finding Committee appointed to enquire into the case of construction of coffer dams, called for by the Public Accounts Committee, was furnished to them. The Ministry of Railways submit that it has not been possible so far to complete the disciplinary action proceedings owing to the continued absence of the Deputy Chief Engineer concerned due to sickness.

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41	19	Railways	<p>(i) The Ministry of Railways should take immediate steps to intensify the checks and technical inspection of the work done by the field engineering staff.</p> <p>(ii) It is also advisable, as far as possible, not to post temporary officers to such responsible posts.</p>	<p>(i) Suitable instructions were issued to Railways in September, 1960, to ensure concurrent effective administrative supervision of the work of District Engineers and Assistant Engineers.</p> <p>(ii) Noted. This will be done, to the utmost extent possible, within the limitations of the officer position.</p>	<p>No comments.</p> <p>Do.</p>
42	20	Do	<p>In the opinion of the Committee, the stress laid by the Railway Corruption Enquiry Committee on the vigour and impartiality of the Vigilance Cell has much to commend in itself for the appointment of a non-Railway engineer to this Cell. They trust that the Railway Board will reconsider this matter.</p>	<p>In spite of sustained efforts even until recently, it has not been possible to procure, so far, suitable non-Railway Engineers of the requisite calibre, for the Engineering Vigilance Cells functioning on the different Railways. Vigorous efforts will continue to be made to find such officers.</p>	<p>See paras 91-92 of Report.</p>
43	23	Do.	<p>(i) The Committee desire that the investigation of cases regarding supply of inferior quality of timber should be expedited and the delinquent</p>	<p>A Memorandum submitted by the Ministry of Railways is at Appendix VIII.</p>	<p>No comments.</p>

officials dealt with adequately. Action should be taken to blacklist both the firms of suppliers, if not already done, and the question of instituting criminal action against them be examined.

(ii) The Committee trust that remedial measures will be taken to minimise the possibility of such cases arising in future. The Ministry may consider the feasibility of inspection at both the forwarding and receiving ends so that any mistake at the earlier stage is automatically detected at the latter stage.

44 24 Do. . The Committee are not happy at the delay in finalising the disciplinary action against the fourth officer involved in the case in the Western Railway. They desire that the case should be expedited.

45 26 Do. . With a view to avoid such prolonged delays in future, the Railway Board should review the processing of the case regarding loss in the purchase of vegetable ghee, examine

After necessary examination, the Railway Board have issued fresh instructions to Railway Administrations reiterating and underlining previous directions issued to

No comments.

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			<p>whether it was handled with the expedition at all the different stages both by the Railway Administration and by the Railway Board and issue fresh instructions, wherever necessary, tightening up the procedure.</p>	<p>them from time to time and enjoining that cases of such nature should be pursued promptly and vigorously and that departmental action against the delinquent officials should be initiated and finalised expeditiously. These instructions will also be observed strictly in the Railway Board's Office.</p>	
46	28	W. H. & S.	<p>The Committee would like to be apprised of the outcome of the case regarding fixation of responsibility for the avoidable delay in the DGI SD's Organisation in handling the case regarding shipment of rails.</p>	<p>A Memorandum submitted by the Ministry of W.H. & S. is at Appendix IX.</p>	No comments.
47	29	Railways	<p>It is surprising that the Ministry of Railways did not appreciate that on the basis of Controller of Stores' report immediate action was called for to stop further shipment of rails in bundles.</p>	<p>The Controller of Stores' Report referred to in the observations of the Committee presumably refers to his letter dated 24th May, 1958 addressed to the D.G., I.S. & D., London, a copy of which</p>	<p>The Committee feel that proper attention was not paid to the communication from the Controller of Stores by the Railway Board.</p>

was endorsed to the Railway Board also. As the copy had been docketed to the Railway Board for information only and D.G., I.S. & D., London had been asked to take necessary action in the matter, it was assumed in the Railway Board's office with some justification that the D.G., I.S.D. would take timely, requisite action on the letter. It was only, on receipt of the letter dated 18-7-1958 from the D.G., I.S.D., London, addressed to the Railway Board, that it was known that he was looking to the Railway Board for instructions which were then issued expeditiously.

It is regretted that the position was not checked up by Railway Board's Office with the I.S.D. to enquire if any instructions were required by I.S.D., but, as explained, there was reasonable ground for a misunderstanding due to the wording of the Controller of Stores' letter dated 24th May, 1958, which incidentally did not indicate

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how the rails were to be shipped in future, *i.e.*, whether in bundles or in loose condition. In the circumstances, the Ministry of Railways would request that the lack of appreciation by the parties and the lack of clear indication in the Controller of Stores' letter of 24-5-1958 may kindly be condoned by the Committee as they were not in the nature of any obvious neglect of the public interests or gross carelessness.

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48	30 to 32	Railways	<p>The Committee are not convinced that there was a strong case for placing the order for the purchase of locomotive components direct by passing the D.G., I.S.D. Direct purchase did result in avoidable expenditure in this case. The Committee trust that such cases will not recur.</p>	<p>This has been brought to the notice of all the Railway Administrations for their information and guidance.</p>	<p>No comments.</p>
49	35	Railways	<p>In the opinion of the Committee, there was a serious failure</p>	<p>The case had been investigated by the Railway Administration</p>	<p>The Committee trust that such cases will</p>

on the part of all the officers concerned to take even elementary precautions in the case regarding supply of taps and dies. The case requires to be reviewed ; individual responsibility should be fixed and effective remedial measures devised.

through an enquiry committee. Later, at the instance of the Railway Board, the Financial Adviser & Chief Accounts Officer of the Administration also independently reviewed this case. It was subsequently reviewed further by the Railway Board. In view of the fact that, under the procedure then in vogue on the Railway, when this transaction took place, the approved firms of contractors were allowed to remove defective materials without insisting on their prior replacement etc., it has not been possible to fix individual responsibility on the staff in this case.

not recur in the Railway Administration.

Necessary administrative instructions have, however, since been issued both by the Railway Administration (and circulated by the Board to other Railways) as well as by the Railway Board to prevent recurrence of such cases.

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50	37	Railways	With the stock of imported springs running out and the prospects of indigenous manufacture bleak at that time, the Controller of Stores should have taken adequate steps to provide for minimum urgent requirements.	A Memorandum submitted by the Ministry of Railways is at Appendix X.	No comments.
51	38	Do.	The Committee consider that in such cases where the manufacture of a new item is being tried indigenously there should be an experimental order to start with, without interrupting the existing lines of supply. Had such a course been followed in the case of obtaining of spare parts for the locomotives the extra expenditure on freight for air-lifting would have been avoided. The committee trust that such cases will not recur.	Do.	Do.
52	39	W.H.& S.	The Committee would like the D.G. S. & D. to examine whether the delay in the supply of raw materials to	The matter has been examined. Quota certificate for steel was issued to the firm on 12th June 1952, and the firm received the steel	Under the circumstances there was little justification for depending

the firm was occasioned by any fault on the part of Government. If it were so, the responsibility therefor should be fixed. Otherwise the question of recovering liquidated damages from the firm for the delayed supplies should be examined.

in full only on 13th April, 1955. This abnormal delay was due to the fact that the firm could not get proper size of spring steel flats from the Producers and the matter remained under correspondence with them for a long period. DGS&D did their best to expedite supplies of spring steel flats. The Producer on whom the firm had placed Supply Order had his difficulty as he was not rolling the raw material exactly conforming to specification and the supplier had to take the prior approval of the Indenting Officer before taking up manufacture of springs from these flats. The Indenting Officer's confirmation, in this regard, was received only on 16th December, 1953. Thereafter, the supplier and DGS&D continuously chased the Producers for the supply of the flats. However, the flats were delivered to the supplier only on 13th April, 1955. As such there was no default on the part of Purchase Organisation. Liqui-

entirely on the indigenous supply.

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dated damages on the delayed supplies amounted to Rs. 66.6/- only and were waived as the supplier was not responsible for the delay in supplies which was due to delay in the receipt of raw material.

53	42	Railways	<p>The Committee endorse the views of Audit that whenever rates and important conditions of a contract are liberalised the precise reasons thereof and the data in support should be kept on record. They trust that strict instructions will be issued by the Ministry.</p>	<p>Necessary instructions in the matter have already been issued to the Railway Administrations.</p>	No comments.
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54	43	Railways	<p>The Committee consider that adequate safeguards should be provided in the revised procedure to ensure that contracts for catering and vending are not amended arbitrarily to the disadvantage of the Railways. With this end in view they suggest that sys-</p>	<p>The procedure to be laid down is under examination.</p>	<p>A further report may be awaited.</p>
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tematic procedure should be laid down by the railway Board for the collection and review of data and their consideration at a proper level in consultation with the Financial Adviser.

55	46	Do.	The Committee are unable to accept the plea that the delay in taking a decision (two years) on the case referred to in para 44 was due to the non-availability of the relevant file containing the final orders of the Railway Board. They desire that action should be taken to fix responsibility for the delay which, in their opinion, was abnormal.	A Memorandum submitted by the Ministry of Railways is at Appendix XI.	The Committee feel that the time taken by the Branch Officers and Dy. Director was rather excessive which deserved due notice.
56	49	Do.	(i) The time taken by the Railway in preparing the Completion Report of the work was unconscionable.	(i) Detailed and comprehensive instructions have been issued to the Railways reiterating the requirement that they should ensure timely preparation of Completion	No comments

Reports. They have also been directed to set up special cells to clear arrears of work where existing. The progress made by the Railways in this matter is being periodically reviewed by the Railway Board through the returns submitted by the Railways. The Board have also repeatedly impressed upon the General Managers, at their meetings with the Board, the necessity for expeditious preparation of the Completion Reports. The delay in preparation of Completion Reports in this particular case was mainly due to certain special circumstances which were explained to the Committee in the course of the evidence. However, as explained above, the Railway Board are fully seized of the importance of preparing and finalising the Completion Reports quickly.

(ii) The Committee desire that the procedure governing reference of disputes to arbitration should be reviewed with a view to cutting out avoidable delays therein and ensuring conduct of such cases with promptitude.

(ii) There is normally no delay on the Railways in referring disputes to arbitration as soon as the necessity for such a course is accepted. In this case also there was no avoidable delay in referring the matter to arbitration. The firm suggested to the Chief Commercial Superintendent, in July, 1955, that they would like to take the matter to arbitration and proposed the name of the General Manager as arbitrator. The Railway's Solicitors, who were consulted, advised that the Railway Admn. should press for payment by the firm of maintenance and interest charges as agreed to earlier by the firm, and not agree to arbitration straightaway. When it was found that the firm could not be persuaded in the matter, they were eventually advised in April, 1957, that, if they wanted the General Manager to act as an arbitrator, they should address him direct. The firm thereupon asked the

(ii) No comments.

then General Manager to act as an arbitrator, and this was immediately agreed to. The arbitration could not be proceeded with on account of the transfer of the then General Manager who had been appointed as the Sole Arbitrator. The firm also took considerable time to agree to arbitration by his successor. The case was finally taken up for arbitration in February, 1960.

