

**PUBLIC ACCOUNTS COMMITTEE
(1969-70)**

(FOURTH LOK SABHA)

HUNDRED AND SIXTEENTH REPORT

**[Appropriation Accounts (Railways), 1967-68 and
Audit Report (Railways), 1969.]**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1970/Chaitra, 1892 (S)

Price : Rs. 3.85

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kg

ERRIGENIA TO THE HUNDRED AND SIXTEENTH REPORT OF PAC.
1969-70) PRESENTED TO LOK SABHA ON 27.4.1970.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
	1.3	13	revised twice during the course of the year as also the excise	Quite a substantial increase during the year on account of two
	1.3	17	received	revised
	1.4	8	rental	rental
	1.7	9	Revenues	Revenues, as they have in fact done in 1969-70
	-	-	Companies	commodities
3	1.52	3	commented	commented
7	1.31	1	1.31. The Budget Estimates for cost of fuel included a net amount	1.35. A provision of Rs 15.50 crores (Rs 15.05 crores met from
8	1.38	Heading	Fuel construc-	Fuel consumption
		14	tion	
		14	trans	trains
21	1.41	14	putting	pulling
28	1.52	17	here	there
32	1.61	18	Per capital	Per capita
36	1.70	10	not be	not to
42	2.07	6	had	bad
48	2.15	1	39	2908
54	2.25	12	(iv) Very care- ful operational research will have to be done so	(vi) A drop in speed would appear to have contri- buted to a
58	2.41	10	Board	Board
67	2.52	7-8	chased from a firm in Europe and commissioned from 1960 on- wards	cleared for a speed of 60 miles per hours (96 Km. per hour), but
80	2.101	4	daily, the tra- ffic materia- lisation is of the order of 3 (3 Miles)	had advised that the average load of through goods train (8 Miles)
	2.105	3	sanction	station
82	2.113	9	to the	to take
85	2.122	7	post	cost
86		15		

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
91	3.2	5	7.755	7,755
100	3.27(1)	2	lost	lots
105	3.34	3-333	Regulation monetary orders, 196	M/s. Regulation M/s. . ...in April, 1966
107	3.38	9	It	At
118	3.69	8	the decision to import the roller bearings was taken	of placement of orders for the import of roller bearings
135	3.119	3	not taken	still incomplete
142	3.138	4-5	uptill which were in some cases condemned	in most of which were condemned
		10	delete the words	'some of the'
		11-12	delete the words	'some of these'
156	3.188	7	Against this quantity, ins- tructions	Instructions
170	3.233	6	outstanding amount to be recovered	matter to be settled
185	4.20	4	over a long distance	over a very long distance (962 Kms)
219	6.7	1	Committee	Committee
		2	extent	enquired extent
233	7.6	7	affected	effected
234	7.7	1	affecting	effecting
237	7.22	2	capacited	capacity
	7.24	4	360 tonnes	360 tonnes per day
239	7.31	3	extent	extant
243	7.47	6	doss	loss
246	7.61	5	strong,"	strong room,"
247	7.62	4	owning	owing
248	7.66	1	extent	extant
252	7.74	4	from various employees who have been	from the employees who are
255	7.86	10	to	of
267		4 from bottom	Interial	Industrial
269	7.109	12	embarking	emphasised
		13	emphasising	embarking
270	7.111	1	ending	rendering
272	7.118	9	nature	nature

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
273	7.122	10	Railway Board	Railway Board with a view to fixing responsibility
298	S.No. 1	5	Rs 7 crores	Rs 1.28 crores
	S.No. 2	5	Rs 1.29	Rs 3.49
299	S.No. 3	7	Rs 655.8	Rs 693.31
		8	Rs 136.11	Rs 212.29
			Rs 141.25	Rs 127.83
300		5	earnings	earnings
		7	earnings	earnings
		9	over-estimate	over-estimate
299-300		For page read 299	299 read 300 and for page 300 read 299	
303	S.No. 11	3	Rs 10.04	Rs 10.46
307	S.No. 17	5	Eastern	the Eastern Railway
		8	expeditious	expeditious
308			For S.No. 1 read	S.No. 21
311	S.No. 26	1	Rs 12.5	Rs 15.5
312	S.No. 28	1-2	certainly satisfactory	certain unsatisfactory
317	S.No. 38	1	1961	February, 1963
		2	Urban	Urban
	S.No. 42	2	Iomohani	Iomohani
318	S.No. 43	1	Managuri	Managuri
	S.No. 43	1	that proposal	that the proposal
		9	effort	efforts
319	S.No. 45	8	a depot and stacking	a permanent way depot and ballast stacking
320	S.No. 50	2	750 wagons,	750 wagons in terms of four-wheelers
		3	2595 wagons	2595 wagons (four-wheelers)
		5	131 wagons	131 wagons (478 four-wheelers)
321	S.No. 51	8	manufactures	manufacturers
324	S.No. 53	7	developed	developed
325	S.No. 56	3	bearing	bearings
		8	the decision to import the	at the time of placement of orders for the import of
		8-9	roller bearings was taken	roller bearings
		9	Box	BOX
		12	wagon	wagons
S.No. 57		3	due	the

<u>Page</u>	<u>S.No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
328	64	4	foodgrains in 1965-66.	foodgrains.
		12	trackle	track
	66	3	not taken up till 1966	was still incomplete in 1966.
		4-5	the locomotives had been condemned	it was decided to condemn the locomotives concerned.
329	68	2	1,749	1,749
		5	actual consumption	actual average annual consumption
330	70	4	locomotives, which	locomotives most of which
		4-5	in some cases condemned	condemned
		10	in some of the other	in other
		11-12	when some of these old	when old
	71	4	third	their
332	76	7	Against this quantity, instructions	Instructions
		8	billets	fishplates during 1964-65
		12	billets producers	billets/fishplates producers and re-rollers
333	79	6	Rs 53,569	Rs 53,569
		8	Railways	railways
336	88	3	made by it to the Railways.	made by it under one of the contracts to the Railways. The matter is stated to have been referred to arbitration in respect of this as well as other two similar contracts.
		3-4	outstanding amount to be recovered	matter to be settled
337	91	4	extent	extant
339	98	4	(1962 Kms)	(962 Kms)
342	108	3	effects	defects
344	114	1	or	of
345	118	2	firm completing	firm in completing

<u>Page</u>	<u>S.No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
346	120	2	neglection	neglect
		3	Committee	The Committee
	121	3	en-rout	en-route
	122	7-8	delete the line	'The agreement.....agreement'
		12	an	and
347	125	4	geopardised	jeopardised
348	126	3	two	to
	128	5	gene	been
		7	Rs 8.20	Rs 8.92
349	133	2	Bitragunate	Bitraguta
		4	tonnes.	tonnes per day
		4	perfromance	performance
350	134	7-8	systematice	systematic
	135	6	formation	formations
351	136	1	misappropriated/	misappropriate
	138	6	forseable	foreseeable
352	141	7	disbusements	disbursements
	142	11	various employ- ees who have been	the employees who are
353	143	15	This Committee	The Committe
		18	undertaken	undertake
354	145	10	Railway Board.	Railway Board with a view to fixing responsibility.
	146	2	Shipping	Shipping
		3-4	Committee	Committee

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PUBLIC ACCOUNTS COMMITTEE
(1969-70)

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Shri A. L. Rai—*Deputy Secretary.*

Shri K. Seshadri—*Under Secretary.*

*Ceased to be a Member of the Committee w.e.f. 3rd April, 1970

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and sixteenth Report (Fourth Lok Sabha) on Audit Report (Railways), 1969 and Appropriation Accounts (Railways), 1967-68.

2. The Audit Report (Railways), 1969 and Appropriation Accounts (Railways), 1967-68 were laid on the Table of the House on 21st February, 1969. The Committee examined the Audit Report at their sittings held on the 27th (AN), 28th (FN), 29th (FN) and 30th (AN) October, 1969. The Committee considered and finalised this Report at their sitting held on the 16th April, 1970 (AN). Minutes of these sittings from Part II* of the Report.

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

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

5. The Committee would also like to express their thanks to the Chairman and Members of the Railway Board and representatives of the Department of Supply and the Department of Iron & Steel for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
April, 16, 1970.
Chaitra 26, 1892 (S.)

ATAL BIHARI VAJPAYEE,
Chairman
Public Accounts Committee.

*Not printed (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

FINANCIAL RESULTS OF WORKING OF THE RAILWAYS

Working Results

Audit Paragraph.

1.1. For the second year in succession, the working of the Railways showed a net deficit in 1967-68. Against a surplus of Rs. 1.28 crores anticipated in the Budget, the accounts for the year closed with a net deficit of Rs. 31.53 crores. The deficit was made good by withdrawal of an equivalent amount from the Revenue Reserve Fund. The balance in the Revenue Reserve Fund at the end of the year stood at Rs. 12.20 crores.

1.2. The deficit occurred due to a shortfall of Rs. 29.16 crores in the anticipated gross receipts and an increase of Rs. 3.68 crores in the anticipated revenue expenditure:—

Particulars	Budget	Actuals	(in crores of Rupees)
			Variations
1. Gross Receipts	847.52	818.36	(—) 29.16
Deduct			
2. (a) Revenue Expenditure	764.68	768.36	(+) 3.68
(b) Payments to General Revenues	141.56	141.53	(—) 0.03
3. Net surplus/deficit	(—) 1.28	(—) 31.53	(—) 32.81

The amount of Rs. 141.53 crores paid to General Revenues comprises:—

	(in crores of rupees)
Payments in lieu of passenger fare tax	16.25
Payments to assist the States to finance safety works	1.48
Interest on loan capital at the average borrowing rate of the	
Central Govt. applicable to commercial undertakings	111.23
Balance (which is treated as contribution)	12.57

[Paragraph No. 1—Audit Report (Railways) 1969].

1.3. The Committee desired to know the reasons for the shortfall in anticipated gross traffic receipts on the one hand and on the other the reasons for increase in ordinary working expenses of the order of Rs. 21.01 crores over and above the increase of Rs. 14 crores al-

ready provided for in the budget presented in May, 1967 particularly when the traffic carried during the year was even less than that of the previous year. The representative of the Railway Board explained that the fall in earnings was due to the shortfall in traffic caused by the 'unexpected' industrial recession. Under foodgrains, the traffic fell to the extent of Rs. 4.4 crores due to a big reduction in imports following more internal production, which was consumed also locally. The shortfall in iron and steel was also substantial accounting for as much as Rs. 3.5 crores. There was also less traffic in sugarcane, sugar, gur etc. All these factors came up during the course of the year and they were not able to anticipate them at the time of framing the budget estimates. On the expenditure side, there was revised twice during the course of the year as also the excise instalments of dearness allowance having been given which cost the Railways altogether Rs. 10.72 crores over and above what had been provided for in the original budget. Further statutory price of coal was received twice during the course of the year as also the excise duty on diesel oil and these could not be anticipated.

1.4. The Railway Board have furnished in a note the following break-up of the increase of Rs. 21.01 crores in working expenses over the original budget estimates on account of post-budget factors:

(i) Increase in the rates of D.A. from 1-6-67 and 1-11-67	Rs. 10.72 crores
(ii) Increase in the coal prices and rate of excise duty etc. during the year	Rs. 5.36 crores
(iii) Arrears rental of P&T cables	Rs. 2.02 crores
(iv) Increase in the diesel price and sales tax including certain arrear adjustments	Rs. 5.38 crores
(v) Payment to Port Trust Railways (taken as part of Working Expenses instead of reduction in earnings on a post-budget decision)	Rs. 2.25 crores
(vi) Increase in electric tariff and higher consumption of electricity	Rs. 0.74 crores
TOTAL	Rs. 26.47 crores

These increases were partly off set due to—

(i) Certain posts being unfilled during the course of the year	Rs. 3.16 crores
(ii) Less consumption of coal corresponding to the level of traffic; and	Rs. 1.95 crores
(iii) Minor variations	Rs. 0.35 crores
TOTAL	Rs. 5.46 crores

1.5. The Committee pointed out that the Railways had practically used up the Revenue Reserve Fund: the balance in that Fund dwindled from Rs. 63.20 crores in 1965-66 to Rs. 3.49 crores in 1968-69. The representative of the Railway Board stated that "...when you refer to profits, the position is that it is not that the railways have run a loss. All that has happened is they have not made enough profit to pay the full 6 per cent dividend to the general revenues. It came to 4-5 per cent. I agree with you this is not a satisfactory situation that we are having, that is, we have not earned enough to meet our demands on the revenue budget. The costs have been rising faster than the fares and freights increase....." The Financial Commissioner, Railways, added that the increase in fares and freights was 59 per cent and 53 per cent respectively over a period of 17 years including 1967-68 whereas the costs had risen higher, as for instance that of coal by 140 per cent, iron and steel by 155 per cent and staff by 116 per cent. He further stated. "Actually, we are working on a very small margin of overheads. When the recession occurred, this small margin was wiped out and we incurred a deficit. On an anticipated earning of about Rs. 850 crores, we got a shortfall of about Rs. 30 crores. In the case of a commercial firm, the dividend would have been reduced but in our case the dividend is fixed. Therefore, we had to draw on the reserves."

1.6. The Committee are deeply concerned about the unsatisfactory state of Railway finances: During the year under review, i.e., 1967-68, the Railways again ran into a deficit. The anticipation was that the deficit would be more than offset by increase in fares and freights and leave a surplus of Rs. 1.28 crores, but this failed to materialise; the Railways ended the year with a deficit of Rs. 31.5 crores. This was due, on the one hand, to a shortfall in receipts (mainly goods earnings) and, on the other, to increase in operational expenses. The deficit would have been larger but for the reduction in the annual contribution to Depreciation Reserve Fund and Pension Fund to the extent of Rs. 15 crores.