(iii) The Committee would like to be informed of the progress made in recovering the dues from the firm.

(iii) The firm has raised objection to the Arbitration Award in a court of Law, and the case has been adjourned a number of times. It is now due to hearing on the 5th of July, 1961. Till the case is finally decided by the Court, the firm have not agreed to pay the dues.

(iii) The Committee may be informed of the final outcome of the case.

The Committee are not satisfied with the manner in which the case had been handled by the

While necessary general instructions in the matter have been issued to Railway Adminis-

The Committee are not happy the way this case was hand-

			Railway. In their opinion, the compromise proposal in the pleader's letter was not fully considered on its merits.	} trations the Railway Ministry would respectfully urge that in this particular case, the case was lost largely through default on the lawyer's part.	dled.
58	53	Do.	The Committee see no reason why the facts of the two similar cases were not communicated to the pleader by the Railway well in time.		
59	54	Do.	The observations of the court in this case indicate the indifferent manner in which the case was conducted.		
60	56	Do.	The Committee would like to be apprised of the final progress of the case regarding fraudulent payments referred to in para 55 of the Report.	A copy of the instructions issued by the Ministry of Home Affairs which required, <i>inter alia</i> , copies (Photostat copies, if necessary) of the original documents to be retained before filing the same in the <i>court</i> for taking departmental action, was circulated to the Railways. On the analogy of the instructions referred to, photostat copies of the documents handed over to the <i>Police</i> should also have been retained by the S.E. Rly. for taking departmental action.	The outcome of the case may be reported.

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It is regretted that there was oversight in this matter due to administrative changes following the bifurcation of the old Eastern Railway into South Eastern and Eastern Railways during which the instructions referred to were lost sight of on the South Eastern Railway. Steps have been taken by that Railway to ensure compliance of the extant instructions.

(ii) The investigation by the SPE is still in progress. The Committee will be advised of the final position of the case as soon as action has been finalised.

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Railways

The Committee are unhappy at the delay in completing the enquiry in the case regarding payment of salary on spurious pay sheets. They would like to be apprised of the final action taken.

A Memorandum submitted by the Ministry of Railways is at Appendix XII.

No comments.

62	60	Do.	The Committee are concerned at the serious nature of irregularities referred to in para 57 of the Report. They trust that the Railway Board will tighten up the internal checks adequately.	A Memorandum submitted by the Ministry of Railways is at Appendix XIII.	No comments.
63	64	WH&S	It was the duty of the officers concerned to have brought the fact (the failure of the contractor to fulfil the first contract) to the notice of the authority competent to award the contract.	Noted.	No comments.
64	65	Do.	The D.G.S. & D. should have a Central Cell within his organisation to keep a record of and furnish information about each of the various tendering firms to the different Purchasing Officers of the Directorate. The Committee feel that the information regarding the performance in respect of contracts placed by other Departments may also be collected by this Central Cell.	A Cell for watching the performance of firms already exists in the Registration Branch of D.G.S. & D. Performance Cards have been opened by that Cell for each firm. The various Purchase Sections make use of the information available in the Performance Cell. A record of firms with whom business dealings have been suspended, banned or who have been blacklisted for various reasons by the D.G.S.&D. and other Purchase Departments, is maintained and is circulated to all Purchase Sections.	No comments.

It is, however, not possible to maintain performance records in respect of contracts placed by other Purchase Departments on the lines similar to those followed in respect of contracts placed by D.G.S.&D. The State Governments and Public Undertakings have been requested to bring to the notice of the D.G. S. & D. the cases of approved contractors, where they are not satisfied with the performance.

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WH&S

In the opinion of the Committee, there had been a laxity in supervision on the part of the Assistant Director of Supplies concerned in allowing the letter from the Sleeper Passing Officer to remain for about three months without final action being taken thereon.

The disciplinary aspect of this case has been examined. Since the Section concerned was in heavy arrears, the letter could not be put up by the Assistant concerned. He has been warned. The Assistant Director of Supplies concerned could not be held responsible for this lapse as Assistant Directors of Supplies are not responsible for day to day working of the

The absence of detailed provisions regarding duties of Section Officers cannot be regarded as a valid plea for not taking action against the delinquent official.

Sections which responsibility is that of the Section Officer. No action could also be taken against the Section Officer as the orders defining the duties of the Section Officers in the Supplies Wing of the D.G.S. & D., were issued only in 1955. Since the position with regard to the duties of the Section Officers in the Supplies Wing of the D.G.S. & D. had not been clarified earlier, it was not considered proper to take any action against him.

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Railways

The Committee urge that the question regarding extent of reduction in the price to be made in respect of defective brushes should be settled early.

The representatives of the suppliers of brushes of inferior quality were called for by the D.G.S. & D. for negotiating the price reduction. As, however, there was a wide gap between the price reduction offered by the suppliers and those suggested by the Railway Administration, the matter was further discussed between the D.G.S.& D. and the Railway Administration on 14th November, 1960 and ultimately referred to the

No comments.

Ministry of Law on 31st December, 1960. The Ministry of Law advised on 4th January, 1961 that risk purchase at the expense of the suppliers could not be made and that Government could only claim damages from the suppliers. In the circumstances, the Railway Board authorised the D.G.S. & D. on 21st June, 1961, to settle the matter on an equitable basis after taking into consideration all the aspects of the case. The D.G.S.&D. has now reported that he has been able to persuade the different contract holders to accept reductions varying from 5 1/2 % to 6 1/4 % of the accepted rates.

Confirmatory letters from the firms concerned accepting the reductions mentioned above have been received by D.G. S. & D. and amendment letters issued.

Considering all the aspects of the case and taking into con-

				sideration the legal opinion the Ministry of Railways submit that the settlement arrived at is the one most practicable.	
67	70	Railways	. In the opinion of the Committee the Railway Administration should take prompt action as soon as an irregularity came to notice.	The necessity of taking prompt departmental action, when irregularities come to notice, has been reiterated to the Railway Admn.	No comments.
68	73	Do.	. The Committee trust that the Ministry of Railways will streamline the procedure for watching the progress of execution of contracts to avoid such delays in future.	Noted. Necessary instructions in the matter have been issued to the Railway Administrations and the various Directorates of the Railway Board.	No comments.
69	75	Do.	. The Committee feel that suitable action should be taken against all the persons (including supervisory staff) responsible for the loss due to deterioration of woollen cloth owing to defective store keeping.	It was explained in the Note furnished to the Committee in this case by the Railway Board (Appendix VII of the 33rd Report of the Committee), that the damage to cloth was exclusively due to shortage of space, which prevented following of the normal rule of 'first in and first out', and that the loss was a cumulative result over a period of nearly a decade <i>i.e.</i> at the end of many years of storage. The	No comments.

Railway Administration had, therefore, concluded, after considering the Enquiry Committee's report, which investigated into this case, that individual responsibility could not be fixed in the matter. The Railway Board were, however, not satisfied with the Admn. conclusions, and directed the General Manager, Eastern Railway, to review the case further with a view to fixing responsibility and taking necessary disciplinary action. As a result of this review, two Assistant Depot Store Keepers and two Ward Keepers who were directly incharge of the cloth which was damaged, for comparatively longer periods, were punished. The Committee will thus appreciate that the Ministry of Railways took steps to ensure that suitable action was taken against all the persons concerned; but they were obliged to accept the position that by

the time the loss came to light it was already the result of cumulative failure for nearly a decade, for which it was difficult to fix responsibility except in respect of those who had been in charge for relatively longer periods.

70	77	Railways	. The Committee are concerned to learn that the Ministry of Railway's representative on the Minimum Wages Committee did not take the initiative of seeing that a copy of the notification was obtained when it did not come within the reasonable time. They would like to be apprised of the action proposed to be taken in this case.	} The observations of the Committee are noted and are being circulated to the concerned Directorate of the Railway Board for future guidance.	No comments.
71	78	Do.	. The delay on the part of the Railway Administration in circulating the orders revising wages of casual labour was too long; responsibility should be fixed and action taken against officers at fault.	} As regards the specific case, the Ministry of Railways would respectfully submit that the Railway representative was only one out of the representatives of the four employing Ministries on this Committee. It would have been creditable if the officer concerned of the Ministry of Railways had followed up, on his own initiative, with the Ministry of Labour to expedite issue of instructions based on the recommendations of the Minimum Wages Committee, instead of waiting for that	

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Ministry to convey the decision. But the Railway Ministry would plead that his not doing so may not be construed as a fault meriting departmental action on a par with the oversight of the co-ordinating Ministry (Ministry of Labour) to issue the necessary instructions. The Officer concerned incidentally has since retired on 14-12-1957 and been settled up.

Apart from the officer mentioned above, a Deputy Director of the Establishment Directorate of the Railway Board also accompanied the technical officer to the meeting of the Minimum Wages Committee and was thus in a position to take the initiative in following up the matter with the Ministry of Labour. He also has since retired on 12-1-61 and been settled up.

As regards the delay on the Railway in circulating the

inspections of the Ministry of Labour referred to, the matter has been gone into by the Railway Administration on their own and also was reviewed at the instance of the Railway Board. In view of what was explained in the Railway Ministry's earlier Memorandum it was due to a combination of a set of unfortunate circumstances that the circulation of the instructions was delayed. It may be reiterated that it was almost at the same time that a related communication on the subject was received from the Railway by the Railway Board (pointing out that the Minimum Wages as then laid down for some category of workers varied for the different Railway Districts within the same civil Districts and that this disparity should be removed) on which it was considered best to complete the action first before taking action on the Ministry of Labour's circular. Further the bifurcation of the Railway into Eastern and South Eastern

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Railways took place at almost the same time with attendant initial dislocation in normal work. The intervention of long Puja Holidays unfortunately added to the delay. In these circumstances, it has become difficult for responsibility to be fixed in the matter.

In view of what has been explained above, the Ministry of Railways would respectfully request that this case may not be pursued further.

No comments.

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Railways

The case regarding avoidable expenditure on water charges should be reviewed with a view to fixing responsibility on officers for laxity in supervision.

Even before framing the Railway Ministry's memorandum in regard to Recommendation No. 31 of the 21st Report of the Public Accounts Committee (2nd Lok Sabha), on which the observations of the Committee have now been made, the General Manager Central Railway, was, in fact, questioned specifically why

In the opinion of the Committee the officers are to be blamed for allowing the matter to remain undecided for so long. The absence of detailed procedural instructions cannot be regarded as a valid plea for not

responsibility could not be fixed for failure in supervision at officers level. It was explained by him in reply that the case pertains to a period (1952-56) before the office procedure was improved to ensure that all the outstanding letters come to the scrutiny of the gazetted officers periodically. Responsibility for failure to evolve suitable machinery to ensure adequate supervision in this particular matter will have to be shared also by a number of higher officers upto the Chief Engineer, who were in office in the period 1952-56. In all the circumstances, the Railway Ministry trust that the Public Accounts Committee will appreciate the difficulty of pursuing the matter any further at this stage and will kindly agree to the case being closed.

taking action against them.

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Railways

The Committee are inclined to accept for the present the suggestion of the Railway Board to continue the I.R.C.A. in its present form. They

The observations of the Committee are noted. The Railways as well as the sections of the Railway Board's office have been told to see that

No comments.

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would, however, urge upon the Railway Board to see that there is no duplication of work and avoidable expenditure on this account.

there is no duplication of work on account of retention of the I.R.C.A. in its present form.

74	84	Railways	<p>If the basis of the contract was that four tons of C.I. sleepers were to be supplied by the firms for every three tons of pig iron arranged by the Railway Board, it is not clear why this formula should not hold good even if a smaller quantity of pig iron was made available by Government than provided for in the contract. It was clearly a serious default for which the Committee regret to observe that there is no satisfactory explanation.</p>	<p>Committee's observations have been noted.</p>	No comments.
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75	85	Do.	<p>The statement of the Railway Board that efforts were made to obtain the maximum quantity of C.I. sleepers manufactured in the country both from indigenous as well as</p>	Do.	Do.
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imported pig iron is hardly relevant and does not in any way absolve the Railways for having failed to obtain sleepers, which they needed, at rates more advantageous to Government.

APPENDIX II
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

Explanatory notes on Excesses over certain Voted Grants and Charged Appropriations during 1959-60, shown in para 8 (pages 4 to 6) of Audit Report, Railways, 1961.

General

In the year 1959-60, the actual expenditure exceeded the grants voted by Parliament only in three cases, and even in these cases by relatively small amounts as was also the case in 1958-59. The improvement over 1957-58, in which year appreciable excesses over grants had occurred, was thus maintained.

As regards excesses over Charged Appropriations, the expenditure exceeded the Charged Appropriations in four cases only (including a small excess of Rs. 76/- under Appropriation No. 4) during the year under review as compared to three cases during the previous year.

Detailed explanations are given in the following paragraphs separately for each Grant/Appropriation. These explanations have reference to the figures shown in para 55 of Appropriation Accounts 1959-60 Pt. I—Review and para 8 of the Audit Report, Railways, 1961. The excesses under grant 8 and appropriation Nos. 15 & 16 require regularization after taking into account the amounts of minor misclassifications thereunder and as shown in Annexures A & B to these notes. These excesses amount to Rs. 21,77,473, Rs. 2,65,379 and Rs. 29,792 respectively.

Excess of Rs. 1,50,130 over Grant No. 3—Revenue—Payments to Worked Lines and others

The excess of about 1.50 lakhs over the Grant of 19.77 lakhs works out to 7.59%. The excess is mainly due to improvement in the figures of earnings of the lines concerned such as could not be foreseen chiefly on account of heavy inter-railway adjustments of earnings on through traffic as a result of the measures adopted in April, 1960, for overtaking the arrears of apportionment of those earnings.

Excess of Rs. 28,71,248 over Grant No. 7—Revenue—Working Expenses—Operation (Fuel)

The excess of about 29 lakhs is less than half a per cent of the final grant of about 66·57 crores, and occurred mainly due to the following reasons:—

- (a) It was necessary to make re-bookings and diversions of the good quality coal, within the limits of such coal received in relation to increasing supplies of inferior grade coal. This resulted in increase under 'Freight and handling charges'. Against the average monthly supply of about 38,900 wagons of inferior grade coal during the first 9 months of the year, the average monthly supply of such coal during the last 3 months was about 41,800 wagons, with the result that freight and handling charges increased towards the close of the year to an extent that could not be foreseen and provided for (24 lakhs).
- (b) The aforesaid variation in the quantity of graded coal also contributed to higher consumption, etc. (16 lakhs).

These excesses were partly offset by savings resulting from minor fluctuations of about 6 lakhs each under 'Cost of Electric current for traction purposes' and 'losses on Fuel', which call for no special remarks as such variations are largely unavoidable.

Excess of Rs. 21,94,835 over grant No. 8— Revenue—Working Expenses—Operation other than Staff and Fuel.

The excess of about 22 lakhs is less than 1% of the final grant of about 22·87 crores, which was an improvement, however small, as compared to the excess of 1·06 per cent over the final grant that had occurred in the earlier year (1958-59).

This Grant deals with operational expenditure on stationery, forms and tickets; handling, collection and delivery of goods and expenses at out-agencies; compensation for goods lost or damaged; electrical general services; clothing and stores; and other miscellaneous expenses connected with operation. A variety of items of expenditure, covering a large number of railway installations all over the country, fall within the scope of this demand. Moreover, fluctuations, in the concluding months of the year after the framing of revised Estimates, in the indices of wholesale prices of materials have a direct effect on the expenditure booked under this demand, including expenditure on compensation claims which is also influenced by price levels. With the increasingly improved measures for budgetary control, it is hoped that budgeting under this Grant will further improve, so as to fully

allow for the effect of variations on the two counts—(a) increase in quantum and its repercussions on freight etc. and (b) increase in prices.

The excess of 22 lakhs was the aggregate of small variations under the aforesaid two broad heads, the more important of which were:—

- (a) Increase under clothing and stores, as a result of more supply of uniforms and other stores at increased cost towards the close of the year such as could not be assessed at the Revised Estimate stage, due mainly to the fact that average index number of wholesale prices, which was 116·5 in the first nine months of the year, rose to 119·0 during the last 3 months of the year (base 100 for 1952-53) (10 lakhs).
- (b) Variations in the quantum of adjustment of freight charges for carriage of revenue stores, due *inter alia* to variations in the quantity of scrap etc. in the closing months of the year for reconditioning and reclamation. Though such variations are largely unavoidable and cannot be precisely foreseen and provided for, necessary instructions have been issued for improving the budgeting in this regard (10 lakhs).

The residual excess of about 2 lakhs was the net result of minor increases (under conference hire and penalty charges and compensation claims for goods lost or damaged) and decreases under other sub-heads of this demand calling for no special remarks.

As shown in Annexure 'A' the excess requiring regularization is 21,77,473, after excluding the erroneous adjustment amounting to Rs. 17,362 in respect of detention charges on coal wagons which had already been recovered from the contractors.

*Excess of Rs. 76 over 'charged' Appropriation No. 4—Revenue—
Working Expenses—Administration*

This excess represents a small payment made under court decree.

*Excess of Rs. 8,188 over 'charged' Appropriation No. 5—Revenue—
Working Expenses—Repairs and Maintenance*

This excess comprises the two undernoted items (Rs. 6,188 and Rs. 2,000):—

- (i) Payment amounting to Rs. 6,188 against a court decree was made to a contractor and was accounted for as 'voted' in the first instance; this came to notice and was set right

at the time of final closing of the accounts for March 1960 despite the absence of provision under charged appropriation, as under the existing rules the correct classification has to be followed in accounts irrespective of whether or not the budget provision was made under the correct head.

- (ii) The second item of Rs. 2,000 represents payment to a railway servant under a court decree; the question of preferring appeal against that decree was under consideration and it was decided only in January, 1960, that it was not worthwhile contesting the court decree in a higher court. Meanwhile, the Revised Estimates, on the basis of which the supplementary demands for 1959-60 had already been framed, did not provide for this amount.

Excess of Rs. 2,53,751 over 'Charged' Appropriation No. 15—Construction of New Lines

A small portion of the excess (Rs. 6,713) represents payment to a certain firm under an arbitration award which could not be included by the Railway Administration in the revised estimates through oversight. The bulk of the excess (Rs. 2,47,038) was due to heavy debits for additional compensation in land acquisition cases decreed by the Court in February and March, 1960, which were received from the Civil Accounts Officers for adjustment in 1959-60 accounts, even though provision had not been made in the final allotment based on the Revised Estimates. The Southern Railway's advice sent on 12th February 1960 could not be incorporated in the Revised Estimates which had already been printed for presentation to Parliament. As shown in Annexure B. the excess requiring regularisation is Rs. 2,65,379 after taking into account the amount of Rs. 11,628 erroneously booked as 'Voted' instead of as 'Charged'.

Excess of Rs. 16,666 over 'Charged' Appropriation No. 16—Open Line Works—Additions

The excess comprises the two under-noted items (Rs. 14,146 and 2,520):—

- (i) Payment to a railway servant amounting to Rs. 14,146 was made under a court decree, provision for which could not be foreseen; advice regarding the payment was received after the Revised Estimates had been framed.

- (ii) The Second item of Rs. 2,520 represents payment to a contractor, which was accounted for as 'Voted' in the first instance; this came to notice and was set right at the time of final closing of the accounts for March, 1960, as under the rules adjustment had to be made under the correct head of accounts irrespective of how provision was made in the Budget. As shown in Annexure B, the excess requiring regularisation is Rs. 29,792 after taking into account the amount of Rs. 13,126 erroneously booked as 'Voted' instead of as 'Charged'.

This has been seen by Audit.

NEW DELHI;

Dated 26-6-1961.

D. P. MATHUR,

Director, Finance, Railway Board.