1.7. The deficits that have so far occurred on the Railways have been cushioned by balances in their Revenue Reserve Fund. However, with the fund having now been virtually depleted—the balance in the Fund has been reduced from Rs. 63.20 crores in 1965-66 to Rs. 3.49 crores at the end of 1968-69—the Railways now face a very difficult situation. If deficits continue, it would appear that the Railways, like the P & T Department, would have to resort to loans from Government to meet their dividend liability to General Revenues.

1.8. The Committee have in successive reports indicated the steps that Railways would have to take to rehabilitate their position. Basically, a three-fold approach to the problem seems indicated:

(i) Systematic efforts will have to be made to economise on working expenses. The two major components of working expenses are the staff and fuel bills. Out of the total working expenses of

Rs. 693.31 crores in 1967-68, these accounted for Rs. 212.29 crores and Rs. 127.83 crores respectively. In regard to the staff, the growth of expenditure has been disproportionate to the growth of traffic. The Committee have made certain suggestions in this regard in para 1.28 of their Ninety-Fourth Report (Fourth Lok Sabha) which they would like to be implemented.

1.9. As regards fuel, the Committee had in para 1.65 of their Sixtieth Report (Fourth Lok Sabha) drawn attention to the mounting coal bill and the need to cut down steam loco holdings in Railways where they are being progressively substituted by diesel/electric traction. Diesel oil consumption has also been increasing and the findings in a later section of this Report would suggest that the existing arrangements for watching consumption are weak. Steps should, therefore, be taken to bring about economical and proper utilisation of this fuel. Above all, security arrangements will have to be tightened up because, as pointed out by the Administrative Reforms Commission, "considerable loss is also caused by thefts and pilferage of fuel."

(ii) The Railways have persistently been over-estimating traffic. Such persistent over-estimation gives a misleading optimistic picture of their budgetary position every year, which the subsequent course of events belie. During the year 1967-68, the shortfall in earnings in relation to budgetary anticipations was Rs. 29.16 crores due primarily to a shortfall in goods earnings to the tune of Rs. 23.21 crores. An undesirable consequence of this tendency to over-estimate traffic has been the creation of needless capacity at substantial cost, leading to over-capitalisation and an unnecessary increase in the Railways' dividend liability. The Committee have repeatedly been drawing attention to this fact. Later in this Report, the Committee have referred to the existence of a large surplus of wagons and the gross underutilisation of costly rolling stock, particularly diesel and electric locomotives. The Committee have no doubt that, if the operational efficiency of the Railways has to be brought to optimum level, it will be first necessary to put the existing assets, in the form of rolling stock, line capacity etc., to much better use than now and exercise the utmost caution in embarking on new schemes involving substantial capital outlay.

(iii) The Railways are estimated to be handling 80 per cent* of the total goods traffic in the country. It would seem from the analysis in a subsequent section of this Report that progressively, the Railways are carrying more and more low-rated traffic at the expense of high-rated items. It would be necessary to recapture the high-rated traffic by a commercially-oriented approach which would ensure better customer service, quick settlement of claims, quicker movement of goods and prevention of pilferage.

* Administrative Reforms Commission—
"Report on Railways".

Receipts*Audit Paragraph*

1.10. As in the previous year, bulk of the shortfall in gross receipts occurred under goods earnings (Rs. 23.21 crores).

(in crores of rupees)

Particulars	Budget	Actuals	Variations
1. Goods earnings	527.00	502.79	(—) 23.21
2. Passenger earnings	255.25	252.64	(—) 2.61
3. Other earnings (including suspense & misc. receipts)	66.27	62.93	(—) 3.34
Total Receipts	847.52	818.36	(—) 29.16

1.11. The level of originating goods traffic assumed in the Budget for the year 1966-67 despite a sizeable shortfall in the anticipated goods traffic during the three years ended with 1965-66 was commented upon in Para 2 of the Audit Report, Railways, 1963. The position was unsatisfactory during the year under report also as the originating revenue earning traffic was actually 1.8 million tonnes less than that in the previous year against an increase of 3.5 million tonnes anticipated in the Budget. While in the earlier years the actual materialisation of additional goods traffic fell short of the Budget expectations, this was the first time in the recent years that the originating tonnage of revenue earning goods traffic carried in a year was less than that carried in the previous year.

1.12. The increase in passenger traffic was 3 per cent., the same as anticipated in the Budget.

1.13. The provisional estimates for 1967-68 presented to Parliament in March, 1967, showed that the estimated gross receipts were just sufficient to meet the anticipated revenue expenditure, leaving no surplus to the Railways. In May, 1967, while presenting the regular budget, it was explained that, at the then level of earnings, the gross traffic receipts would stand at only Rs. 809.00 crores against Rs. 826.00 crores estimated in March—a shortfall of Rs. 17.00 crores. It was further stated that this reduction in earnings and the anticipated increase of Rs. 14.00 crores in the working expenses, due to anticipated increase in the Dearness Allowance (Rs. 13.30 crores)

and the effect of increase in the prices of Steel (Rs. 0.70 crores) would create a gap of about Rs. 31.00 crores in the budget presented in March, 1967. It was explained that, considering the general budgetary position and many other demands on general resources, the gap could not be filled by a further withdrawal from the Railway's Revenue Reserve Fund (which forms part of the balances of the Government of India) and that an adjustment generally in an upward direction of the level of Railway fares and freight had become absolutely unavoidable. Accordingly, the fares and freight rates were increased to yield an additional revenue of Rs. 38.00 crores (Rs. 19.00 crores each from passenger and goods traffic) of which it was proposed to appropriate an additional Rs. 6.00 crores to the Depreciation Reserve Fund.

1.14. The revenue earning goods traffic carried in 1967-68 was 1.8 million tonnes less than that of the previous year, but the goods earnings were Rs. 21.17 crores more than that in 1966-67 mainly on account of the increase in freight rates. There was a shortfall of only Rs. 2.61 crores in the budget anticipations of passenger earnings.

[Paragraph No. 2—Audit Report (Railways), 1969.]

1.15. The Committee enquired how much of the gross traffic receipts in 1967-68 accrued from the increase in fares and freights. The Board have stated in a note that additional earnings accruing from any increase in fares and freights are not separately accounted for and the exact amount of earnings due to an increase cannot, therefore, be determined. There were changes in 1967-68 in the distribution of the traffic over classes of travel and over the distance brackets, which could also have made a difference to the actual extra amount due to telescopic rate of fares. It is, therefore, difficult to work out with any degree of exactitude the actual effect of the increases.

1.16. The Committee called for figures of traffic anticipated and those that actually materialised (commodity-wise) during each of the years 1966-67 and 1967-68 and the revenue earned therefrom. The statement furnished by the Railway Board is reproduced below.

Comparative statement showing anticipated and actual Traffic and Earnings (Goods)

	Traffic Anticipations In million Tonnes:						Earnings (In crores of Rupees)					
	1966-67			1967-68			1966-67			1967-68		
	Budget Esti- mates	Revised Esti- mates	Actuals	Budget Esti- mates	Revised Esti- mates	Actuals	Budget Esti- mates	Revised Esti- mates	Actuals	Budget Esti- mates	Revised Esti- mates	Actuals
<i>Revenue</i>												
<i>Steel Plant Traffic</i>												
Finished Products	7.3	6.0	6.3	6.3	6.3	6.3	42.80	35.01	38.89	40.30	43.11	40.19
Raw Materials	17.9	17.4	16.5	16.5	16.5	17.4	22.20	20.53	19.08	22.07	21.20	19.00
<i>Coal Traffic</i>												
Steel Plants	12.6	11.8	12.1	11.5	12.0	11.6	16.20	16.16	15.70	16.89	17.51	16.20
Washeries	4.5	6.0	5.2	6.0	4.6	5.1	2.79	3.78	3.17	4.11	2.98	3.17
Other Users	32.3	27.8	29.0	31.4	30.7	20.9	73.00	58.94	59.12	74.84	76.68	69.82
Cement	10.0	8.8	8.9	9.4	9.2	9.3	24.40	21.30	22.57	24.52	24.26	25.71
Iron Ore for Export	7.0	7.0	6.3	8.0	7.0	6.8	14.63	14.28	15.40	17.53	15.37	16.84
Other Genl. Goods	80.1	82.2	79.7	84.1	76.9	75.0	298.01	309.00	293.94	311.74	293.59	298.01
Total Revenue	171.7	167.0	164.0	173.5	163.2	162.4	494.03	479.00	467.87	512.00	494.69	489.04
Other Goods Earnings							12.50	14.00	13.75	14.00	14.84	13.75
Total Earnings (Goods)							506.53	493.00	481.62	526.00	509.53 (or say) 509.00	502.79

1.17. During evidence, the Committee enquired about the reasons for the steep fall in traffic in general goods and particularly in high rated traffic and why it could not be anticipated. The representative of the Railway Board replied that foodgrains and pulses, though not high rated traffic, accounted for a substantial portion of the receipts. Due to drop in imports and increase in internal production, the traffic in foodgrains had come down to 10-1½ million tonnes in 1967-68 as against 13 million tonnes in the previous year as a result of which the earnings of the Railways dropped by Rs. 4.4 crores. Under Iron and Steel, the drop in traffic from steel plants was of the order of about 1 million tonnes accounting for a loss in revenue of Rs. 3.6 crores. Similarly, the Railways lost about Rs. 2 crores in sugar, Rs. 3 crores in Shakar, Khandsari etc. and Rs. 1-1/2 crores in crude oil. Thus, there was a total shortfall of about 10 million tonnes in 1967-68 compared to the previous year. In all, the Railways lost about Rs. 36 crores in revenue of which they made up about Rs. 13 crores due to the lead of traffic being higher, thus incurring a net loss of revenue of about Rs. 23 crores.

1.18. He added that even though the country had a record food production in 1967-68, the industrial situation did not improve. "...we all failed to estimate the real magnitude of the recession.... What we thought in May and June, 1967 was that once the food production reached a high level, we would be out of woods. It takes a very longtime to get over the situation created by two successive droughts."

1.19. In reply to a question why the targets fixed at time of the provisional budget were not scaled down in May, 1967 when the regular budget was presented, the representative of the Railway Board stated that the original budget for 1967-68 had to be prepared early in 1967 when there was no clear sign of recession at all. They had to go by the trends of the industrial production and their experience of the past two or three years. The growth rate in general goods was on an average of the order of 3.6 million tonnes from 1963-64 to 1966-67. He added: "I think the recession caught everyone by surprise; it caught the whole of the Government and the Planning Commission and the industry by surprise. It came in suddenly and we certainly were not aware of it."

1.20. To a question whether the erratic rate of growth of traffic did not call for a more careful and realistic appraisal of traffic forecasts during the Fourth Plan period particularly under general goods in respect of which the anticipations were of the order of 58.60 million tonnes by the end of the Plan as against the present volume of 46 million tonnes, the representative of the Railway Board stated that the Railways had adopted a lower percentage rise than that indicated in the estimates furnished by the various Ministries. As against the estimated growth rate of 5 to 6 per

cent, the Railways had adopted a growth rate of 2 per cent per annum only. Asked whether the Railways would not suffer if the anticipated volume of traffic did not materialise, as happened during the Third Plan, the Financial Commissioner, Railways, stated: "...the duty of the Railways is to provide the transport for the several sectors. The Railways should never fail as they did in the early years of Third Plan. We could not then rush coal to the factories in South or West India. We want to avoid such a situation now or in the future. The Railways must be able to transport all the goods offered." The Chairman, Railway Board, however, added that while fixing the targets, they had to take into consideration the competition by roads. They would, therefore, keep on reviewing the growth of traffic from quarter to quarter and year to year and to the extent possible, take action.

1.21. Asked whether the Railways had assessed the extent of shortfall in general goods due to competition from roads and whether it could be attributed to factors such as damages, pilferages and delays etc., the representative of the Railway Board stated that road traffic statistics, commodity-wise, were not as complete as they were in regard to Railways. However, since the Railway's share of high rated traffic had dropped, the conclusion was that other modes of transport were getting better patronage. In order to recapture this traffic, the Railways had greatly intensified their marketing and sales effort. Container service had been introduced to provide not only door-to-door service but also as a measure to combat pilferage. By introducing fast express goods trains, they had effected reduction in transit time between several points. So far as increase in claims was concerned, the Railways were quite worried about it and a Committee had been appointed recently to study this situation.

1.22. In a further note on this subject, the Board have analysed the situation as under:

"The trend of traffic, particularly of high rated commodities, is kept under constant watch and review by the railways. Since the middle of 1967, a special cell has been set up on each Railway under a Marketing and Sales Superintendent to keep a close watch on the movement of high-rated traffic and to take remedial measures to arrest the decline wherever it is noticed.

"The following statement shows the extent of decline in the rail movement of certain selected high rated commodities during the years 1960-61, 1965-66, 1966-67 and 1967-68:—

Statement showing comparison of Rail, Movement with production of certain selected High Rated Companies in the years 1960-61, 1965-66, 1966-67 and 1967-68.