ANNEXURE A

Statement showing Excesses over Voted Grants as shown in para 8(A) of the Railway Audit Report, 1961, as well as excesses worked out after taking into account items of misclassifications

(Figures in units of rupees)

Sl. No. and name No. of Grant	Original Grant	Supplementary Grant	Final Grant	Expenditure	Excess	Real excess after taking into account misclassi- fications	Percentage of excess (Col. 6 to Col. 4)	Percent- age of real excess (Col. 7 to Col. 4)
1	2	3	4	5	6	7	8	9
1 3—Revenue— Payments to Worked lines and others	19,77,000	..	19,77,0000	21,27,130	1,50,130	1,50,130	7.59	7.59
2 7—Revenue—Wor- king Expenses— Operation (Fuel)	62,44,52,000	3,83,44,000	66,27,96,000	66,56,67,248	28,71,248	28,71,248	0.43	0.43
3 8—Revenue— Working Expens- ses—Operation other than staff and fuel	20,55,79,000	2,09,13,000	22,64,92,000	22,86,86,835	21,94,835	21,77,473	0.97	0.96

ANNEXURE A (1)

Grant No. 8.—Revenue—Working Expenses—Operation other than Staff and Fuel

Reference to Annexure J. received from individual Railways	S. No.	Particulars	Amount (in units of Rs.)
Western Railway	1.	Excess shown in the Appropriation Account	21,94,835
	2.	Deduct :— Wrong acceptance of debits for detention charges on coal wagons which had already been recovered from the contractors	17,362
	3.	Real Excess (1—2)	21,77,473
	4.	Difference between (3) and (1)	17,362

ANNEXURE B

Statement showing Excess over Charged Appropriations as shown in Para 8 (B) of the Railway Audit Report, 1961 as well as excesses after taking into account items of misclassifications

(Figures in units of Rupees)

Sl. No.	No. and name of the Appropriation	Original Appn.	Supplementary Appn.	Final Appn.	Expenditure	Excess	Real excess after taking into account misclassifications
	1	2	3	4	5	6	7
1	4—Revenue—Working Expenses—Administration . . . . .	..	..	..	76	76	76
2	5—Revenue—working Expenses—Repairs and Maintenance . . . . .	..	..	..	8,188	8,188	8,188
3	15—Construction of New Lines . . . . .	..	..	..	2,53,751	2,53,751	2,65,379
4	16—Open Line Works—Additions . . . . .	..	..	..	16,666	16,666	29,792

ANNEXURE B (1)

Appropriation No. 15—Construction of New Lines

Reference to Annexure J received from individual Rlys.	S. No.	Particulars	Amount (in units of Rs.)
	1.	Excess shown in the Appropriation Account.	2,53,751
	2.	Add amount of misclassification which should have been debited to this Appropriation instead of to Voted Grant.	
Western Railway.		Certain expenditure erroneously booked as 'Voted' instead of 'Charged' on one construction unit on the Western Ry.	11,628
	3.	Real Excess.	2,65,379
	4.	Difference between (3) and (1)	11,628

Appropriation No. 16—Open Line Works—Additions

Reference to Annexure J received from individual Rlys.	S. No.	Particulars	Amount (in units of Rs.)
	1.	Excess shown in the Appropriation A/cs.	16,666
	2.	Add amount of misclassification which should have been debited to this Appropriation instead of to Voted Grant :—	
Chittaranjan Locomotive Works.		Certain expenditure erroneously booked as 'Voted' instead of 'Charged'.	13,126
	3.	Real Excess.	29,792
	4.	Difference between (3) and (1).	13,126

APPENDIX III
MINISTRY OF RAILWAYS
(RAILWAY BOARD)
MEMORANDUM

REF: *Item 10 of Appendix I of the 33rd Report (2nd Lok Sabha) of the Public Accounts Committee.*

SUB: *South Eastern Railway—Heavy arrears in the recovery of rent for Railway land leased to outsiders.*

The position of recovery of arrear rent and the balance outstanding etc. as on 31st March, 1961 at (i) Garden Reach, (ii) Shalimar and (iii) Cuttack, stations is as under:—

	Amount outstanding	Recoveries made upto 31-3-61	Amount of balance arrears as on 31-3-61
	Rs.	Rs.	Rs.
(i) Garden Reach	24,372.93 nP (upto 31-12-55)	8,820.74nP	15,552.19nP
(ii) Shalimar	70,975.75nP (upto 31-12-55)	10,401.80nP	60,574.95nP
(iii) Cuttack	1,09,701.75nP (upto 31-12-54)	70,913.56nP	38,788.19nP
Total	2,05,051.43nP	90,136.10nP	1,14,915.33nP

For the recovery of the balance of the arrears, the following steps have been/are being taken:—

Garden Reach: Of the outstanding amount, a sum of Rs. 11,756.44 nP is recoverable from three parties and action is being taken under the Public Premises (Eviction of Unauthorised occupants) Act, 1958, to recover this amount. The remaining sum of Rs. 3,795.75 nP is recoverable from two parties who are being persuaded to pay the amount.

Shalimar: Of the outstanding amount, a sum of Rs. 59,959·82 nP. is recoverable from seventeen parties and action is being taken, under the Public Premises (Eviction of Unauthorised occupants) Act, 1958 to recover the amount. The balance amount of Rs. 615·13 nP. is being recovered from one party in instalments.

Cuttack: Of the balance arrears of Rs. 38,788·19 nP., action is being taken under the Public Premises (Eviction of Unauthorised occupants) Act, 1958 to recover a sum of Rs. 22,288·88nP. The remaining sum of Rs. 16,499·31 nP. is recoverable from five parties against whom suits have been filed in the Court of Law to recover the amount.

This has been seen by Audit.

APPENDIX IV

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND SUPPLY

Note for the Public Accounts Committee relating to para 50 of their 15th Report (2nd Lok Sabha) and brought forward at item 26 (iv) of Appendix I of their 21st Report (2nd Lok Sabha) and item 13 (iv) of Appendix I of their 33rd Report (2nd Lok Sabha) Vol. I.

Against item 26 (iv) of Appendix I of their 21st Report (2nd Lok Sabha) relating to para 50 of their 15th Report (2nd Lok Sabha), the Public Accounts Committee suggested as under:—

“They suggest that the desirability of blacklisting the Contractor might be examined by the Ministries of Railways and Works, Housing and Supply.”

2. The above recommendation of the Public Accounts Committee has been carefully considered in the Ministry of Works, Housing and Supply. There is a Standard Code issued in consultation with the Ministry of Home Affairs prescribing the grounds on which firms or contractors may be blacklisted. Blacklisting is resorted to in the event of grave misdemeanour on the part of the firm or its proprietor or partners or employees, as indicated in the code.

3. The conduct of the firm in the present case does not fall within any of the provisions of the Standard Code. It has, therefore, not been possible to blacklist the contractor. It had initially been decided to suspend business with this contractor for a period of two years with effect from 21st January, 1959. It has now been decided to continue the ban for an indefinite period. A copy of the order suspending business dealings with this firm, has been circulated to all Government Departments including State Governments, so that they do not enter into any business dealings with this contractor.

Joint Secretary.

APPENDIX V

MINISTRY OF RAILWAYS (RAILWAY BOARD)

MEMORANDUM

REFERENCE: *Item 41 contained in App. I of the 33rd Report of the P.A.C. (2nd Lok Sabha).*

SUBJECT: *Central Railway—extra expenditure due to error in the indent—Para 24 of Audit Report (Railways), 1959.*

The Ministry of Railways have carefully considered the recommendation made by the Public Accounts Committee, but would submit that in such a case of loss which has occurred due to a purely clerical error, responsibility cannot justifiably be fixed on the superior officers for having failed to detect the error.

The question of responsibility on officers could be examined in two stages, namely, (i) at the time of passing the draft indent made by the lower unit, namely the Stores Depot and (ii) in the office of the Stores Headquarters organisation which prepared the indents to be placed on the D.G.S & D.

In regard to (i), the Depot Ledger cards for axle oil were maintained in units of cwts. The *office copy* of the 'position cards' indicating *inter alia* the actual quantity of stock on hand which was prepared for submission to the Office of the Controller of Stores, together with the 'demand schedules' indicating the quantum for recouplement were *both* prepared for the quantity required *in terms of cwts.* While preparing the fair copy of the demand schedule, (which was submitted to the office of the Controller of Stores) the figures of the number of cwts. of axle oil were unfortunately posted against the printed (cyclostyled) form of the Schedule which were in terms of 'gallons' instead of altering the units or converting the quantity into gallons. Since the particular demand schedule consisted of 42 items and since the office copy had been correctly prepared in terms of units of cwts., it would have been extremely difficult for the officer who passed the demand schedule to the Controller of Stores Office to have detected the mistake.

As regards item (ii) *viz.* the office of the Controller of Stores which placed the indents for axle oil on the D.G.S. & D., the following are the items of work which are dealt with in that office:—

- (a) Particulars as entered in the stock position form for each item are carefully scrutinised to verify the correctness of the estimated requirements for the period.

- (b) Cross-check is made in respect of total requirements entered by the depot against each item of the summary to see that it tallies with the figure given against column 16 of the Stock position form.
- (c) Consolidated grand summary of all depots is then prepared by totalling up the requirements against various items which are taken from the summary of the individual depots.
- (d) An indent is then prepared and sent to the Stores Accounts Office for certification of funds and acceptance of the reasonableness of the quantity on indent.
- (e) After receipt of the indent duly certified from the Accounts Office, it is put up for signature of the officer competent to sign the indent. *A covering note for the information of the officer signing the indent is prepared showing inter alia the total value of the indent compared with the total value of the previous year's programme indent, recording reasons for variation in the value thereof. This enables a check being exercised in case there is a wide variation in the value of the indent.*

As indicated in item (e) above, the officers signing the indent on D.G.S.&D. is guided by the covering note which shows, *inter alia*, the total value of the indent as compared with the corresponding value for the same item in the previous year's programme and also the reasons for the variations, if any. The total value of the indent was Rs. 25,29,079 for the year in question against Rs. 22,36,288 for the previous year's indent. Despite the inadvertent reduction in the provisioning for two items of axle oil due to mix up of the units, the total value of the indent registered an increase with the result that it was not possible for the officer to detect that any major mistake could have been made in the preparation of the indent.

It will thus be observed that, in spite of exercising the checks that are normally expected to be exercised by the officers, the clerical error could not come to light either at the Depot or later in the Office of the Controller of Stores. In the circumstance, the Ministry of Railways would plead that the question of fixing responsibility on the supervisory officers may not be pursued further at this stage.

This has been seen by Audit.

APPENDIX VI
MINISTRY OF RAILWAYS
(RAILWAY BOARD)
MEMORANDUM

REFERENCE: *Item 53 contained in App. I of the 33rd Report (2nd Lok Sabha) of the P.A.C.*

As desired by the Committee, the question of levying siding charges on the Oil Companies for the haulage of Oil at Budge Budge has been examined *de novo*. The Ministry of Railways, however, feel that it would be difficult to justify the levy of such charges for the reasons detailed below:—

2. The sidings at Budge Budge, for which no siding charges are levied at present, were originally provided several decades ago by the ex. E. B. Railway on Port Commissioners' land and built at the cost of the Port Commissioners. The Railway has been paying rent for the land and interest for the capital cost of tracks etc. incurred by the Port Commissioners. These sidings were intended to be the common loading points where various Oil Companies could perform their loading operations and were meant to be used as a common goods shed area exclusively earmarked for handling of dangerous goods like petrol. The Oil Companies have also developed their own installations, loading facilities with pipe lines, overhead filling arrangements etc. Since these sidings were not meant for the exclusive use of any one Oil Company, these could not be considered either as "Assisted" or "Private" sidings.

3. Further, the facilities provided by the Railway for the loading of P.O.L. products in tank wagons and in BOX wagons on these sidings consist only of placing such empty and covered tank wagons without doing any additional marshalling on behalf of the Oil Companies. The shunting work involved in fact, in the placement of wagons, is nothing more than what the Railway does at any goods shed. The distance involved in the haulage of empties to the sidings and the loaded wagons therefrom is only about 600 ft., and this is considered essential in order to isolate the area which contains oil installations etc. from the station area. Further, the free time allowed to the Oil Companies is not more than what is usually allowed at the station. Freight charges in respect of all the traffic are levied for the distance upto the old Budge Budge station.

4. Moreover, these sidings could be utilised by any Oil Company, and, therefore, are treated as a good shed where any party can load traffic in P.O.L. provided they make their own arrangements for loading. The facilities provided are identical to what is provided for the Oil Companies at other goods sheds where they are allowed to construct their dumps close to the railway sidings earmarked for the purpose. In fact, the facilities and services rendered through these sidings do not differ from the placing of coal, bones and firewood etc. Wagons on different delivery lines and plots usually provided for dealing with these commodities free of any extra charge. The facilities provided are, therefore, not considered liberal or unusual.

5. As stated earlier, the Railway pays rent and interest at about Rs. 9,551.68 nP. to the Port Commissioners for these sidings. The capitalised value of this works out to Rs. 1.6 lakhs. If the Railway was to provide even restricted terminal facilities in station area to cater to all traffic, the capital cost of such works would be very much in excess of this figure.

6. In view of what is stated in the foregoing paragraphs, the Ministry of Railways submit that the case may not be pressed any further.

7. This has been seen by Audit.

APPENDIX VII
MINISTRY OF RAILWAYS
(RAILWAY BOARD)
MEMORANDUM

Remarks of the Ministry of Railways on S. Nos. 5 & 6 of the main conclusions/recommendations of the Thirty Third Report of the Public Accounts Committee on the Appropriation Accounts (Railways), 1958-59, and Audit Report (Railways), 1960.

Serial No. 5—Paragraph 2 of the Report:

“The percentage of savings has shown an upward trend which is indicative of loose budgeting. With the adoption of the practice of obtaining ‘token grants’, the Committee hope that the position would improve.”

Ministry of Railways’ comments:

The Committee’s observations refer to the percentage of savings over the voted grants:—

- (i) in the expenditure met from revenue (savings of 5·48%), and
- (ii) in the expenditure met from Capital, Depreciation Reserve Fund and Development Fund (savings of 4·37%).

As correctly opined by the Committee, the adoption of the procedure of obtaining ‘token grants’ initially for such schemes and projects as have not been finalised at the time of framing the Budget Estimates and of obtaining supplementary grants later to the extent the schemes are developed—of which a report was sent in Railway Ministry’s Office Memorandum No. 59-B(C)-PAC|II|XXI of 13.2.1960 to the Lok Sabha Sectt.—will admittedly improve the position from 1960-61 onwards in regard to expenditure of the nature referred to in (ii) above.

The savings in expenditure met from revenue would be only 6·73 crores, in an aggregate grant of 433·66 crores, or about 1·5% if account is not taken of the variation of 18·41 crores in the net railway surplus (Revenue Grant No. 20) between the actuals and

Budget anticipations. The corresponding figures for the three previous years are as follows:—

	(—) Saving
	(+) Excess
1955-56	(—) 1.00%
1956-57	(—) 0.42%
1957-58	(+) 0.85%
1958-59	(—) 1.50%

The slow growth of economy in the country in 1958-59, which led to the non-materialisation of railway earnings and consequently of railway surplus, to the extent anticipated, was admittedly a special feature, the effect of which should be correctly eliminated in assessing the savings in the other normal revenue grants.

As regards expenditure under Capital Depreciation Reserve Fund and Development Fund, the saving was 4.37% in a total final grant of 606 crores; this compares favourably with a saving of 4.57% in 1955-56, a saving of 6.18% in 1956-57 and an excess of 0.79% in 1957-58. The Ministry of Railways have taken steps to improve the position further, including the adoption of the procedure of obtaining "token grants" as already referred to.

Serial No. 6—Paragraph 3 of the Report:

"In the light of the trend of past years, the Committee feel that the savings were in a large measure due to over-budgeting. They regret to observe that the information called for in this regard is still awaited."

Ministry of Railways' comments:

The specific reference is to the savings which occurred in Grant Nos. 13 (Open Line Works—Revenue—Labour Welfare), 14 (Open Line Works—Revenue—Other than Labour Welfare), 18 (Open Line Works—Revenue—Development Fund) and 16 (Open Line Works—Additions). In addition to the explanations for the savings in the first three of the aforesaid grants—given in the Appropriation Accounts (as referred to in this paragraph of the Committee's Report), it will be seen that an allusion to "reduction in expenditure on revenue works found feasible during the year as a measure of Economy" was also made under Grant No. 14 in para 36 (page 16) of the Appropriation Accounts Part I—Review. The saving of 351 lakhs mentioned in para 36(i) of the aforesaid Review consists of

about Rs. 300 lakhs representing expenditure deliberately curtailed in the Revenue Works Programme in pursuance of Railway Board's economy directive of 8.11.58, which was issued as soon as it became evident that there would be a large fall in railway earnings as compared to budget anticipations. Even though no specific reference was made in the Appropriation Accounts to a similar reduction deliberately effected in the expenditure on works chargeable to Grant No. 18, the fact remains that a directive was issued by the Railway Board on 8.12.1958 definitely asking the Southern, Western and N. F. Railways to curtail their Development Fund Works Programme by about 660 lakhs and instructing other railways to effect whatever reduction in expenditure was feasible by postponing such works as could be conveniently postponed.

It is true that the *increase* in revenue working expenses over the original budget does not correspond to the large reduction in works expenditure under Grant Nos. 14 and 18 and that the reduction in expenditure under revenue working expenses, Grants 5, 6 and 7, as suggested in the same economy directive of 8-11-58 issued by the Railway Board, did not materialise. It will be appreciated, however, that the arrangements for recruitment of additional staff, procurement of maintenance stores, etc., which had been made on earlier anticipations of increased traffic, could not be altered as readily as curtailment in works expenditure, particularly when it was necessary to cover in the Revenue Working Expenses grants, post-budget increases in the price of coal, etc.

As regards Grant No. 16—Open Line Works—, there was no doubt a saving of 9.99 crores from out of a supplementary grant of 18.59 crores that had been obtained. A statement is appended below explaining the position:—

DEMAND No. 16

OPEN LINE WORKS—ADDITIONS

1958-59

(In lakhs of rupees)

	Budget	*Revised Estimate	Actuals
I	2	3	4
1. Rolling Stock	56.66	50.34	49.25
2. Works (including machinery)	21.92	18.91	16.01

(*On the basis of these estimates, supplementary grants were obtained).-

1	2	3	4
3. Miscellaneous.—			
(i) Stores Suspense	2,17,55	2,24,84	2,24,35
(ii) Manufacture Suspense	88,68	90,72	91,01
(iii) Miscellaneous Advances Capital	24,71	44,98	39,25
(iv) Other items— Investment in Road Services	2,50	82	75
Total (i) to (iv) :	3,33,44	3,61,36	3,55,36
Grand Total 1 to 3 :	4,12,02	4,30,61	4,20,62

It will be seen from the above statement that the supplementary grant of 18·59 crores was obtained almost entirely under the 'Suspense' heads namely, Stores Suspense, Manufacture Suspense and Miscellaneous Advances, etc., after allowing for reduced expenditure expected under 'Rolling Stock' and under 'Works'. It will be further seen that the supplementary grant was substantially utilised for the purpose for which it was initially obtained, in that the additional provision was full utilised under 'Stores' and 'Manufacture Suspense'. The saving was largely under Miscellaneous Advances—Capital—(5·73 crores), representing non-materialisation of anticipations of payments, to the extent envisaged, for purchases abroad, etc., and to a smaller extent under 'Works' and a still smaller extent under 'Rolling Stock'. So far as works are concerned, the Ministry of Railways trust that the adoption of the practice of obtaining 'token grants' would improve the position. As regards the major item of savings under Miscellaneous Advance Capital, it will be appreciated that the supplementary demand under grant No. 16 was presented to the Parliament on 17-2-1959, along with other Supplementary Demands, on the basis of information received from the Railways through their revised estimates in December 1958, supplemented by subsequent information received up to the third week of January, 1959. A major portion of the Railways' store supply is obtained through the DGS&D, or through the foreign purchase agencies of the W. H. & S. Ministry, so that the control of the railways over the amount to be paid for the purchase of these supplies is not direct. It is expected, however, that there will be an improvement in the position from 1960-61 onwards, as a result of implementation, on 25-5-1959, by the Ministry of W. H. & S., of the

recommendation No. 4 (Appendix II) of the Public Accounts Committee in their 15th Report, according to which purchasing organisations abroad will report regarding the availability of the stores and shipments, to the indenting Ministries, every fortnight up to the end of January and weekly reports subsequently till the end of March. The Ministry of W. H. & S. are also in the process of implementing recommendation No. 4 (Appendix II) of P.A.C's 21st Report, regarding submission of regular reports and returns by DGS&D in regard to stores procured indigenously. It is expected that, as a result of the above-mentioned measures, there will be tangible improvement in regard to store budgeting under 'Miscellaneous Advances'.

This has been seen by Audit.

APPENDIX VIII
MINISTRY OF RAILWAYS
(RAILWAY BOARD)
MEMORANDUM

REFERENCE: *Recommendations No. 17-18 contained in Appendix II of the 33rd Report of the P.A.C. (Second Lok Sabha):*

SUBJECT: *Central and Western Railways—Supply of inferior quality timber—Para 24 of Audit Report (Railways), 1960.*

Recommendation No. 17:

(i) The details of the disciplinary action taken against the officials held responsible for inspection and passing of inferior quality of timber on the Central and Western Railways are given below:—

Central Railway

(a) As criminal proceedings have been launched by S.P.E. against the then Assistant Works Manager, Timber Inspection, Matunga who inspected the timber in question no departmental action has, therefore, been initiated against him. He was, however, placed under suspension with effect from 16-1-1957.

(b) The Special Police Establishment had suggested departmental action against (i) the two District Controllers of Stores, who held the charge of Matunga Depot during the period in question, as also against (ii) the then Assistant Controller of Stores for acts of gross negligence on their part in passing and certifying bottom boards of inferior species as bottom boards of superior species and conforming to the specifications in the accepted tenders. However, pending finalisation of the court case against the then Assistant Works Manager, referred to at (a) above, departmental action has been deferred in the case of these three officers, at the instance of the Special Police Establishment.

Of the four officers mentioned above, the Assistant Works Manager has since been removed from service with effect from 17-4-1961 and the two District Controller of Stores have been reduced to the Junior Scale, for serious irregularities in another case.