(figures in thousand tonnes)

Commodities		1960-61	1965-66	1966-67	1967-68
1. Iron and steel	Production & Imports*	5,490	7,989	7,960	7,557
	Railway Movement**	7,588 (138·2)	10,077 (126·1)	9,776 (12278)	9,081 (120·2)
2. Cement	Production	7,844	10,578	11,057	11,303
	Rail Movement	6,548 (83·5)	8,649 (81·8)	8,892 (80·4)	9,358 (82·7)
3. Oil Seeds	Production	6,623	6,346	6,425	8,303
	Rail Movement	1,517 (22·9)	1,470 (23·2)	1,292 (20·1)	1,126 (13·6)
4. Sugarcane	Production	104,127	119,642	92,826	95,500
	Rail Movement	3,237 (3·11)	2,717 (2·27)	1,972 (2·12)	1,252 (1·31)
5. Sugar	Production	3,029	3,515	2,147	2,266
	Rail Movement	1,488 (49·1)	1,543 (43·9)	1,575 (73·4)	1,043 (46·0)
6. Raw Jute	Production	744	805	964	1,138
	Rail Movement	644 (86·6)	763 (95·0)	761 (78·9)	1,037 (91·1)
7. Raw cotton	Production	1,188	965	988	1,125
	Rail Movement	536 (45·1)	485 (50·3)	474 (48·0)	440 (39·1)
8. Tea	Production	321	366	375	380
	Rail Movement	250 (77·9)	203 (55·5)	291 (77·6)	255 (67·1)

9. Jute manufactures	Production	1,084	1,336	1,120	1,157
	Rail Movement	263 (24·3)	275 (20·6)	267 (23·8)	254 (22·0)
10. Cotton manufactures	Production	993	1,171	1,142	1,148*
		380 (38·3)	408 (34·6)	266 (23·3)	328 (28·7)

* Figures represent, besides imports, the production of pig-iron for foundries, salable semi-finished steel and finished steel.

** Includes machinery, etc.

NOTE — Figures in brackets represent per cent of rail movement to production (and imports) and are affected by the fact that while the production figures relate to the calendar years in respect of industrial commodities, to the respective crop years in respect of agricultural commodities and to the season 'November to October' in respect of sugar, the figures of rail movements refer to the financial years commencing from 1 April. The rail movements of certain commodities are also further affected by the duplication involved in the process of retail distribution, creation of reserve stocks, or dumps, carry-over stocks, etc.

"It will be seen from the statement that almost the entire movement of iron and steel is by rail. In the case of cement the proportion carried by rail which was 83.5 per cent. in 1960-61 declined only marginally during 1965-66 and 1966-67. There was a recovery in 1967-68 as compared with the two preceding years. The decline in the percentage of rail movement in respect of oil seeds reflects the regional dispersal of oil crushing and the development of the vanaspati industry in different areas. The sharp decline in the proportion of sugarcane movement to production was apart from diversion to other modes of transport, due also to the diversion of cane to the manufacture of gur and Khandsari which do not require rail transport. In the case of raw cotton, jute manufactures and cotton manufactures, the quantity and proportion of rail movement to production have declined. These are comparatively high-rated commodities and are susceptible to competition from other modes of transport.

"In analysing the reasons for the decline in the volume of traffic in high rated commodities, it is necessary to keep in mind that the proportion carried by rail in any particular year is affected by fluctuations in the year- and stocks, fluctuations in local consumption production demand, holding back of stock changes in the policy of control over distribution etc. and it is only the longer term trends that are significant. In the last 8 years the length of surfaced roads has increased from 236,000 Kms. in 1960-61 to about 317,000 Kms. in 1968-69; the number of commercial vehicles on the road has increased from 225,000 in 1960-61 to about 380,000 in 1968-69. This factor, coupled with the liberal issue of permits by some State Governments and the inherent advantages of road transport, has affected the share of rail transport in the total transport particularly in respect of the higher rated commodities.

"The figures of actual earnings from goods traffic for the year 1967-68 as compared in 1966-67 are as under:

(In thousand of rupees)

Railway	1966-67	1967-68
1	2	3
Central	62,11,24	65,44,36
Eastern	74,10,86	76,80,92
Northern	60,35,95	61,93,77

1	2	3
North Eastern	17,83,32	15,07,03
Northeast Frontier	20,20,95	20,02,83
Southern	40,57,06	39,66,78
South Central	35,48,76	40,23,17
South Eastern	98,58,76	108,78,34
Western	72,22,41	74,81,01
	481,62,18	502,79,01

"It will be seen from the above table that though the total goods earnings have registered an increase of about Rs. 21.17 crores in 1967-68 as compared to the previous year, a drop in earnings occurred on the Northeast Frontier, North Eastern and Southern Railways. The decline of about Rs. 18 lakhs in the earnings over the Northeast Frontier Railway can be termed marginal, but the decline in the case of other two railways is more marked, namely, Rs. 275 lakhs on the North Eastern and Rs. 90 lakhs on the Southern. The reason for the drop in earnings is due to the decline in traffic. For ready reference, the figures of traffic originating on North Eastern and Northeast Frontier Railways during the year 1967-68 as compared to the previous year are given below:

	(Figures in thousand Rs.)	
	1966-67	1967-68
North Eastern	5,724	4,297
Northeast Frontier	3,347	3,372

"The figures of revenue-earning net tonne kilometres on the two Railways were as follows :

	(In millions)	
	1966-67	1967-68
North Eastern	3,400.5	3,061.5
Northeast Frontier	2,994.4	3,063.5

"Because of the formation of the South Central Railway with effect from 2nd October, 1966 the figures for Southern Railway are not strictly comparable.

“The major decline on North Eastern Railway was in sugar and sugarcane traffic due to partial decontrol of sugar from November, 1967, lesser export of sugar and large scale diversion of sugar-cane to the manufacture of gur and khandsari.

“Whenever changes are made in freight rates and fares, their likely effect on the volume of traffic is carefully considered.

“Where, however, it is found that the traffic between specific pairs of points is not able to bear tariff rates, suitable station to station rates are quoted between those pairs of points. It may also be pointed out that during the period 1966-67 and 1967-68 the classification of certain high rated commodities was reduced.”

1.23. The Committee observe that the Budget estimates for 1967-68 placed the goods earnings of the Railways at Rs. 526 crores. These estimates were, however, revised later to Rs. 509 crores, but the actual earnings fell short of even these lower estimates, as they amounted to Rs. 503 crores only. Even though the goods earnings were Rs. 21.17 crores higher than in 1966-67, the originating revenue earning traffic was 1.8 million tonnes less compared to that year and as much as 8.5 million tonnes below what was anticipated in the budget. The inference, therefore, has to be that the increase in revenue was largely due to the increase in freight rates. With a view to ascertaining the actual impact of increases in fares and freights on the traffic earnings, it is imperative to maintain proper records showing actual increase in revenue accruing from increase in fares and freights and to explain variation of these actuals from the anticipations made at the time of the Budget.

1.24. The Committee observe that the bulk of the shortfall in goods earnings occurred under foodgrains, steel plants traffic and “other general goods”. In the case of foodgrains, the shortfall of Rs. 4.4 crores was due primarily to reduced imports, while shortfall of earnings was Rs. 3.07 crores in respect of raw material traffic for steel plants. In regard to general goods, the traffic fell short of Budget anticipations by as much as 9.1 million tonnes, depressing the earnings by about Rs. 13.73 crores below anticipations.

1.25. The Committee would like this persistent tendency on the part of various Ministries and the Railways to inflate requirements of rail transport to be curbed. This vitiates all Railway planning leading to needless over-capitalisation. The Committee would like this situation to be taken note of by the Planning Commission which should impress on all the Ministries and Railways the need to ensure that estimation of traffic requirements is done on a more realistic basis.

1.26. The figures given in this section of the Report would show that the Railways are steadily losing ground to road transport. The percentage of rail movement to total production in 1967-68 as compared to 1960-61 shows that in respect of all the commodities, the Railways' share of the traffic has been coming down. This tendency is particularly noticeable in regard to iron and steel, oil seeds, sugarcane, sugar, raw cotton, tea and cotton manufactures.

1.27. While the Committee note that the Railways have taken a number of steps to improve their services with a view to win back the high-rated traffic, it is obvious that much still remains to be done; the need for a vigorous and sustained drive in marketing and sales effort and a personalised service to the users cannot be over-emphasised. The Committee have made certain suggestions in this regard earlier in this Report.

1.28. The Committee also consider it essential to avoid wasteful duplication of investments through better rail-road coordination. The Administrative Reforms Commission which considered this point suggested, Inter-alia, that the State Governments should be moved "to regulate the grant of licences and permits for the operation of road transport services or the introduction of new road services so as to eliminate any possible conflict of interest between different modes of transport." For this purpose, they had suggested that "a representative of the Railways may be associated with the State Transport Authority or other bodies which are in charge of the grant of licences or permits for operation of road transport services." The Committee would like these suggestions to be examined expeditiously for implementation in consultation with the State Governments.

Revenue Expenditure

Audit Paragraph

1.29. (a) Break-up of the net increase of Rs. 3.68 crores in the estimated revenue expenditure:—

(in crores of rupees)

Particulars	Budget	Actuals	Variations
1	2	3	4
A.— Working Expenses—			
(i) Staff— Administration including staff welfare and operating	210.00	212.29	(+)2.19
(ii) Repairs and Maintenance	184.22	190.14	(+)5.92
(iii) Fuel	117.37	127.83	(+)10.46
(iv) Miscellaneous Expenses including operation other than staff and fuel, payments to worked lines & sub-sense	55.60	58.12	(+)2.46

	1	2	3	4
(v) Appropriation to Depreciation Reserve Fund		105·00	95·00	(—)10·00
(vi) Appropriation to Pension Fund		14·90	9·93	(—)4·07
B.—Miscellaneous Expenditure, such as cost of Railway Board and its attached offices, surveys, Audit & subsidy paid to Branch Line Companies		6·18	5·73*	(—)0·45
C.—Open Line Works—Revenue		11·25	9·32	(—)1·93
Total Revenue Expenditure		704·68	708·36	(+)3·68

(b) Fuel consumption

1.30. The passenger traffic actually carried during the year under report was the same as anticipated in the budget, but the goods traffic (both revenue and non-revenue) actually carried during the year was less than that of the previous year by 5.0 million tonnes as against an increase of 8.5 million tonnes anticipated in the budget. However, the actual expenditure on 'Fuel' was Rs. 10.46 crores more than the Budget grant.

1.31. The Budget Estimates for cost of fuel included a net amount of Rs. 2.91 crores for carrying the anticipated additional traffic. Rs. 2.72 crores of this provision was actually spent, although there was no additional traffic.

1.32. The progressive increase in the quantum of coal consumed per unit of traffic hauled, that is, per 1000 gross tonnes K.Ms. during the Third Plan period was committed upon in the 22nd Report of the Public Accounts Committee (Fourth Lok Sabha). The position further deteriorated during the years 1966-67 and 1967-68 as shown below:—

1960-61	59·4 kg. per Unit
1965-66	71·8 " " "
1966-67	73·6 " " "
1967-68	75·6 " " "

* Includes Rs. 0·07 crore towards Appropriation to Pension Fund against Rs. 0·15 crore provided in the Budget.

1.33. A review of the consumption of diesel oil by locomotives revealed that the rate of consumption of diesel oil per unit (1000 gross tonnes K.Ms.) had also gone up steadily as indicated below:

1965-66	3.75 litres per unit
1966-67	3.95 " " "
1967-68	4.19 " " "

(c) Contributions to Depreciation Reserve Fund and Pension Fund

1.34. On the suggestion made by the Ministry of Railways (Railway Board), the Railway Convention Committee, 1965 recommended that the total contribution to Depreciation Reserve Fund should be Rs. 650.00 crores during the quinquennium 1966-67 to 1970-71, the annual contribution rising progressively from Rs. 100.00 crores in 1966-67 to 160.00 crores in 1970-71. In accordance with this recommendation, approved by Parliament in December, 1965, a provision of Rs. 99.00 crores was made in the provisional Budget presented in March, 1967 but it was explained that a further contribution of Rs. 16.00 crores would have to be made at the earliest opportunity, particularly, when the withdrawal from the Fund was estimated at Rs. 110.00 crores. In the regular Budget presented in May, 1967, the contribution to the Fund was, however fixed at only Rs. 105.00 crores, the additional contribution of Rs. 6.00 crores being met from the increase in fares and freight charges. The actual contribution to the Fund during the year was, however, further reduced to Rs. 95.00 crores. The withdrawal from the Fund during the year was Rs. 93.82 crores.

1.31. The Budget Estimates for cost of fuel included a net amount revenue and Rs. 0.45 crore from Capital) was made in the Budget for 1967-68 towards contribution to the Pension Fund. This included arrears of contribution in respect of staff who opted for pensionary benefits prior to 1st April, 1964 (the date from which the Fund was created) which were proposed to be paid into the Fund in annual instalments of Rs. 5.75 crores over a period of 15 years and Rs. 1.45 crores to meet additional liabilities on account of grant of *ex-gratia* pensions to certain staff retired prior to 1st April, 1957. The actual contribution to the Fund was, however, reduced to Rs. 10.30 crores (including Rs. 0.30 crore met from Capital). The withdrawal from the Fund during the year amounted to Rs. 5.34 crores.

1.36. If the contributions to the Depreciation Reserve Fund and the Pension Fund had been made as provided in the Budget, the deficit of the Railways for 1967-68 would have worked out to Rs. 46.58 crores.

(Paragraph No. 3—Audit Report (Railways), 1969.)

1.37. The following table gives the break-up of ordinary working expenses under various heads during 1967-68 as per budget estimates, revised estimates and actuals:

(In crores of rupees)

	Budget Estimate 1967-68	Revised Estimate 1967-68	Actuals 1967-68
Administration	65.73	67.90	66.67
Repairs & Maintenance	209.31	217.40	215.44
Operating Staff	134.72	137.56	136.11
Operation (Fuel)	131.21	140.67	141.25
Operation other than Staff & Fuel	38.34	31.16	41.47
Miscellaneous Expenses	32.16	31.73	31.80
Labour Welfare	22.77	22.77	22.34
Total Ordinary Working Expenses (Gross)	634.24	649.19	655.08
Credits	-67.03	-69.45	-66.86
Net	567.21	579.74	588.22

Fuel Construction

1.38. Referring to the observations in the Audit paragraph that although the goods traffic was 8.5 million tonnes less than anticipated, the expenditure on fuel was Rs. 10.46 crores higher than the budget estimate, the Committee enquired about the reasons for increasing fuel consumption particularly that of diesel oil. In a note the Railway Board have explained the position regarding increased coal consumption as under:

“In order to appreciate the fuel performance in respect of steam traction during the years 1965-66 to 1967-68 it would be necessary to analyse the coal consumption rates under passenger, goods and shunting services separately during this period.

“The rate of coal consumption Kg.1000 GTK on Passenger and Proportion of Mixed Service has increased from 56.2 Kg 1000 GTK in 1965-66 to 58.0 in 1966-67 and 59.9 in 1967-68. This was mainly due to reduction in the supply of selected grades of coal from 15.1 per cent of the total supplies in 1965-66 to 10.8 per cent in 1967-68. Moreover, some long distance Mail/Express Services which were lighter in coal consumption rate had gone over the years to diesel or electric traction. This may be evidenced from the fact that the gross tonne kilometres hauled by steam had come down from 94.5 per cent in 1965-66 to 91.7 per cent in 1966-67 and 87.7 per cent in 1967-68.

"The rate of coal consumption (kg|1000GTK) on Goods and . Proportion of Mixed Service has increased from 52.1 in 1965-66 to 55.2 in 1966-67 and to 57.1 in 1967-68. This is mainly due to extensive dieselisation|electrification of through goods services relegating steam traction to slower and lighter goods services. Through goods services which are generally light on coal consumption rate had been taken over by alternative method of traction resulting in the change in the proportion of through goods and other goods services with consequent increase in coal consumption rate on total goods services hauled by steam. The changeover of through goods service from steam traction to diesel and electric traction resulted in the drop in load and speed of goods trans. Both these factors cause deterioration in the rate of coal consumption during the years 1966-67 and 1967-68.

"The rate of coal consumption on Shunting Services had increased from 27.2 kg'EKM in 1965-66 to 29.4 in 1966-67 and to 30.0 in 1967-68. The increase in the rate of consumption is mainly due to utilisation of heavier type of locos on shunting services consequent on condemnation of old and lighter locos utilised previously. These heavier type of locos are capable of handling more number of wagons per shunting engine hour. As the rate of consumption is expressed in terms of Kgs. of coal per engine Km., if heavier trains are shunted the rate of consumption goes up."

1.39. In reply to a question, the Ministry have furnished the following statement of thefts and pilferages of coal on all Zonal Railways during the years 1965 to 1969 (upto September):

Year	No. of cases	Amount of coal stolen (tonnes)	Amount of coal recovered (tonnes)	Value of coal stolen (Rs.)	Value of coal recovered (Rs.)
1965	5339	283.1	263.6	23,750	22,614
1966	5277	336.4	335.1	32,166	32,094
1967	5487	323.3	323.1	30,655	30,051
1968	5005	390.3	282.0	27,751	25,781
1969 (upto Sept.)	2757	161.5	155.8	18,444	17,954

1.40. A Study Team of Administrative Reforms Commission which examined the question of coal consumption in the Railways came to the following conclusion:

“Analysis of coal consumption on the movement of goods traffic indicates an average increase of 26 per cent on the Indian Railways. This was partly due to a drop in the speeds of goods trains and was accentuated on the Eastern Railway in particular by a drop in the loads of trains. Even allowing for all factors, including a lower calorific value, the increase in consumption should not have been more than 15 per cent. The increase in consumption is so substantial that we are driven to the conclusion that there is considerable loss on account of theft. The coal bill on the broad gauge amounts to approximately Rs. 60.5 crores and that on the metre gauge to Rs. 27.25 crores, making a total of Rs. 87.75 crores. If even 5 per cent of this is saved, there should be a saving of Rs. 4.4 crores, approximately. Reports indicate that the leakage due to thefts is considerable. The Railways Protection Force, which exists for controlling these thefts, has apparently failed in this respect. We find that an expert committee of the Railway Board had reviewed the problem of coal consumption during the years 1952-53 to 1956-57 and had given considerable data indicating the incidence of various factors and a clear analysis of the scope for improvement. It is unfortunate that this analysis has not been kept up. We suggest that a detailed review, on similar lines, should be made for the ensuing year and steps to improve the position intensified. This review should then be kept upto date, with the corresponding figures of each railway shown separately.

“The organisation on the Railways for watching coal consumption at present is rather weak. The Divisional Mechanical Engineers on the Divisions are for too busy in various operating and maintenance duties. We suggest that at the Headquarters of every major railway, a Deputy Chief Mechanical Engineer should be in charge of fuel and oil economy. On smaller railways, this may be looked after by the Deputy Chief Mechanical Engineers (Running and Loco). Further, for every two Divisions, a Senior Scale Fuel Officer should be posted, who should personally make trials, fix up trip rations for various services, check fuel forms and take every possible action for economising fuel and oil consumption.”

1.41. As regards the increase in the unit rate of consumption of diesel oil, the Railway Board have stated that “on the Railways

the bulk of diesel oil consumption is on Goods Services. Diesel Locomotives are also utilised, though to a much lesser extent, on the passenger and shunting services. The unit rate of consumption during 1966-67 and 1967-68 on passenger, goods and shunting services is given below:

Year	Passenger Litres/ 1000 GTK	Goods Litres/ 1000 GTK	Shunting Litres EKM
1966-67	5.86	3.75	1.84
1967-68	6.05	3.94	1.81

"On the passenger services there has been an increase of 0.19 litres 1000 GTK in 1967-68 over 1966-67. The increase has taken place mainly on Central, Eastern and South-Eastern Railways.

"On the Central Railway, the increase is mainly due to drop in speed from 56.7 Kms hr. in 1966-67 to 54.8 Kms hr. in 1967-68, increase in out of course halts, increase in the number of speed restrictions and increase in the incidents of alarm chain putting resulting in more number of hours on road and extra fuel consumption.

"On the Eastern Railway, in 1966-67 two pairs of mail trains were run with diesel traction viz. 5-Up 6-Dn between Howrah and Mughalsarai and 1-Up 2-Dn between Howrah and Assansol. In 1967-68, 1-Up 2-Dn mails were put on electric traction and only one pair of trains viz. 5-Up 6-Dn remained on diesel traction. The section between Howrah and Assansol is flat and the rate of consumption of 1-Up 2-Dn was less than that on 5-Up/6-Dn. With the electrification of 1-Up 2-Dn in 1967-68, the overall fuel consumption rate became higher as 1-Up 2-Dn which had lower consumption rate, were no longer on diesel traction.

"Scheduled diesel passenger service on the South-Eastern Railway is 3-Up 4-Dn Mails over Howrah-Madras section on East Coast. During the year 1967-68 due to line capacity works including remodelling of yards such as Khurda Road and doubling of certain sections on Kharagpur, Khurda Road and Waltair Divisions, the speed on

these divisions came down with the result that the overall speed dropped from 45.1 Kmph in 1966-67 to 41.7 Kmph in 1967-68. The other reason for increase in consumption is increase in engine Kms earned by non-schedule coaching traffic (Military specials, perishables viz. Mango traffic etc.) from 38.167 Kms in 1966-67 to 139.066 Kms in 1967-68.

“There has been an increase in the rate of consumption on Goods Service from 3.75 to 3.94 litres/1000 GTK taking all the gauges and all the Railways together. The increase has been mainly due to (i) increase in number of trains working on graded sections, (ii) increase in running of diesel trains on bottleneck single line sections, (iii) drop in average speed on Broad Gauge from 23.9 Kms/hr to 23.4 Kms/hr and drop in average load in Broad Gauge from 1658 to 1620 tonnes and on Metre Gauge from 855 to 847 tonnes.

“The Railways on which increase in consumption had taken place are Central, Eastern, Northern, Northeast Frontier, Western and Southern. The reasons which affected the consumption rate on these Railways are given below:

“Central Railway

- (i) The number of trains run on heavily graded sections viz. Itarsi-Amla had increased from 13,104 in 1966-67 to 20,167 in 1967-68. The rate of consumption over this section is about 7.6 litres/1000 GTK against 4.08 overall. Moreover, 14 diesel locos were used in 1967-68 on the Ghat sections of Bombay Division due to electric failure as a result of Koyna Earthquake. The rate of consumption on this section was about 7.49 litres/1000 GTK, as against 4.08 litres/1000 GTK on the whole of Central Railway.
- (ii) Drop in average speed from 27.7 to 26.2 Km/hr.
- (iii) Drop in load from 1663 to 1636 tonnes during the year 1967-68 as compared to the previous year.
- (iv) Progressive increase in running of diesel goods trains on single line sections. The figures of the percentage of diesel goods trains on single line section to total diesel trains is not readily available for the year 1966-67. However, a spot check indicated that in July, 1968 only 40.14 per cent of diesel trains were on single line section which increased to 63.25 in September, 1969.

“Eastern Railway

- (i) Increase in percentage of Diesel Goods Train Kms. on Dhanbad and Danapur Divisions which are comparatively graded sections and reduction in Howrah and Sealdah Divisions which are flat, due to electrification. The diesel goods trains kilometres on graded sections increased from 62.1 per cent in 1966-67 to 65.2 per cent in 1967-68. The rate of consumption on the graded section is about 3.7 litres/1000 GTK as compared to about 2.9 litres/1000 GTK on level sections.
- (ii) Increase in light engine Kms and terminal detentions.

“Northern Railway

- (i) Due to electrification of Kanpur-Mughalsarai section which is level, the diesel locos which were employed on this section were transferred to Moradabad-Ghaziabad and Moradabad-Saharanpur sections which are comparatively graded. The percentage of goods trains worked on gradient sections had increased from 39.5 per cent in 1966-67 to 50.0 per cent in 1967-68. The rate of consumption on the graded section is about 3.40 litres/1000 GTK as against about 3.15 on level sections
- (ii) Drop in average speed from 23.4 to 23.1 Kms/hr and drop in average loads from 1712 tonnes to 1630 tonnes.

“Northeast Frontier Railway (M.G.).

The increase in 1967-68 over 1966-67 is mainly due to increase in number of trains worked on graded section from 2801 in 1966-67 to 3335 in 1967-68. The number of goods trains worked on heavily graded sections had increased by 19 per cent in 1967-68 over 1966-67. The rate of consumption on the graded section is about 9.9 litres/1000 GTK as against about 4.2 litres/1000 GTK on other sections.

“Southern Railway

The figures for the years 1966-67 and 1967-68 are not comparable because of formation of South Central Railway with effect from October, 1966. Olavakkot Division of Southern Railway is a graded section and there was increase of 35.3 per cent in the goods operation in 1968-69 over 1967-68. The rate of consumption on Olavkkot Division was 3.97 litres per thousand GTK, as against 3.71 litres/1000 GTK on divisions which are comparatively flat.

“Western Railway

On the Metre Gauge, there was increase in light engine hours and drop in average gross load.

“South-Eastern Railway.

There was increase in the number of multiple operated diesel trains on graded sections, from 12.5 each way in 1965-66 to 21.25 in 1968-69. The rate of consumption on Bondamunda-Karampada graded section is 9.0 litres/1000 GTK as compared to about 4.0 litres/1000 GTK on the whole of South Eastern Railway.”

1.42. As regards diesel oil consumption on shunting services, the Board have stated that “the unit rate of consumption has improved in 1967-68 as compared to 1966-67.”

1.43. During evidence, the Committee drew the attention of the representative of the Board to the observations of the Study Team of the Administrative Reforms Commission that since the consumption of diesel oil was likely to increase substantially in future, it was necessary to devise effective measures to ensure that any tendency towards leakage of diesel oil may be firmly controlled. The witness stated that flow meters had been provided both on receipt and issue sides. Moreover, it was part of the training of drivers that they should work to the highest notch where the consumption was the lowest. He added that trip allowance was fixed and no diesel engine was allowed on a section unless the amount of diesel oil for that section was pre-determined. The representative of the Board further informed the Committee that the Research, Designs and Standards Organisation had made a very detailed study of the method by which the utilisation of diesel oil on different services should be calculated (The Committee were, however, subsequently informed that it was a theoretical study of the method of fixing trip rations when working certain specified loads between two points). Besides, there was a rigorous system of analysing the oil. Every shed had a chemist and a metallurgist to check the oil. The oil was sent to the Research, Designs and Standard Organisation also for checking. By and large their experience as to its quality had been satisfactory.

1.44. The Committee enquired about the norms of unit consumption in respect of level and graded sections separately and whether any data had been collected to indicate the extent of increase that could be attributed to higher consumption on graded sections. The Board have in a note explained that trip ration for diesel oil consumption is fixed on the railways on the basis of driver/engine links. The trip rations are higher for graded sections as compared to level sections. To illustrate this the rate of diesel oil consumption in litres 1000 GTK for certain level and graded sections com-

puted from trip rations fixed on the basis of driverwise/enginewise links are given below:

Railway	Section	Graded or level	Rate of consumption of diesel oil (litres/1000 GTK) on the basis of trip ration
BROAD GAUGE			
Central	· Itarsi-Amla Overall C. Rly.	Heavily graded	7·6 4·08
Eastern	· Level Sections		2·9
	· Graded Section		3·7
Northern	· Mughalsarai-Ghaziabad	Level	3·15
	· Rosa-Khanalampura	Slightly graded	3·40
Western	· Ratlam-Bhopal	Level	3·00
	· Ratlam-Godhra	Graded	4·53
South-Eastern	· Bomdamunda-Kerampad	Heavily graded	9·0
	· Overall S. E. Rly.		4·0
Southern	· Olavakkot Divn.	Graded	3·97
	· Madras Divn.	Relatively flat	3·71
METRE GAUGE			
Northeast	· Level Section		4·2
Frontier	· Lumling-Badarpur	Heavily graded	9·9
Western	· Ajmer Phulera	Level	2·4
	· Sojat Road-Ajmer	Graded	4·25

"Analysis had indicated that there was increase in the extent of diesel operation on graded sections which was one of the main reasons for increase in the overall rate of consumption."