Western Railway

(c) The Works Manager, Carriage and Wagon Shops, Parel, was held responsible in that he did not carry out the oversight inspection

of the timber. He was also considered directly responsible for not making a regular investigation in the matter and ascertaining the extent of irregularity. The punishing authority for this officer being the President of India, the relevant papers were referred to the Union Public Service Commission in September, 1959 for their advice regarding the penalty to be imposed on him.

The Commission's advice on this case was received in September, 1960. The Competent Authority accepted the Commission's advice and orders were issued in November, 1960, that the officer should be reduced in the time-scale applicable to him by one stage for a period of two years, such reduction not to have the effect of postponing his future increments.

(d) The Assistant Track Supply Officer who had failed in his responsibility to ensure that proper specie of timber was accepted was removed from service *w.e.f.* 3rd September, 1959 for his lapse.

(e) Two Assistant Works Managers who were held responsible for certain lapses *viz.* acceptance of inferior quality timber and utilizing defective floor boards were also removed from service *w.e.f.* 3rd September, 1959.

(f) As far the non-gazetted staff are concerned, 5 of them held responsible in this case have been removed from service *w.e.f.* 28th September, 1959.

2. The question of black-listing both the firms of suppliers has also been under consideration. Since the case regarding supplies made by one of the firms is still *sub-judice* the question of black-listing the firms has been kept pending till the court pronounces judgment.

Business dealings with these firms have, however, already been suspended and necessary orders to this effect also circulated to the Railways. It is felt that the suspension of business dealings would have the same effect as black-listing.

3. Criminal proceedings against the firms were instituted on 3-7-1957 and the case is now pending trial.

(ii) Necessary instructions have been issued to the Railway Administrations emphasising that proper arrangements should be made with a view to avoiding any loss in future on account of acceptance of inferior quality materials as also that inspection of the material both in regard to quality and quantity should be carried out at the receiving end as well.

Recommendation No. 18:

The disciplinary action taken against the fourth Officer involved has already been explained in para 1(c) above.

This has been seen by Audit.

APPENDIX IX

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING & SUPPLY

MEMORANDUM

SUBJECT: *Avoidable expenditure on handling and other charges on imported rails—Para 26 of the Audit Report, 1960.*

The Public Accounts Committee have observed as under in recommendation No. 20 contained in Appendix II of Vol. I of their 33rd Report with reference to above Audit Para:—

“The Committee would like to be apprised of the outcome of the case regarding fixation of responsibility for the avoidable delay in the D.G.I.S.D.’s Organisation in handling the case regarding shipment of rails”.

This contract was one of several placed by the Railway Board Steel Mission which visited London in 1957. During negotiations preceding the placement of these contracts a Higher Executive Officer of the Railway Branch of the I.S.D. was attached to the Steel Mission. When the negotiations were completed and the contracts placed, it was intended that further progress in work on these contracts should be carried out by a separate cell in the ISD. The Railway Mission also recommended that the Steel Cell should consist of 15 persons headed by an officer of the rank of Joint Director of railway Board. After several discussions, Financial Adviser (to I.S.D.) did not agree to the creation of such a cell. Therefore, the work had to be carried by the Higher Executive Officer, one Executive Officer and one Clerical Officer.

On 15th May, 1958 the Higher Executive Officer dropped down dead due to heart failure while leaving office for home. It was only on 23rd June, 1958 that another Higher Executive Officer was posted to the Steel Cell. Within two days of his joining the cell the new Higher Executive Officer phoned the shipping agents about the Eastern Railways letter of 24th May, 1958.

The cell handled a large volume of current work. The following figures would bear testimony to this fact:—

7752 tons of steel in December, 1957.

9374 tons of steel in January, 1958.

8333 tons of steel in February, 1958.

16784 tons of steel in April, 1958.

32187 tons of steel in May, 1958.

30795 tons of steel in June, 1958.

It may be stated that this very small steel cell (created after the departure of Steel Mission to India) carried on with the progress work on its own, mainly because the Higher Executive Officer was a brilliant officer, who had also been very closely associated with negotiations. The Assistant Director of Railway Branch did not have anything to do with this work.

The Deputy Director General under whom the Railway Directorate was functioning had himself an heart-attack on 9th June, 1958. In view of the mounting arrears in the office he persuaded the Doctors to let him resume work within 3 weeks. As a trial he was allowed to attend office for about 3 hours each on 30th June, 1958, 2nd July, 1958 and 4th July, 1958. On 6th July, 1958 he had a more severe heart-attack and was removed to Hospital. His Doctors as well as the Medical Board in High Commission, London, allowed him to rejoin duty only on 11th November 1958.

It will thus be appreciated that the delay in handling the case on two occasions in the D.G., I.S.D. London was inescapable. In view of this, responsibility for the infructuous expenditure involved in the shipment of rails cannot be fixed, particularly, as one of the officers who handled this case *ab-initio* died long ago.

In the circumstances the Ministry of Works, Housing & Supply would request that the delay in handling the case may be condoned by the Committee.

Suitable instructions have since been issued by this Ministry to the Indentors to give in the indent itself the method of packing, if any, adopted in the past and that desired at present and, if possible, to indicate also any limitations regarding the size and weight of packages etc., to suit their own convenience and the authorities at the port of discharge. Similarly, the Purchase Organisation have been asked to bring to the notice of the indentors any information or data coming to their notice about economies in packing and thereafter to effectively pursue the matter with them till their decision is received. It is hoped that this will avoid recurrence of such losses in future.

APPENDIX X
MINISTRY OF RAILWAYS
(RAILWAY BOARD)
MEMORANDUM

SUBJECT: *Central Railway—Extra-expenditure on airlifting of spare parts for locomotives—Para 32 of Audit Report.*

REFERENCE: *Recommendations No. 24 & 25 of App. II of the 33rd Report (2nd Lok Sabha) of P.A.C.*

Recommendation No. 24:

The following sequence of events is submitted for the Committee's consideration.

2. Towards the end of 1951, the Controller of Stores, Central Railway, arranged for the manufacture of 250 springs in the Railway Workshop and simultaneously placed, on 27th December, 1951, an indent on the DGS & D. for 1,000 springs. This indent was covered by the DGS & D. through an order on 5th May, 1952 on an Indian manufacturer for delivery to commence in four to five weeks and to be completed in nine to ten months after receipt of raw materials. The supplies against this order, however, materialised only between September 1953 and February 1956.

3. On 17th May, 1952, the Controller of Stores placed another indent for 1,000 springs on DGS & D., with the request that at least 200 springs should be obtained from United Kingdom by air. This indent was, however, subsequently treated as withdrawn, as the quotation received for import by DGS & D., was considered excessive and the prospects of supply from the indigenous supplier against the previous order appeared bright at that time.

4. The supplies of springs were also being obtained in the meantime from the Central Railway Workshop at Parel. The out-turn of springs from this workshop from 1952 to 1954 was as under:—

1952	1057 Nos.
1953	450 Nos.
1954	550 Nos.

The life of the workshop manufactured springs was, however, reported to be much shorter than that of the imported springs, which aggravated the supply position.

5. Another indent for 2,600 springs was also placed on the DG, ISD, London on 13th April, 1954, stipulating that 25 per cent of the quantity should be air-freighted. The DG, ISD, London covered this indent by an order on 25th September, 1954 on a U.K., firm, for delivery to commence from February 1955 and to be completed by December 1955. The supplies, which were again delayed, commenced in August 1955 and were completed only in December 1957.

6. It will be appreciated from the fore-going chronological sequence of events that the Controller of Stores took reasonable steps except that, when delivery expectations during 1952 did not materialise, the supply and stock position could have been reviewed and the DGS & D prevailed upon to arrange for import of the minimum urgent requirements out of this indent, instead of withdrawing it on the ground that the rates were excessive. The Ministry of Railways would, however, plead that in this matter, the considerations which possibly weighed with the Administration were that extra expenditure on import should be avoided and indigenous capacity developed, particularly as no difficulties in supply could then be envisaged. There was at best a small error of judgement, for which it is difficult to penalise the Controller of Stores who, in any case, retired very much earlier than the receipt of the audit para in question.

Recommendation No. 25:

7. Noted. Necessary instructions have been issued under Board's letter No. 61-B(C)-PAC.II/33 (24-26), dated 6th April, 1961.

This has been seen by Audit.

APPENDIX XI
MINISTRY OF RAILWAYS
(RAILWAY BOARD)
MEMORANDUM

REFERENCE: Recommendation No. 29 contained in App. II of the 33rd Report (2nd Lok Sabha) of the Public Accounts Committee.

The matter has been re-examined as desired by the Public Accounts Committee.

2. A broad division of the time taken from 19th December, 1956 to 6th November, 1958 in dealing with the case is as follows:—

	Months	Days
(i) Time taken by the branch officers and two different Deputy Directors, Railway Board in examination and taking a decision.	12	19
(ii) Time taken by the office (dealing Assistant).	4	20
(iii) Time taken in correspondence, collecting additional information from the Railway, collection of information from other Branches, time taken in transit, typing, issue.	5	3
	22	22

3. As regards the time shown against (i) and (ii) above, it may be mentioned that the case was with the officials referred to over different periods, as shown in the footnote* and not at one stretch.

*With Branch Officer : Jan. '57—Feb. '57
 May '57—Sep. '57
 Sep. '57—Feb. '58
 May '58—June '58

Admittedly, with the change in the incumbent of Deputy Director and the pre-occupations connected with the imposition of Passenger Tax and the completion of the report on evaluation of ticketless travel on Railways, there was absence of active efforts in getting hold of the file, which had been reported for 7 months as not available. But having regard to the fact that both the Deputy Directors are officers with a uniformly good record, the Ministry of Railways consider that the default may be viewed leniently and not as a case of gross carelessness. The Assistant in question was transferred from a Railway to the Railway Board's Office in August, 1956 and was thus new to Secretariat procedure; in any case the time taken by him was comparatively much less and the Ministry of Railways consider that in the circumstances it is not necessary to take any action against him.

4. The procedure laid down for watching and ensuring disposal of references without delay has since been tightened up.
 5. This has been seen by Audit.
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APPENDIX XII
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

MEMORANDUM

REFERENCE: Recommendation No. 35 contained in App. II of the 33rd Report of the P. A. C. (2nd Lok Sabha).

SUBJECT: Payment of salary on spurious pay sheets prepared by P.W.I., Bandel Eastern Railway—Para 45 of the Audit Report.

The Enquiry Committee, which was set up on 2nd July, 1959, submitted their report in early October, 1960. Considerable time was taken in examining a large number of witnesses, submitting certain documents to the hand-writing expert for his opinion etc. There was also some unavoidable hold up of the proceedings of the Enquiry Committee due to the diversion of officers constituting the Committee to urgent work in June-July 1960 in connection with the All India partial strike of Central Government Employees. The Railway Administrations have, however, been directed once again in Railway Board's letter No. 61-B(C)-PAC/II/33(3), dated 23rd March 1961, to initiate and finalise the deliberations of such Enquiry Committees expeditiously in future.