1.45. The Committee asked for data about the sections on which dieselisation has taken place with an indication as to the extent to which they were graded sections. The data furnished on this point

is at Appendix I to this Report. Audit have made the following observations on the data furnished:

"It is seen that all the sections mentioned against Northeast Frontier Railway (MG) have been dieselised prior to 1965-66. The Board's argument that the increased operation of diesel traction on graded sections was the main cause for increased fuel consumption on this Railway is, therefore, not tenable.

"It is also seen from the list of sections dieselised that the introduction of diesel traction on the entire M.G. sections of the Southern and South Central Railways except for a small portion on the latter is not justified as the total density of traffic is mostly below 2500 net tonne kilometres per route kilometre per day whereas the optimum density for a diesel electric traction is about 7.500 net tonne kilometres per route kilometre per day according to the accepted norms."

1.46. Asked about the incidence of pilferage and losses, the witness stated that these did not affect the unit rate of consumption because whatever oil was lost, it was not treated as issued. Regarding possibilities of pilferages after issue, he stated that so far as shed staff was concerned, the fuel accountal system was very rigid. It was checked every month by a foreman and every six months by officers. A variation of only 0.2 per cent was allowed.

1.47. The Railway Board have in note furnished the following figures of losses of diesel oil due to pilferages, losses in transit and handling losses during 1965-66 to 1968-69:

Year	Total losses in Kilo litres	% to the total oil consumed received	Money value (in lakhs of rupees)
1965-66	340.7	0.11	2.19
1966-67	711.8	0.19	5.33
1967-68	630.3	0.14	4.51
1968-69	356.0	0.07	2.55

1.48. The Committee enquired whether it would not be desirable to switch over to other fuels in sections where diesel consumption was very high. The witness stated that even if the consumption was higher on some sections, it was still justified and economical. He assured the Committee that consumption had not gone up on same locomotives or same sections.

1.49. To a question whether any phased programme had been drawn up for extending dieselisation in the country, the representative of the Board stated that this was governed by considerations of

necessity. In certain sections, a certain amount of traffic had to be carried which it was not possible to carry by steam. Then, there were certain other sections, where instead of continuing parallel traction, partly by steam and partly by diesel, it would be desirable, on considerations of economy, to eliminate steam traction entirely. Thereby they could avoid duplication of sheds, maintenance staff, controllers etc.

1.50. The Committee enquired what steps were being taken to improve the performance of diesel traction on Central, Northeast Frontier, Southern and Western Railways, where the unit rate of consumption was higher than the all India average. The Board have in a note stated that "the review of diesel oil consumption for various Railways is carried out every month as well as at the time of the General Managers' Conference which is held twice a year. Besides these, special detailed reviews of the fuel performance were also carried out during May, 1968 and October, 1969.

"The rate of diesel oil consumption is influenced by the terrain and operating factors such as load and speed, single or double line sections, engine utilisation etc. and therefore the rates of consumption of the different railways would not be comparable.

"The following steps have been taken by the Railways to improve the rate of diesel oil consumption:

- (i) Instructions have been issued to Railways to avoid excessive idling of diesel locos when they are detained in stations.
- (ii) Periodic fixation of trip ration on the basis of properly conducted trials with different loads.
- (iii) A watch is kept on the fuel consumption of each locomotive to ensure that maintenance is upto the required standard.
- (iv) Driverwise registers indicating actual trip consumption is maintained to pinpoint the excess consumption over the trip ration and drivers are taken up if excess is not justified.
- (v) Check on quality of oil by periodical chemical tests of samples from issue points.
- (vi) Periodical survey of fuel balances, against consumption and receipts of oil by officers and foremen.
- (vii) Training of drivers by Fuel Inspectors in economical operation of diesel locomotives.
- (viii) Railways have been asked to keep a strict watch on terminal detention to diesel locomotives and late starts to goods trains."

1.51. The Administrative Reforms Commission which went into the question of fuel consumption in the Railways made the following overall observations:

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"An increasing trend is observed in fuel consumption both in respect of coal and diesel oil per thousand gross tonne kilometers. There are various factors affecting the consumption of fuel, such as low calorific value of coal, varying train loads, waiting periods during crossings, variations in shunting engine hours, poor maintenance, etc. But it appears that considerable loss is also caused by thefts and the pilferage of fuel. A regular analysis of fuel consumption is essential to ascertain the possibilities of effecting economy in this regard. Some *ad hoc* studies made in the past by the Railways revealed great scope for improvement, but no follow-up action appears to have been taken. The existing arrangements for watching fuel consumption are weak. The officers in the Mechanical Engineering Branch are far too busy in various operating and maintenance duties with the result that no proper attention is paid to this important work. It is, therefore, necessary that Railways should take adequate administrative measures to study the pattern of consumption of fuel and to ensure economical and proper utilisation."

1.52. The Committee observe that, despite a short-fall of 8.5 million tonnes in goods traffic in 1967-68 in relation to the Budget anticipations, the expenditure on fuel amounted to Rs. 10.46 crores more than the budget provision. In regard to one major component of the fuel bill, namely coal, the data furnished to the Committee shows that the unit rate of coal consumption increased on all the three services viz. passenger, goods and shunting. This has been stated to be due to a reduction in supply of selected grades of coal and the extension of diesel and electric traction resulting in a drop in load and speed of goods trains hauled by steam engines. The Committee have already dealt with these arguments in para 1.65 of their Sixtieth Report (Fourth Lok Sabha) where they have pointed out that these factors cannot by themselves account for the increase in coal consumption that has taken place. A Study Team of the Administrative Reforms Commission have also arrived at this finding. They have stated that "the increase in consumption is so substantial that we are driven to the conclusion that here is considerable loss on account of theft." The Study Team pointed out further that "the Railway Protection Force, which exists for controlling these thefts, has apparently failed in this respect" and stated that "the organisation of the Railways for watching coal consumption at present is rather weak."

1.53. The Committee observe a similar tendency for increase in unit consumption of diesel oil on passenger as well as goods services. There is a distinct increase in the case of Central, South Eastern and North Frontier Railways. The increase has been attributed to a number of factors, amongst them the increase of diesel traction on

graded sections and a drop in load and speed. It is no doubt true that operation in graded sections will increase fuel consumption, but such sections exist in all the Railways. Besides, as pointed out by Audit, in certain Railway like the Northeast Frontier Railway dieselisation occurred prior to 1965-66: operation on graded sections cannot, in such cases, adequately explain the increase in unit consumption in 1967-68 in relation to the previous years. As regards increased consumption due to drop in loads, the Committee would like to point out that such a position, if true, would suggest that dieselisation was undertaken in certain sections without adequate justification therefor. Audit have in this connection pointed out that on certain Railways the traffic density has been well below the prescribed norm of 7,500 net tonne kilometres per route kilometre laid down for dieselisation of traction.

1.54. For the foregoing reasons, the Committee feel that the Railways have not been exercising adequate control over their fuel bill. To ensure such control, the Committee would like the Railways to take action on the following lines.

- (i) The Mechanical Engineering Staff are at present far too busy in various operating and maintenance duties with the result that "no proper attention is paid", as pointed out by the Administrative Reforms Commission, to the question of controlling fuel consumption. This should be remedied.
- (ii) It should also be made the specific responsibility of the Financial Advisers of the Zonal Railways to get periodical data about fuel consumption in various sections of the Railways and to bring to the notice of the General Managers any tendency towards untoward increase in consumption.
- (iii) The Railway Protection Force will have to be streamlined so that it could effectively check thefts and leakage, which quite obviously are on the increase.
- (iv) Dieselisation of sections will have to be undertaken after the most careful study of traffic trends, so that it is sanctioned only where adequate justification exists.

Contributions to Pension Fund

1.55. The Committee enquired about the present estimate of arrears of contributions to Pension Fund that would have to be made on account of staff having opted for Pension and Pensionable staff who joined after 16-11-1957, for whom no contribution was made

upto 1-4-1964, how this was proposed to be met and what the present position of arrears was. The Railway Board have stated in a note that "on the basis of the actuarial calculation made by the Government actuary at the time of the institution of the Railway Pension Fund, the contribution to the Railway Pension Fund to cover the cost in respect of past service liability of staff in employment on 16-11-1957 who had opted for pension and pensionable staff who joined after 16-11-1957 was estimated at Rs. 5.75 crores per annum over a period of 15 years. Due to economic recession, the contribution of the arrear element was postponed from 1967-68 till the revenue position of the Railways became more favourable for increasing the contribution to the Pension Fund. Certain important developments have taken place subsequent to the institution of the Railway Pension Fund. The rules governing the Railway Pension Fund have been liberalised to include family pension, *ex-gratia* pension, etc. and the number of Railway employees governed by the Pension Scheme has also risen. The emoluments of Railway staff have considerably increased with the merger of a portion of the Dearness Allowance with pay and consequently the liability for pension payments has increased. On the other hand, the Railway Pension Fund has received an amount of Rs. 21.95 crores upto 1968-69 by way of transfer from the State Railway Provident Fund Accounts of Pre-1957 staff who have elected the Pensionary form of retirement benefits. This amount represents the accumulated bonus (Government Contribution) with interest of the staff who opted for the Pension Scheme.

"Taking all the above factors into consideration, a general re-assessment of the contribution to the Railway Pension Fund by the Government actuary is necessary, on the basis of which the contribution to the Railway Pension Fund will have to be refixed. Necessary data is being collected for processing in the form required by the Government Actuary. The arrears of contribution will be regulated in future years on the basis of the amount re-worked by the Government Actuary."

1.56. The Committee note that in view of the liberalisation of rules governing the Railway Pension Fund, the liability of the Railways for payment of pensions has increased and a re-assessment of the contribution to the Fund has become necessary. The Committee would like the necessary data in this regard to be collected and processed expeditiously and appropriate action taken thereafter.

Operating Ratio

Audit Paragraph

1.57. The operating ratio of the Railways, which is the percentage of Working Expenses (including appropriations to the Depreciation

Reserve Fund and Pension Fund) to the Earnings increased during the last two years ended with 1967-68. The figures were as follows:—

1960-61	78.75
1965-66	78.30
1966-67	82.71
1967-68	84.55

1.58. The ratio takes into account the increases in fares and freight rates on the one hand and the increases in prices, dearness allowance to the staff on the other, but does not take into account the increased liability of the Railways on account of payment of dividend to General Revenues.

[Paragraph No. 4—Audit Report (Railways), 1969.]

1.59. The following figures of operating ratio of various Zonal Railways during 1967-68 as given in the Appropriation Accounts are reproduced below:

	1965-66	1966-67	1967-68
Central	71.76	77.41	79.74
Eastern	78.14	82.25	82.80
Northern	82.16	86.42	90.75
Norther-Eastern	95.25	96.78	110.70
Northeast Frontier	105.25	122.56	132.78
Southern	86.96	92.15	98.70
South Central . . . . .	..	79.98	79.31
South Eastern	68.75	71.19	67.95
Western	72.80	76.63	76.93

1.60. The Committee enquired about the reasons for deterioration in the operating ratio over the Railways as a whole and for the marked deterioration in case of the Central, Northern, North Eastern, Northeast Frontier and Southern Railways. The Board have in a note stated that "the operating ratio is the ratio of Ordinary Working Expenses, inclusive of contribution to the Depreciation Reserve Fund and the Pension Fund to the gross earnings, for a year. This ratio is, therefore, affected by all the factors which determine the aggregate of the earnings as well as working expenditure for the year, including staff costs, expenditure on repairs and maintenance of railway assets, operational costs and fuel bill (including sales tax, excise duties and cess etc. thereon). Any factor which affects expenditure, like variations in the price or wage levels or which affects the earnings like adjustments in fares and freights would affect this ratio. A direct comparison of the operating ratio of one year with

that of another without allowing for all these factors would be misleading. In a developing economy, factors extraneous to efficiency like increases in the rates of 'Dearness Allowance', revision of the rates of city compensatory, running, travelling etc. allowances, merger of a part of Dearness Allowance with pay, increases in the price of coal and excise duties, cess and sales tax on coal, increase in the price of diesel oil, upward revision of electricity tariff rates, increases in the prices of materials and stores consumed by the Railways, etc. have led to unavoidable increases in the 'working expenses' of the Railway Undertaking. Some increases in freight and fares have also been made from time to time, but these have not been proportionate to the actual increase in the 'working expenses', with the result that in 1967-68 there was some increase in the operating ratios of some of the Zonal Railways as also for the Railway Undertaking as a whole. The gap between the increase in the rate of Railway charges for passenger and freight traffic and the rate of expenditure will be clear from the undernoted indices:—

Year	Average rate per		Price of coal	Price of iron and Steel	Per capita cost of employees
	tonne Km.	Pas. Km.			
1960-61	100	100	100	100	100
1965-66	110	120	121	129	129
1966-67	122	118	134	134	141
1967-68	125	124	170	146	152

161. To reduce this gap, various measures are being taken for restricting the working expenses on the one hand and for increasing the earnings on the other, such as the ban on creation of clerical posts, reduction in contingent expenditure, simplification of procedures, work studies, and economies in the consumption of consumable stores etc; on the earnings side also steps are taken for improving them by accelerating services, introduction of new trains, more sleeper coaches, quick transit services, super express goods services and extension of the container service etc. However the scope of reduction in expenditure by such measures alone is limited and Railways have no control on the price and wage levels.

"The adverse factors referred to above affect the working results of all Railways in varying degrees, depending upon the pattern of traffic and geographical location of each Railway."

1.62. The gross earnings and working expenses of each of these Railways are as shown below:

	(Rs. in lakhs)									
	Central		Northern		N.E.		N.F.		Southern	
	1966-67	1967-68	1966-67	1967-68	1966-67	1967-68	1966-67	1967-68	1966-67	1967-68
Gross earnings	1,11,10	1,18,17	1,10,08	1,14,14	39,64	37,53	31,47	31,99	74,70	76,31
Working expenses	86,00	94,23	95,13	1,03,58	38,36	41,55	38,58	42,77	68,83	75,31

1.63. From a detailed statement furnished by the Railway Board indicating the reasons for increase in working expenses on the above Railways, the Committee find that the major factors that have led to rise in working expenses, apart from increases due to annual increment etc. are:

	(Rs. in lakhs)				
	C	N	NE	NF	S
(i) Increase in rates of DA	343	360	218	154	292
(ii) Increase in price of coal, rates of sales tax and freight etc. and increase in consumption of diesel oil	245	223	72	94	144
(iii) More expenditure on stores, P.O. and special repairs to rolling stock.	69	130	40	43	..

1.64. The Committee enquired about the position of the operating ratio during 1968-69 on these Zonal Railways as also on Indian Railways as a whole. The Board have accordingly furnished the following figures:

Railways	1968-69
Central	79.30
Northern	83.40
North Eastern	109.51
Northeast Frontier	140.87
Southern	99.69
Indian Railways as a whole	82.62

"It would be observed that the operating ratio of the Indian Railways as a whole as also that of the Central, Northern and North Eastern Railways has shown an improvement while that of the Northeast Frontier and Southern Railways has risen. The increase in the operating ratio of the Northeast Frontier Railway during 1968-

69 was chiefly the result of floods and breaches in the part of the country served by that Railway which disrupted traffic and caused a fall in the passenger and goods earnings and simultaneously involved heavy expenses by way of flood repairs and restoration works. The increase on the Southern Railway was marginal."

1.65. The Committee observe that there was a general deterioration in the operating ratio of all Indian Railways during 1967-68 as compared to the previous two years. The deterioration on Central, Northern, North-Eastern, Northeast Frontier and Southern Railways was particularly marked. While the Committee realise that a number of factors beyond the control of the Railways viz. increase in D.A., rise in cost of coal, natural calamities etc. did affect the financial working of the Railways, they consider that there are certain areas where improvement can be effected through better house-keeping and more intensive utilisation of assets. The Committee have, in para 1.70 of their 60th Report suggested that the Railway Board should carry out periodical reviews of the working of the various Railways from the point of view of overall financial results. They trust that such reviews will enable the Railway Board to identify promptly the areas where unwarranted increases in expenditure occur and to take effective steps to control them.

Advances from the Contingency Fund of India

Audit Paragraph

1.66. An advance from the Contingency Fund of India sanctioned on 31st March, 1967, to cover certain expenditure already known to Ministry was commented upon in para 6 of the Audit Report, Railways, 1968. During the year under report, the Ministry of Railways sanctioned advances from the Contingency Fund of India aggregating Rs. 1.66 lakhs to cover certain decretal payments chargeable to Grant No. 7—Revenue-Operation (Fuel) and Grant No. 15—Open Line Works—Capital, Depreciation Reserve Fund and Developmental Fund. The advances were sanctioned on the 31st March, 1968; but the actual expenditure exceeded the advance by Rs. 1,259. The Diesel Locomotive Works Administration made payments totalling Rs. 1.03 lakhs in respect of cases in which the judgements of the court were passed prior to September, 1967 while in one case relating to Western Railway which made a payment of Rs. 0.17 lakh, the judgement of the court was passed on 29th June, 1967. The expenditure amounting to Rs. 1.20 lakhs by these two Administrations cannot, therefore, be considered as unforeseen in terms of the provisions of the Contingency Fund of India Rules.

[Paragraph No. 7—Audit Report (Railways), 1969.]

1.67. The Committee enquired when the liabilities were brought to the notice of the Railway Board for the first time and whether the Board considered the feasibility of obtaining supplementary appropriations. The Ministry have in their reply stated as follows:

“The liabilities were brought to the notice of the Ministry of Railways for the first time towards the end of February, 1968, through the final modifications advised by the Railway Administrations. There was not sufficient time to cover this expenditure through Supplementary appropriations authorised by the Parliament before the close of the year and there were only two alternatives, namely to leave the expenditure uncovered resulting in an excess over the appropriation or to cover the expenditure by taking an advance from the Contingency Fund. Payments in respect of court decrees etc. which are classified as “Charged” cannot be left uncovered once they come to notice, and as soon as “Charged expenditure” is incurred it has to be covered by necessary provision under the relevant “Charged Appropriation”, by taking a supplementary provision, if possible, and if for any reason it is too late for a supplementary demand, an advance has to be taken from the Contingency Fund so that the expenditure may not remain uncovered. In either case the expenditure is duly brought to Parliament’s notice when supplementary “charged appropriation” is taken either in the same year or during the subsequent year, to resume the amount of the advance to the Contingency Fund. “Since there was no time to process the case for a Supplementary Demand in Parliament, the alternative of taking an advance from the Contingency Fund was adopted. Such a course of action was considered to be correct and not against the provisions of the Contingency Fund of India Rules.”

1.68. The Committee enquired why the concerned Railway Administrations failed to ask for suitable provisions immediately after the decretal payments were known to them. In a note on this point, the Ministry have clarified that “In the case of the D.L.W., the payments were made on different dates during 1967-68. The payments made upto January, 1968 were initially classified by the D.L.W. Administration erroneously as ‘Voted’ as they were additional sums over and above the Land Acquisition Officer’s Award. After a review was made in February, 1968, however, a decision was taken to allocate the expenditure under ‘charged appropriation’ and provision of funds was accordingly asked for in the Final Modification.

"In the case of the Western Railway, the payment was made in September, 1967 but the necessary provision was omitted to be made under the relevant 'charged appropriation' in the Revised Estimates for 1967-68 due to a clerical error in the Divisional Office. This came to notice only during the review of expenditure at the time of preparation of the final estimates for the year."

1.69. The Committee further asked whether the Railway Board had required under what authority the D.L.W. Administration exceeded the advance sanctioned from the Contingency Fund and what steps had been taken to avoid recurrence of such irregularities in future. Explaining the position in this regard, the Railway Board have stated that "An advance of rupees one lakh was sanctioned for D.L.W. as asked for by that Administration. The actual expenditure booked, however, was Rs. 1.03 lakhs. The matter has been investigated. It has transpired that it was only in the month of July, 1968 at the time of finalisation of accounts of March, 1968 that the actual amount of adjustment on 'charged' account was worked out at Rs. 1.03 lakhs. The Administration accordingly booked the amount against the available allocation of Rs. one lakh. Instructions have since been issued by the D.L.W. Administration to ensure proper allocation and provisioning of funds under 'charged appropriation'.

"Instructions have also been issued to all Railway Administrations that the expenditure in a year's accounts should in no case exceed the amount of advance from the Contingency Fund sanctioned therefor before the close of the year."

1.70. The Committee observe that the Railway Board had recourse to advances aggregating Rs. 1.66 lakhs from the Contingency Fund of India on 31st March, 1968 i.e. the last day of the financial year, to cover certain expenditure which had been incurred by the Zonal Railways 7 to 9 months earlier. Due to certain omissions that occurred, the necessity for obtaining a supplementary amount for these items of expenditure escaped notice. The Committee trust that omissions of this nature will not recur. It should also be impressed upon all the Railways that the Contingency Fund is meant to cover only unforeseen expenditure and not be meet known liabilities that arise in the course of a year which have to be provided for by re-appropriations or supplementary demands for grants.

Undercharges in earnings

Audit Paragraph

1.71. Short recovery of freight charges noticed during accounts and audit checks are recoverable from consignees or station staff

responsible. The outstanding undercharges due for recovery during the last four years were as under:

(In lakhs of rupees)

	Total amount of undercharges detected by Accounts or Audit during the year	Total amount recovered or written off during the year	Total amount outstanding at the end of the year
1964-65	156	162	79
1965-66	244	192	131
1966-67	227	198	160
1967-68	277	225	212

1.72. While on the Northern, North Eastern and Southern Railways, clearance and accrual of these charges kept pace, the progress made on the Central, Eastern and Western Railways was unsatisfactory. The total outstanding undercharges at the end of 1967-68 on the latter three Railways together constituted Rs. 124 lakhs.

[Paragraph No. 9—Audit Report (Railways), 1969.]

1.73. The Committee enquired about the reasons for the steep increase in the total amount of undercharges detected during the four years ended 1967-68. The Railway Board have stated in a note that the main reasons were the following:

- (i) The progressive increase in earnings during this period which works out to 23.7% over 1964-65.
- (ii) The introduction of an integral procedure for the internal check of traffic revenue transactions using unit record equipment from 1963-64 and computers from 1966 to catch up with the enormous increase in the work in the light of increasing traffic. Under the mechanised procedure invoices are subjected to 100 per cent check of calculations as compared to only a percentage check made before mechanisation.

1.74. The increase in the amount of undercharges *vis-a-vis* the traffic actually moved during each of these four years, will be clear

from the percentage of undercharges detected to the total earnings audited as under:

1964-65	0.23
1965-66	0.33
1966-67	0.34
1967-68	0.34

1.75. In reply to a question regarding reasons for the slower clearance of the outstanding undercharges on the Central, Eastern & Western Railways, the Railway Board have furnished the following explanation:—

(i) *Central Railway:*

Consequent on the formation of the S. C. Railway, the Traffic Accounts Branch of the residual Central Railway had to be shifted from Secunderabad to Bombay. As the majority of the staff employed in the Traffic Accounts Branch at Secunderabad did not opt to come to Bombay, it became necessary for the Central Railway to fill up the posts in the Traffic Accounts Office at Bombay from other sources, and in this process it was possible to make staff available for this work only by stages and out of surplus hands released by other Departments which did not always match the requirements. This resulted in some delay in the Accounts Office in the scrutiny of replies received from stations.

(ii) *Eastern Railway:*

While it is true that the progress made on Eastern Railway during 1967-68 was unsatisfactory, the position during 1968-69 has markedly improved as will be evident from the fact that the percentage of undercharges recovered or written off during the year to the total earnings has come upto 0.20% as compared to 0.07, 0.05 and 0.02 in 1965-66, 1966-67 and 1967-68 respectively.

(iii) *Western Railway:*

The accretion and accumulation during the year was mainly due to abnormally heavy undercharges to the tune of Rs. 3218 thousands being raised against Panel station for charging crude oil at increased (old) rates instead of at the revised rates and Rs. 3 lakhs being detected as due on account of siding demurrage on Box type wagons and on cement clinkers during the year.

1.76. The Committee enquired about steps being taken to clear the outstanding and the present position in this regard. The Railway Board have stated that the Member, Finance (Accounts) has demi-officially impressed upon the General Managers the need to launch a special drive for prompt clearance of undercharges detect-

ed as clearance becomes difficult later on for want of relevant documents. Further, it has also been suggested that the detailed examination of outstandings should be conducted at Junior Administrative level by Accounts and Commercial Officers a few days before the Heads of Departments meeting and the results of the examination made available for discussion at the monthly meeting of Heads of Departments for initiating appropriate remedial action in time.

1.77. The present position of outstandings is that, out of the total amount of Rs. 211.72 lakhs outstanding on this account on 31st March, 1968 a sum of Rs. 147.02 lakhs has been cleared bringing down the figure to Rs. 64.70 lakhs as on 31st October, 1969. The Railway-wise break-up is as under:—

Statement showing the position of undercharges in earnings
outstanding on the various Railways

(Figures in thousands)

S. No.	Railways	Position of outstandings	
		As on 31-3-1968	Amount still out- standing out of Column 3(a). As on 31-10-1969
		(a)	(b)
1.	Central	2708	150
2.	Eastern	4076	1982
3.	Northern	1171	218
4.	North Eastern	917	495
5.	North-east Frontier	2139	1511
6.	Southern	397	106
7.	South Eastern	2684	1219
8.	South Central	1449	138
9.	Western	5631	651
	TOTAL	21172	6470

1.78. The Committee note that the position regarding recovery of freight under-charges has improved since the Audit Report was presented. The undercharges for recovery as on 31st March, 1968 amount to Rs. 211.72 lakhs and out of this a sum of Rs. 147.02 lakhs had been cleared as on 31st October, 1969. The position on Eastern and Western Railways however is not quite satisfactory in as much as the pending amounts are still as high as Rs. 20.94 and Rs. 49.80 lakhs respectively. The Committee would like the Railway Board to take special steps for the expeditious clearance of the outstanding amounts.

II

UTILISATION OF ASSETS

Efficiency in wagon utilisation

Audit Paragraph

2.01. The quantum of goods traffic moved per wagon day decreased on the Broad Gauge (which accounts for 80 per cent. of the originating goods traffic) as shown below:—

Year	Net tonne K.Ms. per wagon day
1960-61	998
1965-66	940
1966-67	899
1967-68	895

[Paragraph No. 11—Audit Report (Railways), 1969.]

2.02. According to the data given in the 'Review of the performance of Indian Government Railways' (February, 1969), the following were the indices of wagon utilisation on the broad gauge:

	1960-61	1965-66	1966-67	1967-68
1. Wagon Km. per wagon day (in terms of 4-wheelers)	76.9	73.2	70.3	72.2
2. Net tonnes Kms. per wagon day (in terms of 4-wheelers)	99.8	947	899	895

2.03. During evidence, the Committee drew the attention of the representative of Railway Board to the deterioration in performance as reflected in these indices and to the observations made by a Study Team of Administrative Reforms Commission that the deterioration was due to surplus wagons (which resulted in their being idle), apart from increased detentions at marshalling yards, steel plants and coal washeries.