The Committee's report, which has been accepted by the Administration, reveals that there was no lacuna in the existing procedure for the preparation/check of muster rolls; it was a case of deliberate perpetuation of a fraud by collusion among the staff of P.W.I., Accounts Office and Cash & Pay Office.

The following disciplinary action has been taken against the staff in pursuance of the recommendations of the Enquiry Committee:—

1.	Pay Clerk	} Dismissed from service with effect from 20-3-1961.
2.	Clerk Gr. II	
3.	Treasure Guard.	
4.	Offg. Pay Clerk	Increment stopped for 3 years with Cumulative effect.
5.	Clerk P.W.I.	} Dismissed from service with effect from 21-1-1961.
6.	M.C. Clerk P.W.I.	

· As regards the question of criminal prosecution of the staff involved, it may be stated that the S.P.E., Calcutta has asked for a copy of the findings of the Enquiry Committee to enable them to consider whether criminal prosecution should be launched against the staff concerned in this case or not. A decision in this regard can be taken only after the S.P.E. have examined the findings. The final action taken will be communicated to the Committee in due course.

This has been seen by Audit.

APPENDIX XIII
MINISTRY OF RAILWAYS
(RAILWAY BOARD)
MEMORANDUM

REFERENCE: *Recommendation No. 36 contained in App. II of the 33 Report (2nd Lok Sabha) of Public Accounts Committee.*

The Ministry of Railways recognise the serious nature of the irregularities referred to in Paras 57 to 60 of the Committee's report and submit that, to the extent that such irregularities can be prevented by the tightening up of internal checks, instructions, which *inter alia*, cover cases of the type referred to in paras 57-58 of the Committee's Report, were issued in November, 1959. The first case under reference pertains to a period before the issue of the above mentioned instructions.

In the aforesaid first case. *viz.*, payment of salary on spurious paysheets on the Eastern Railway, the irregularity occurred primarily due to collusion amongst the staff of the Engineering Permanent Way Inspector, Accounts Office and Cash & Pay Office leading to deliberate abrogation of the prescribed checks in the Accounts Office, etc. This is borne out by the findings of Enquiry Committee who investigated into this case and who concluded *inter alia* that there was no lacunae in the procedure or the checks laid down.

In the second case. *viz.*, suspected Misappropriation of freight charges by staff on Southern Railway, the fraud was facilitated by the deliberate non-observance of the prescribed checks by the staff responsible for exercising the same.

Extracts of Paras 57-60 of the Committee's Report have, however, been circulated to the Railway Administrations for their guidance.

This has been seen by Audit.

APPENDIX XIV

Summary of main conclusions/recommendations of the Fortieth Report of the Public Accounts Committee on the appropriation accounts (Railways), 1959-60 and Audit Report (Railways), 1961.

Sl. No.	Para No. of the Report	Ministry concerned	Conclusions/Recommendations
1	2	3	4
1	5 (Intro.)	Railways	The Committee regret to observe that despite their repeated warnings and the assurances given to them by the Railway Board the position regarding drawing up of contracts and their execution remains unsatisfactory.
2	6 (Intro.)	Do.	The Committee were concerned to see the unsatisfactory position in the matter of recovery of maintenance and interest charges in respect of assisted sidings. They have suggested that a uniform formula should be evolved as it will put an end to disputes arising out of old concessions and facilitate speedy recovery of the charges. The Committee have also suggested for consideration the appointment of a special team to review the old agreements and a target date set for the same.
3	7 (Intro.)	Do.	The Committee would watch the results of elaborate instructions issued by the Railway Board regarding prompt handling of disciplinary cases.
4	8 (Intro.)	Do.	The Ministry of Railways should ensure strict compliance of the rules and instructions by the Administration at all levels.
5	2	Do.	“Safe” supplementaries are no less serious than excesses over voted Grants. The Committee trust that

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			the Ministry of Railways will endeavour to frame their estimates in future with greater precision.
6	3	Railways	The Committee deprecate the practice of approaching Parliament for funds with defective or incomplete data.
7	5	Do.	It is apparent that the savings in connection with the electrification project and construction of Wagons were due to over-optimism on the parts of the Railway Administrations in estimating their requirements and subsequent delays in planning and execution of the work. The Committee would watch the results of the introduction of the practice of obtaining 'token' Grants, as suggested by the P.A.C. (1959-60).
8	6	Do.	The excesses over Grants and Appropriations mentioned in para 6 of the Report may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.
9	8	Do.	A specific vote of Parliament should have been obtained by the Ministry of Railways before incurring expenditure on the extension of the Railway line from Barabil to Punposh Gorge, which was a "new service". The Committee trust that the Ministry of Railways will vote this for future.
10	11	Do.	The Committee feel that while the nature of the service should as a rule be the determining factor to decide whether an item of expenditure constituted a 'New Service' the volume of expenditure involved cannot be ignored from the point of view of effective Parliamentary control. The Committee, therefore, consider it necessary that Parliament should be apprised and their financial approval taken in advance of commencing works involving large amounts of expenditure

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			as in the cases referred to in para 9 of the Report.
11	14	Railways	<p>(i) The Committee will watch the results of the steps taken by the Ministry of Railways to avoid accumulation of outstanding 'Suspense Balances' through future Audit Reports.</p> <p>(ii) The Committee would draw the attention of the Ministry to their observation contained in para 14 of their 10th Report (First Lok Sabha) and reiterate that large sums lying under "Suspense" without being charged off to the respective final heads of accounts vitiate Parliamentary Control over expenditure and are, therefore, highly objectionable.</p> <p>(iii) As the outstandings under 'Suspense' comprise advances to Contractors, there is a risk of serious financial loss if these dues are not claimed in proper time.</p>
12	16	Do.	The Committee desire to be apprised of the final outcome of the case regarding import of wooden sleepers from U.S.A. They cannot, however, refrain from expressing their dissatisfaction at the inordinate delay which had occurred in this case in deciding upon the line of action to be taken. In their opinion this delay will entail the Railway in a threefold loss.
13	17	Do.	<p>(i) The Committee cannot accept the plea that the provisions regarding inspection of stores included in the contract for sleepers imported from U.S.A. was to the advantage of Government financially. In their opinion, inspection, if it is to serve the intended purpose, should be independent of the seller and the cost thereof is only of secondary importance.</p> <p>(ii) The Committee consider that the terms, as regards inspection in contracts, should be so framed as to</p>

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			<p>ensure the independent characteristic of the inspection on behalf of the buyer. They endorse the view of the Ministry of Works, Housing & Supply that where the India Supply Mission is called upon to arrange inspection or shipment of stores, the Railway Board should consult the Mission on the relevant clauses regarding inspection in order to avoid practical difficulties in their execution of which the Mission would be best aware; and where time does not permit such consultation the Ministry of Works, Housing & Supply should invariably be consulted.</p>
14	18	Railways	<p>Another unsatisfactory feature of the contract regarding import of sleepers from U.S.A. was that the contractual arrangements did not permit withholding of the final payment for the sleepers even though defects in the supplies had been noticed in the meantime and there was a justifiable case for withholding the payment.</p>
15	20	Do.	<p>In the opinion of the Committee inclusion of even a conditional acceptance in the contracts of the species of sleepers which had been excluded in the call for tenders was a concession to the suppliers.</p>
16	21	Do.	<p>(i) The Committee feel that by giving the instruction that the consignee Railway in India "could work on the assumption that the two species will eventually be accepted" the Member (Engineering) had acted beyond his powers. These instructions had in fact turned out to be tacit encouragement to the firms for sending further shipments of the unapproved species.</p> <p>(ii) In the light of the orders passed by the Minister of Railways on 11th March, 1960 the categorical</p>

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			<p>observation made before the committee by the Chairman Railway Board that the Ministry was assured at the highest level that the timber was technically acceptable is not sustained.</p>
17	22	Railways	<p>In the light of their observation the Committee feel that an enquiry is called for to ascertain whether undue concessions were shown or improper encouragement given to the Australian firms in this deal.</p>
18	23	Do.	<p>The Committee desire to be furnished with a note as to how the reduced price was fixed for the sleepers of the unapproved species and the life expectancy assumed for them.</p>
19	26	SM&F (Deptt. of Mincs and Fuel)	<p>The weight of the shipments on the basis of which the collieries were paid the price of coal, was the most important factor which the Deputy Coal Controller should have verified with reference to the documentary evidence, before he certified the bills.</p>
19	26	Do	<p>(ii) In the Committee's opinion, it was wrong on the part of the Deputy Coal Controller to have invoked clause 27 of the contract without giving an opportunity to the Ministry of Railways to explain the legal basis of their view. The Committee find it difficult to be persuaded that no damage was done by the decision of the Deputy Coal Controller to the case of the Southern Railway.</p>
20	27	Do.	<p>The fact that the contractors finally accepted the payment for 11 months on the basis of the invoiced weight makes it demonstrably clear that the</p>

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			alleged difficulties in establishing the correct invoiced weight were not real and that the contractors, though aware of the weakness of their case, thrived on the lapses of the Dy. Coal Controller. The Committee, therefore, feel that a thorough enquiry into the case is called for.
21	31	Railways	If the Controller of Stores really meant business, he would not have taken so much time in pursuing the case regarding revision in the rates for clearance of sea-borne stores especially when the Accounts Office was also stationed at the same place. Obviously the financial interests of Railways were not uppermost in his mind. The Committee feel that he had been let off lightly.
22	32	Do.	The Committee would like to be informed of the results of the review of the disciplinary aspects of the case regarding loss in the contract for the clearance of sea-borne stores.
23	33	Do.	The Committee question how the repayment of Rs. 3.20 lakhs by the firm in full settlement of all claims (against an overpayment of Rs. 26.91 lakhs as computed by Audit) in respect of fully assembled stock is considered by the Ministry to be "reasonable settlement in all the circumstances of the case". The Committee feel that this case requires a thorough investigation.
24	36	Do.	The Committee suggest that an enquiry be made into the causes for the delay of 6 years in taking up the disciplinary aspects of the case regarding loss due to deterioration of sleepers at Sleeper Treating Plants.
25	40	Do.	The Committee deplore the delay of nearly 10 years in implementing the special instructions issued by the General Manager, Eastern Railway,

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			regarding review of earnings from assisted sidings. Failure to conduct systematic annual reviews has deprived the Railway Administration of its legitimate revenue. The Committee urge the imperative need for an up-to-date list of sidings and timely review thereof so that recoveries from the parties concerned are prompt.
26	42	Railways	The Committee regret to observe that the NEF Railway Administration took more than 3½ years to devise a standard form of agreement to be entered into with the siding owners. The laxity in maintenance of proper accounts by the Accounts Office of the N.E. Railway is also deplorable and calls for stern action.
27	44	Do.	The Committee deprecate the tardy manner in which the collection of legitimate dues was processed by the Northern Railway Administration at different stages.
28	45	Do.	The Committee are not satisfied with the pace of progress in the matter of devising a uniform formula for fixing maintenance and interest charges for sidings. They recommend that the Ministry of Railways should consider the feasibility of appointing a special team to review the old agreements and bring them over to the new pattern and fix a target date for this purpose.
29	48	Do.	In the opinion of the Committee the cases mentioned in para 46 of the Report establish beyond doubt a grave abuse of power. The irregularities seem to be of a wide spread nature and unless prompt and deterrent action is taken in time, it may become difficult to combat the evil in the context of large scale construction of new and doubling up of lines as part of the Plan.

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30	49	Railways	The Committee trust that the Railway Administration will process the departmental enquiries against the officials concerned with avoidable expenditure in the construction of Coffor dams expeditiously and bring to book those adjudged guilty.
31	51	Do.	When the Railway Administration had knowledge of the past performance of the Managing Director of the firm, it should have been obvious to any responsible officer that a close watch was called for in the matter of prompt realisation of the sale proceeds of tickets. There has been gross neglect of the financial interest of the Railways.
32	52	Do.	The Committee would like to be apprised of the final outcome of the recovery from the firm of the sale proceeds of railway tickets.
33	53	Transport & Communications	<p>(i) Having recommended the agency with a not altogether satisfactory record, the Ministry of Transport & Communications should have watched its working by calling for reports from the Railway. The Committee regret to state that in the case of the second firm also, referred to in para 32 of the Audit Report, the Ministry have not kept a close watch on the working of the firm as they should.</p> <p>(ii) The Committee trust that the result of the reviews of the working of travel agencies will be communicated in time to Railways (and other agencies) to enable them to take action wherever necessary.</p>
34	55	Do.	The Committee are unhappy that the disciplinary aspects of the case referred to in para 54 of the Report were not properly considered by the competent authority.

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35	56	Transport & Communications	Even in the matter of pursuing the case with the contractor there had been a delay of nearly 3 years on the part of the Railway Administration in instituting civil action against him. The Committee deplore such delays in a Commercial Department like the Railways.
36	58	Railways	It passes the Committee's comprehension why the Eastern Railway Administration did not even alert their inspectors and caution vigilance when the contractor's defaults on the N. E. Railway had come to light. They would like to be apprised of the results of the investigation by the S. P. E.
37	59	Do.	The Committee regret to observe that the cases dealt with in paras 50—58 of this Report show how non-observance of the prescribed checks and delay in pursuing the cases had entailed the Railway Administration in loss of revenue. They are not satisfied that the remedial measures devised to strengthen control would go far unless the Ministry of Railways ensure strict compliance of the instructions by the Administration at all levels.
38	62 & 63	Do.	It was unfortunate that the Assistant Traffic Superintendent who reported the unnecessary detention of wagons failed to record detailed particulars thereof; nor did he pursue the matter properly. The senior officers also failed in their duty in not making prompt investigations and fixing the contractor's responsibility. Had this been done the Railway could have got its legitimate dues. The Committee would like to be apprised of the action taken in this case.
39	65	Do.	The Committee are concerned to see [that successive warnings of leakage

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			of revenue by overloading of wagons had not been heeded. In their opinion, this is a case of gross neglect of the financial interest of the Railways which required investigation and fixation of responsibility.
40	66	Railways	Apart from the loss in revenue and quicker wear and tear, disregard of loading restrictions may result in serious accident and should, therefore, be dealt with sternly.
41	68	Do.	The Ministry of Railways should examine the suitability of Station Committees for the duties entrusted to the as regards collection of conservancy Cess, fees for grazing rights and rent for shops etc. in view of their continued ineffective working for over ten years.
42	70	Do.	Failure on the part of the Railway Administration to adhere strictly to the terms of the agreement resulted in outstandings against firms enjoying credit note facilities. The Committee desire to be apprised of the final outcome of these cases and also of the disciplinary action taken by the Railway Administration.
43	73	Do.	(i) The non-availability of the files of the Commercial Department relating to waiver of wharfage requires a thorough investigation as loss of relevant files at the crucial time will vitiate important enquiries. (ii) The Committee find it difficult to subscribe to the view of the Ministry of Railways that "no case of undue preference to the particular consignee in question can be established" as the comparative statistical data (furnished by the Ministry) do not lead to such an inference. While the Committee are not averse to delegation of powers, they are emphatically of the opinion that there should

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			be periodic reviews on exercise of such powers and any abuse/misuse of such delegated powers should be severely dealt with.
44	76	Railways	The Committee are concerned to note the heavy station outstandings and feel that any delay or complacency on the part of the Railway Staff dealing with the outstandings should not be countenanced. They, therefore, desire the Ministry of Railways to tighten up the existing procedure by introducing such changes as are found necessary.
45	77	Do.	The Committee trust that special attention will be paid to station outstandings on the N.E. and N.E.F. Railways.
46	79	Do.	The continuance of the fraud (drawal of t.a. on false T.A. Journals) by the Railway Protection Police Staff for seven months after it had been noticed indicates lack of vigilance on the part of the Railway Administration and its Accounts Department. The Committee desire this aspect to be gone into.
47	82	Do.	(i) The Committee do not approve in principle the action of the General Manager NEF Railway in ignoring the view of Audit and the decision of Government and continuing the payment of the allowance without proper authority. (ii) They regret to observe that the recommendation of the Committee that the views expressed by Audit should normally be accepted and acted upon provisionally pending final decision by competent authority was overlooked in this case. They desire that suitable instructions should be issued for the guidance of all concerned.
48	85	Do	The Committee fail to understand why the Railway Administration should choose to refer the matter to arbitration when the Ministry of Law

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			have advised them to refer the matter to a court of Law. They desire that effective steps should be taken to settle the matter without such avoidable delays.
9	86	WH&S	The Committee consider that warning without any record thereof in the confidential personal record of the officers concerned is, in effect, no punishment at all. They desire that suitable note of the warning should now be kept in the confidential dossiers of the officers concerned in the case regarding extra expenditure on the purchase of caustic soda cells.
50	87	Railways	The Committee desire that the Ministry of Railways should examine the reasons for delay in the Ministry in handling the case regarding building of coaches in the Ministry and take action wherever necessary.
51	89	Do.	The Committee desire to be informed of the final settlement of the case regarding construction of coaches, namely, whether the contractor completed the work within the stipulated period, if not, what action had been taken to recover the liquidated damages from him.
52	90	Do.	The Committee consider the remarks of the Ministry of Railways on their observations pointing out the rules governing competitive tenders as uncalled for.
53	92	Railways <hr/> WH&S	Considering the widespread nature of irregularities and the extent of losses suffered by the Railway Undertaking, it is in the interests of Government as a whole to arrange for the services of competent non-Railway engineers to serve on the Railways' Vigilance Organisation.

43. The S. S. Book Emporium, 'Mount-Joy' Road, Basavangudi, Bangalore-4.

ORISSA

44. The Cuttack Law Times Office, Cuttack-2.
44a. Ekamra Vidyababan, Eastern Tower Room No.3 Bhuvaneswar-3, Orissa.

PUNJAB

45. The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.
46. The Krishna Book Depot, Publishers, Book-sellers, Stationery and News Agents, Main Bazar, Pathankot.
47. Minerva Book Shop, The Mall, Simla-1.
48. The New Book Depot, 76, The Mall, Simla-1.
49. (Vacant)

RAJASTHAN

50. 'Bookland', 663, Madar Gate, Ajmer (Rajasthan).
51. K. M. Agarwal & Sons, Railway Book Stall, Udaipur.
51a. Information Centre, Govt. of Rajasthan, Tripolia, Jaipur City, Rajasthan.

UTTAR PRADESH

52. A.H. Wheeler & Company, Private Limited, 15, Elgin Road, Allahabad.
53. British Book Depot, 84, Hazaratganj, Lucknow.
54. B. S. Jain & Company, 71, Abupura, Muzaffarnagar.
55. Friends Book House, M. U., Aligarh.
56. Goel Traders, 100-C, New Mandi, Muzaffarnagar.
57. Kitabistan, 17-A, Kamla Nehru Road, Allahabad.
58. Law Book Company, Sardar Patel Marg, Allahabad.
59. Laxmi Narain Agarwal, Hospital Road, Agra.
60. The Loyal Book Depot, Chhupi Tank, Meerut.

61. Mittal & Company, 85-C, New Mandi, Muzaffarnagar.

62. Shalig Ram & Sons, Book-sellers, Madar Gate, Aligarh.
63. Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.

WEST BENGAL

64. Firma K. L. Mukhopadhyay, 6/IA, Banchharam Akur Lane, Calcutta-12.
65. M. C. Sarkar & Sons (Private) Limited, 14, Bankim Chatterjee Street, Calcutta-12.
66. Thacker Spink & Company (1933) Private Ltd., 3, Esplanade East, Calcutta-1.
67. W. Newman & Company Limited, 3, Old Court House Street, Calcutta.

JAMMU AND KASHMIR

68. The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.
69. Students Stores, Raghunath Bazar, Jammu-Tawi.

DELHI

70. Atma Ram & Sons, Kashmir Gate, Delhi-6.
71. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.
72. Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.
73. The Central News Agency, 23/90, Connaught Circus, New Delhi.
74. City Book Sellers, Sohan-ganj Street, Delhi.
75. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
76. The English Book Shop, 7-L, Connaught Circus, New Delhi.
77. Freeland Publications Private Limited, II-A/16, Lajpat Nagar, New Delhi.

78. Hind Book House, 8a Jan Path, New Delhi.

79. The Imperial Publishing Company, 3, Faiz Bazar, Daryaganj, Delhi-6.
80. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.
81. Jain Book Agency, Connaught Place, New Delhi.
82. J. M. Jaina & Brothers, Mori Gate, Delhi-6.
83. Lakshmi Book Store, 42, M.M. Janpath, New Delhi.
84. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.
85. M. Gulab Singh & Sons Private Limited, Press Area, Mathura Road, New Delhi.
86. The New Book Depot, P. O. Box No. 96, Connaught Place, New Delhi.

87. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.
88. People's Publishing House, Rani Jhansi Road, New Delhi-1.

89. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.

90. Sikh Publishing House Private Limited, 7-C, Connaught Place, New Delhi.

91. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.

- 91a. Kitab Mahal (W.D.) Private Ltd. 28, Faiz Bazar, Delhi.

MANIPUR

92. Shri N. Chaoba Singh, Newspaper Agent, Ramraj Paul High School, Annexe, Imphal, Manipur.

AGENTS IN FOREIGN COUNTRIES

U.K.

93. The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.

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