2.04. The representative of the Ministry stated during evidence that wagon Kms. per wagon day do not correctly reflect the efficiency of wagon utilisation. They are useful for assessing the mobili-

ty of wagons but not their productivity, as they do not incorporate the effect of loaded to empty running ratio of wagons. Output per wagon could be better appreciated by looking into the figures of net tonne Kms. per wagon day, which, during the busy period—October to March, had registered an improvement during 1968-69 as compared to previous years, the relevant figures being as follows:

1963-64	1044
1967-68	1016
1968-69	1049

2.05. Explaining the reasons for deterioration in 1967-68 as compared to the previous year, the representative of the Ministry stated that this was because of enough traffic not being forthcoming due to the recession and the effects of civil disturbances like bundhs, hartals etc. He stated that the number of major incidents of civil disturbances was 36 in 1967 as compared to 19 in 1966.

2.06. The Committee asked for indices of wagon utilisation (net tonne Km. per wagon day) on the Western, Northern, Central and Southern Railways. They have been furnished and are tabulated below:

Year	Western Railway	Northern Railway	Central Railway	Southern Railway
1965-61	1371	1228	1409	762
1965-66	1192	921	1224	644
1966-67	1097	909	1018	721
1967-68	1092	862	902	646
1968-69	1010	913	890	653

2.07. The Committee enquired about the reasons for the pronounced deterioration in the efficiency of wagon utilisation on these four Railways. The representative of the Ministry replied that so far as the Central Railway was concerned, the South Central Railway was carved out in October, 1966. Therefore, the figures for 1966-67 and 1967-68 were not quite comparable. However, the major factor affecting the normal operation of all these Railways was the congestion on the Grand Trunk route because of the drought and famine conditions in Bihar and U.P. which necessitated huge imports of foodgrains. The loading of foodgrains at Madras Port increased from 1,08,000 tonnes in 1965 to 1,31,000 tonnes in 1966 and 7,83,700 tonnes in 1967. This heavy movement of foodgrains towards the North naturally created a great congestion on the North-South route and thereby the other traffic in this area was greatly slowed down. The witness further stated that in the Bombay Division, there had been an increase in suburban traffic. Besides, the Koyana relief traffic was at a high peak in 1967-68 because

of which there was a hold up of other traffic. Another factor was that between Igatpuri and Bhusaval, they had DC traction. The DC locomotives were 40 years old and needed to be replaced. As these were going to be manufactured at Chittaranjan in about a year or so, their import had been stopped. The DC position in Bombay Division was, therefore, had in 1967-68. As against 20% engines being out of commission in 1966-67, this percentage had gone upto 28 in 1967-68.

He added that on the Bhusaval Division traffic had to be slowed down because electrification of Igatpuri-Bhusaval section was going on. Besides, there were certain other factors as well, e.g., water scarcity in summer, increase in the number of trains on other routes, troubles due to famine in the area covered by the Bhusaval Division and disturbances caused due to the activities of the Shiv Sena etc.

2.08. On his attention being drawn to the conclusion of the Study Team of the Administrative Reforms Commission that the causes leading to the deterioration in the efficiency of wagon utilisation were all remediable but that the Railways did not take effective steps to remove them, the representative of the Railway Board stated that a special study of the position had been made by their Statistical Directorate.

2.09. From a copy of the Report which was made available by the Railway Board, the Committee observe that the following factors affected the overall position of utilisation of wagons:

- (i) There was a marked change in the pattern of movement of foodgrains with heavier import of foodgrains during the period 1965-66 to 1967-68 as compared to 1960-61 and an increase in the average lead of foodgrains. These imported foodgrains (as also fertilisers) which were received at Madras and Kandla Ports had to be despatched to distinct consuming centres in Bihar and U.P. necessitating movement of empty wagons over long leads to ensure a regular wagon supply at the Ports and provide most expeditious despatch of foodgrains to scarcity areas. "These long lead irrational movements increased empty haulage as the wagons after unloading in the North had to be hauled empty to the South for back loading."
- (ii) On account of drought there was marked decrease in offering of other goods traffic originating from Northern and Western parts of the country as a result of which the coal wagons going to these areas had to be returned empty thereby adversely affecting the net tonnes kilometres per wagon day.
- (iii) The average lead of total public coal decreased from 664 in 1960-61 to 571 in 1965-66, 540 in 1966-67 and only recovered slightly to reach 589 in 1967-68. As against a

figure of 30.9 million tonnes of originating coal for public use (excluding coal for railway use) in the year 1960-61, the figure was 46.4 in 1965-66, 46.3 in 1966-67 and 47.6 in 1967-68. With this progressively increasing coal traffic coupled with a progressively decreasing lead showing a radical change in the distribution pattern and the simultaneous increased empty return as mentioned above, the net tonne kilometres per wagon day was adversely affected.

- (iv) The sudden pause in the growth of railway freight transport due to slower rate of growth in the coal and steel industries depressed wagon mobility during 1964-65 to a very great extent. There was a slight improvement in 1965-66 when the traffic picked up again but the slackening in the rate of industrial growth and lean agricultural production again adversely affected the utilisation index of the wagons in 1966-67 and further in 1967-68. It may be stated that in 1966-67 against the anticipated additional originating traffic of 11 million tonnes there was actually a drop of 1.4 million tonnes and as a result thereof, the wagons on line remained in excess of demand.
- (v) The productivity index was also adversely affected by slackening in the demand for wagons as a result of non-materialisation of traffic as shown by the following figures of outstanding registrations at the end of 1960-61 and 1967-68:

	outstanding registration	
	1960-61	1967-68
Broad Gauge	146100	10647
Metre Gauge	58300	22257

Reduction in the outstanding indents (which have been kept low since 1967-68) also affected net tonne Kms. per wagon day. With outstanding indents for one and a half lakh wagons, the Railways could always pick up the traffic easily available at the unloading point and form maximum blockloads. With the indents dropping, such selective loading is no longer possible and odd indents outstanding at the farthest corner have to be picked by working empties and clearing loads piecemeal. Moreover, in their attempt to clear all outstanding indents the Railways have to reach the 'hard core' of indents by limited routes, and difficult transshipment points which were skipped so long for non-availability of sufficient wagons.

Apart from the above, other broad reasons for reduced mobility and productivity of the wagons were:

- (a) heavy dislocation to rail movement on account of civil disturbances and agitations;

- (b) inadequate supply of labour at sensitive transshipment points like Sabarmati and Viramgam due to failure of contractors;
- (c) inadequate development of terminal facilities for handling of heavy BOX rakes of coal and foodgrains.

2.10. In regard to the Central, Northern, Southern and Western Railways, the Report prepared by the Statistical Directorate of the Board indicates the following reasons for deterioration:

Central Railway

- (i) reduction in overall cross traffic from 24 per cent in 1960-61 to 18.5 per cent in 1965-66;
- (ii) drop in traffic demands as revealed by the drop in outstanding registrations from 15,259 as on 31.3.1961 to 6,132 as on 31.3.1966;
- (iii) increased detention in some of the yards on the Central Railway due to traffic outstripping the capacity;
- (iv) unsatisfactory electric power position in the beginning of 1967-68;
- (v) spurts of heavy traffic on the GT route; and
- (vi) higher incidence of sick wagons.

Northern Railway

- (i) Increase in traffic density, i.e., train Kms. per running track Km. per day from 17.8 in 1960-61 to 18.2 in 1967-68 resulting in heavy concentration on certain congested routes in Allahabad and Delhi Divisions;
- (ii) drop in demand from traffic—the outstanding registrations fell from 10,455 as on 31.3.1961 to 764 as on 31.3.1968. This reduced back loading and increased empty haulage;
- (iii) proportion of cross traffic to total traffic fell from 30 per cent in 1960-61 to 26.4 per cent in 1967-68;
- (iv) limited terminal capacity which could not readily absorb the increased loaded traffic to Northern Railway during the intervening years with resultant overlap and detention;
- (v) unsatisfactory performance of old diesel shunters in Delhi division and shortage of running staff and unloading labour in winter;
- (vi) disruption of communications on Moradabad, Lucknow, Delhi and Ferozpur divisions and partly on Allahabad Division on account of theft of copper wires.

Southern Railway

- (i) Transfer of Vijayawada Division to South-Central Railway depressed the overall figures of mobility;
- (ii) heavy receipts of inward traffic particularly in Olavakot Division also affected mobility;
- (iii) drop in traffic demand from 33,931 in 1960-61 to 3,555 in 1965-66; and
- (iv) 'sudden' pressure on movement on the Cochin-Shoramur Section due to commissioning of the Cochin Refinery which caused a chain reaction.

Western Railway

- (i) There was drop in speed from 17.6 in 1960-61 to 16.6 Kms. per hour in 1967-68 due to progressive increase in traffic by some saturated routes like via Bhopal, via Mathura, via Dadar etc.;
- (ii) the demand for wagons dropped on account of slackening tempo of economic activities and the outstanding registrations which were 5762 on 31.3.1961 dropped to 3903 on 31.3.1968;
- (iii) the detention to wagons increased in certain marshalling yards due to heavy arrivals;
- (iv) there were labour difficulties at the transshipment points and the transshipment of coal in Ahmedabad area could not be kept upto a level consistent with the heavy inward receipts due to poor removal by parties resulting in hold up of loaded stock in Baroda Division; and
- (v) there was heavy receipt of BOX wagons loaded with coal which resulted in increased wagon detention at the terminals.

2.11. The Committee called for a detailed statement showing the detentions in major marshalling yards, terminals, break of gauge transshipment points, washeries and steel factories month-wise for 1966-67 and 1967-68. The information furnished by the Ministry in this regard is given in Appendix II to this Report. The Ministry have also forwarded a list of civil disturbances which affected Railway operations during 1966-67 and 1967-68. In this regard they have, however, stated:

"While the Railway operations are severely affected due to these various incidents of civil disturbances like Hartals, Communal riots, lock-outs, strikes, passenger demonstrations etc., it is not possible to make an assessment of the actual extent of effect of each on detention in individual

marshalling yards, terminals etc. The effects of these dislocations are not confined to the local areas only nor are they confined to the period of such disturbances as the suspension of services and the consequent hold-ups take days to clear and the effects spread hundreds of Kms. beyond the place of occurrence. In many cases, such incidents result in stabling of a large number of loads at convenient points short of the affected area rather than in the form of increase in detention at terminals. Whenever the railway operations are dislocated due to any unusual occurrence, efforts are made to keep the marshalling yards, terminals, etc., fluid by keeping the wagons stabled at convenient points, so that other normal operations in the yards are not impaired."

2.12. From the information furnished by the Railway Board, the following position emerges:

- (1) In 8 out of 18 marshalling yards, the average detention of wagons increased in 1967-68 as compared to 1966-67. The yards were New Katni, Arkonam, Kalyan, Khan Alam-pura, Kanpur, Tughlakabad, Vijayawada and Baroda.
- (2) In 3 out of 10 terminal stations, the average detention similarly increased. These were Howrah, Sealdah and Delhi.
- (3) In 10 out of 17 break of gauge transshipment points the average detention in 1967-68 exceeded than in 1966-67. These points were Ghorpuri, Bhatinda, Garhara, Arkonam, Baiyyappanahalli, Trichinopoly, Secunderabad, Tedapalli, Agra East Bank and Viramgam.
- (4) With some exceptions, there was increase in detention of wagons in various steel plants, particularly at Rourkela.
- (5) In one of five coal washeries (Santaldih) the detention registered a very sharp rise in 1967-68 as compared to 1966-67.

A note given by the Railway Board explaining the reasons for increased detentions is at Appendix III.

2.13. The Committee asked for data showing percentage of empty wagon Kms. to total wagon Kms. during each of the years 1966-67 and 1967-68. The information furnished by the Ministry is tabulated below:

	1966-67		1967-68	
	BG	MG	BG	MG
Percentage of empty wagons Kms. to total wagon Kms.	30.9	28.3	31.6	29.3

2.14. During evidence, the Committee enquired from the representative of the Railway Board how it was ensured that there was no empty haulage or that wagons did not run with less than full loads. The witness replied that no empty wagons were unnecessarily hauled and that except in the case of smalls traffic no wagons were allowed to run with less than the minimum prescribed load. Asked if that was so, why the percentage of empty haulage was going up, he stated that this was "due to various operating conditions and due to the use of more and more specialised wagons like box wagons, petrol tank wagons etc." As the Northern and Western routes were congested, coal and foodgrains were being moved in train loads of 3200 to 3600 tonnes instead of only 1000 tonnes as hithertofore so as to save on section capacity. Further asked if this had helped in reducing the cost of transportation, he affirmed that at constant prices, the cost had come down. In terms of staff output measured in traffic units, the figure had improved from 1,47,000 in 1960-61 to 1,72,000 in 1967-68. However, because of increased dearness allowance and increase in the cost of steel and coal, the cost of transportation had also gone up.

2.15. Explaining the reasons for increase in empty haulage in 1967-68, the Railway Board have in a note stated as follows:

"Increase in empty haulage in 1967-68 is attributable to the following factors:

- (a) Increased movement of imported foodgrains and fertilizers from the Madras and Kandla Ports to distant consuming areas in Bihar and U.P. to meet famine conditions, necessitating movement of empty wagons over long leads to find sufficient empties at these points for loading. The magnitude of the problem can be judged from the following comparative figures:

Port	Despatches to U. P. and Bihar (in 000 tonnes)		
	1965	1966	1967
Madras (BC)	108.4	131.7	783.7
Kandla (MG)	397.7	454.4	539.0
	506.1	586.1	1322.7

- (b) Owing to two seasons of drought, there was a marked decrease in offering of other goods traffic originating from the Northern and Western parts of the country. Loading on N.E. Railway in 1967-68 was 2533 wagons per day against 2823 wagons in 1966-67. Broad Gauge outstanding indents on Northern and Western Railways on 31-3-68 were 764 and 3903 wagons against 1320 and 6106 wagons respectively on 31-3-67. On N.E. Railway the outstanding indents were only 1182 wagons on 31-3-68

against 2900 wagons on 31-3-67. This resulted in increased flow of empty wagons from these parts to the coal loading railways.

- (c) Increased utilisation of special type of stock for movement of POL, coal, export ore and raw materials to steel plants resulting in the empty movement of such stock in the return direction. Increased movement of these commodities may be seen from the following comparative figures:

	(Million tonnes originating)	
	1966-67	1967-68
POL Products	7.8	8.3
Coal	66.0	66.5
Export ore	7.2	7.7
Raw materials to Steel plants	16.5	17.4

2.16. The Committee enquired whether the Railways had made any assessment of the idle capacity of wagons. The representative of the Railway Board stated that during the slack season quite a sizeable number of wagons (6000 to 7000) were rendered idle. However, during the busy season, e.g., November to March, every wagon was utilised excepting some tank wagons which might be spare because of enough POL traffic not being offered by a refinery. The average number of surplus wagons held in stock during 1967-68 was 3440 on the BG and 15744 on the M.G. As against this, it could be said that when the wagon position became easy, the quality of service improved. The Railway Board have furnished the following statement which shows the daily average number of stabled surplus empties during the years 1965-66 to 1967-68:

Average number of stabled surplus empties for a continuous period of 10 day on move at one place

Month	Broad Gauge			Metre Gauge		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
April	137	4398	973	564	606	756
May	209	4589	1471	464	672	894
June	288	3521	1111	756	612	851
July	291	6985	522	1092	609	1244
August	4577	16977	2494	1555	546	2389
September	6298	16919	10964	2263	1062	3904
October	9674	10213	8176	2238	1397	3697
November	5188	8600	8437	1197	1640	1950
December	6187	3856	2844	762	884	1341

Month	Broad Gauge			Metre Gauge		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
January	11243	2671	936	576	351	741
February	8271	2469	168	624	103	277
March	5287	1186	111	663	373	302

2.17. In this connection the Railway Board have stated that the figures above are only indicative of the fact that there was surplus capacity and do not measure in exact terms the surplus wagons, because under the extant method of compilation only the wagons stabled as surplus for a continuous period of 10 days or more at any one place are accounted for as surplus. In practice wagons may also be stabled as surplus for want of traffic for periods less than 10 days at a stretch in which case they are not included in the statistics of surplus wagons. Moreover, the figures do not reflect the idling of wagons which have to be returned empty from unloading end for paucity of return traffic. If there was sufficient demand a large number of these wagons could have been utilised for back-loading. As for the reasons for such surplus empties, the Railway Board have stated that both in 1966-67 and 1967-68 traffic offering was much below expectation.

2.18. The Committee enquired whether the wagon position could not be kept tight to ensure better utilisation, as surplus wagons would inevitably lead to slackness and a sense of complacency. In a note in this regard the Railway Board have stated as under:

“While it is true that tight wagon holdings may result in more intensive utilisation of the assets, it also affects the Railway's ability to keep the clearance of outstanding indents current with the consequent dissatisfaction of customers. With the tight wagon position in 1960-61, the clearance of the traffic during the busy season was very much in arrears, as would be evident from the figures of heavy outstanding indents on 31-3-1961 given below:

Broad Gauge:	146,100
Metre Gauge:	58,300

These heavy outstandings caused transport shortage all around but achieved better usage of wagons as the Railways could always lift the traffic in bulk from points most suitable. Lower priority traffic suffered heavily during busy season. With improved wagon holdings, the Railways are able to keep pace with the registrations even during the busy season and keep the outstanding indents

within a reasonable limit, as would be evident from the figures of outstanding indents given below:

As on	Broad Gauge	Metre Gauge
31-3-1967	28177	26584
31-3-1968	10647	22257
1-3-1969	26482	11569
31-3-1970	20136	13174

Industries in different parts of the country always complained shortage of wagons prior to 1966-67 as the wagon fleet was not adequate to lift the traffic offered. Such a situation is not conducive to the economic well being of the country. If the clearance of traffic is not made currently, the industries and the consumers suffer and this necessitates wagon fleet having to be maintained to cater for the surge in traffic in the busy season as well. In the slack season, surplus wagons are kept stabled.

"Special types of wagons are procured by the Railways to carry raw materials to and finished products from the Steel Works and also POL products from the refineries. These wagons have to be programmed taking into account the projected production plans of these Steel Plants and Refineries. There is no way out as, if the wagons were not available as per requirements in time, production would have been seriously affected. If, however, production is affected due to labour troubles, machinery breakdown etc., these special stock have to idle as they have no alternative use. Planning and procurement cannot take care of such unpredictable situation.

"Future requirements of wagons are, however, worked out after critical examination of the anticipation of traffic indicated by the Ministries and Industries to avoid excess procurement of wagons. Rolling stock programme of each year is being reviewed frequently before the placement of orders to make such reduction as is necessary to match the variations in traffic anticipations.

"More intensive utilisation of the wagon stock is always kept in view. The position in 1968-69 has shown distinct improvement as may be seen from the following comparative figures:—

	Net tonne Kms. moved per annum per ton of wagon capacity	
	Broad Gauge	Metre Gauge
1966-67	14867	11526
1967-68	14857	11413
1968-69	15083	12079

- efforts to keep the wagon fleet as close to the traffic requirements as possible are being continuously made.

“To ensure better utilisation of Railways’ assets the necessity of keeping the demands evenly distributed throughout the year is also being constantly impressed on the trade and industry. This has had some effect on the coal trade and the demands of coal traffic during the last two slack seasons have been much better than that in the previous years.”

2.19. The Committee enquired whether the Ministry of Railways had undertaken any study with a view to ascertain whether and to what extent the deterioration in the efficiency of wagon utilisation could be attributed to (i) surplus wagon holdings, (ii) imbalance in the type of wagons held, and (iii) change in the lead and pattern of traffic and if so, the measures taken or proposed to improve the efficiency in the light thereof. The Ministry have informed the Committee that a comprehensive study of the type mentioned is in progress and the report will be submitted as soon as it is compiled. However, certain remedial measures in this regard have already been taken both from a short term and long term point of view. These are:—

- (i) Surplus wagons have been gradually absorbed with the increase in traffic.
- (ii) A critical review of operating statistics of the Zonal Railways is being conducted every month in the Board’s office and Railways taken up for deterioration.
- (iii) Work Study Organisations have been set up on different Railways to take up work studies of important marshalling yards and terminals with a view to introducing necessary remedial measures.
- (iv) A review of All India Marshalling Orders has been undertaken to ensure maximum long distance marshalling from the various yards keeping with the changing pattern of traffic to improve mobility as well as reducing detentions at intermediate marshalling yards.
- (v) A day-to-day watch is being maintained in the Board’s office (in addition to Zonal Railway Headquarters) on the movement of trains and stock and traffic regulated for congested areas to avoid detention. Here too, unfortunately, sporadic dislocation to traffic due to civil disturbances (which have become chronic on certain sectors) cannot be forestalled.
- (vi) The question of mechanical loading and unloading arrangements for BOX wagons is regularly being pursued

with major industries and consumers to avoid hold-up of these wagons at loading and unloading points.

- (vii) A critical review has also been made of all the bottleneck areas and required capacity works undertaken on priority basis. Some of the important works undertaken are summarised below:
- (a) Works for increasing the capacity in various marshalling yards and critical sections of the Northern, Central, Western, Southern and South-Central Railways, which severely hampered wagon mobility, are already in progress.
 - (b) To overcome the effect of the inefficiency of the overaged DC electric locomotives on the Bombay Division of the Central Railway, diesel locomotives have been provided on a temporary basis for banking on the ghat sections to improve the throughput. Meanwhile, 57 new DC locomotives, capable of hauling heavier loads, are being procured during the Fourth Plan period to replace overaged locomotives.
 - (c) Diesel traction has been introduced on saturated sections to improve the throughput and speed.
 - (d) Bulk loading in blockrakes is being arranged to the maximum extent so that the loads may move faster to destinations by passing marshalling yards en-route.
- (viii) Quantum of loaded traffic approaching different critical points is being worked out in advance through the medium of computers and the Railways concerned advised for timely action and make special arrangements for early release of the wagons.
- (ix) In case of heavy congestion at different terminals with commodities like Foodgrains, Coal, Fertilizers etc., the State Governments are being regularly approached for assistance in early unloading and removal. Similar contacts are also being made with the Chambers of Commerce and Merchants Associations, etc.

2.20. The Committee have repeatedly been expressing the view that the Railways have surplus wagon-stock. The data now furnished to them by the Railway Board bears out this view.

2.21. Substantial numbers of wagons have been 'stabled' at different points due to lack of traffic. The information given by the Railway Board shows that the 'stabled empties' ranged from 2,000 to 17,000 every year for periods ranging from 5 to 6 months during 1965-66 to 1967-68. Even these figures do not accurately reflect the

extent of surplus wagons, as they do not take note of empty wagons stabled for less than ten days at a stretch. Besides, they show only empty wagons 'stabled', but not those that are hauled. The data given to the Committee shows that such empty haulage has gone up both on the broad gauge and metre gauge in 1967-68 as compared to 1966-67.

2.22. There is still another reason why these figures of stabled wagons cannot be taken as accurately reflecting the surplus wagon capacity in the Railways. Detention of loaded wagons at some of the major marshalling yards, terminals, break-of gauge transshipment points, steel plants and coal washeries has been going up. It is obvious that this situation has resulted in distorting the position of wagon usage and precluded more effective use of wagon stock.

2.23. For the foregoing reasons, the Committee are compelled to conclude that the Railways have more wagons than warranted by the needs of traffic. The Administrative Reforms Commission* have recently expressed a similar view: they have pointed out that the inventories of wagon stock with the Railways "should be drastically cut down". Exact quantification of such surplus wagon-holdings will be a matter of some difficulty with the changes in composition of traffic, leads etc. that keep occurring from time to time. Still the Railways should make a reasonably accurate assessment of the position, so that scarce resources do not get blocked up in fresh acquisition of unnecessary wagons. The Committee would like in this connection to invite attention to their observations in para 1.35 of their Forty-Ninth Report (Fourth Lok Sabha).

2.24. One particular reason why holding of a large cushion of wagons should be discouraged is that it generates a sense of complacency which interferes with efforts to secure optimum utilisation of the stock. As pointed out by the Administrative Reforms Commission these "excessive stocks lead to slackness in utilisation and poor outturn". Besides, as wagon procurement for future requirements is based on indices of current performance, the slackness in utilisation of wagons, by depressing the indices, leads to inflated estimates of future wagon requirements, with corresponding over-investment.

2.25. The Committee would like the Railways to take concerted measures to improve wagon utilisation. The following steps seem particularly indicated:

- (i) Works studies should be periodically conducted to evaluate the time required for handling of wagons at various points, like marshalling yards, transshipment stations, coal washeries, steel plants and the scope for minimising loading and unloading time through adoption of improved

*"Report on Railways" January, 1970.

practices. Based on such studies, norms should be evolved, with reference to which performance will have to be periodically evaluated. It should be made a specific responsibility of the higher management in Zonal Railways, particularly the Financial Advisers to undertake such periodical evaluations.

- (ii) Appropriate administrative measures should be taken as pointed out by the Administrative Reforms Commission to check unreasonable detention of wagons by customers.
- (iii) Frequent marshalling of trains results in their detention at several points en-route. Goods trains should, therefore, be marshalled for long distances, so that they could skip minor yards and interchange points, which do not constitute terminals for traffic. This is a matter which will need constant study by the Operational Department.
- (iv) Very careful operational research will have to be done so as to bring about a reduction in empty haulage.
- (iv) Very careful operational research will have to be done so deterioration in wagon utilisation. A Study Team of Administrative Reforms Commission pointed out that the average speed of diesel and electric trains, hauling goods traffic, has been in the range of 17 to 26 Kms. per hour and that such low speeds result "in wholly unnecessary waste of power". Though goods trains should, therefore, be scheduled at the maximum permissible speed to be worked out on the basis of trial-runs. Without this, it would not be possible for Railways to regain the traffic they have lost to road transport.
- (vi) Above all, it should be made obligatory for the higher formations in the Zonal Railways, particularly the Financial Adviser, to obtain at frequent intervals reliable data regarding stabling of wagons and examine them, with a view to seeing how the position could be improved.

2.26. The Committee would also like to refer to a disturbing factor interfering with wagon utilisation arising out of the growing incidence of evil disturbances in the country. The Railways have unfortunately been the primary target of such disturbances. From the long list of disturbances during 1966—68 furnished to them, the Committee find that heavy losses are being suffered by the Railways due to bandhs, hartals, etc. The Committee note that a high-powered Committee on Security and Policing on the Railways, which went into this matter, came to the conclusion that "there is a case for amending the law so as to make destruction of railway property a

special offence and to prescribe a minimum punishment for it" and that "likewise there is a case for making under the Railway Act, all obstructions to the Railways, a special offence". The Committee would like these suggestions to be immediately implemented.

South Eastern Railway—Utilisation of imported electric locomotives

Audit Paragraph

2.27. Para 16 of the Audit Report, Railways, 1967 referred to the shortfall in the indigenous production of electric locomotives and the consequent import of 85 electric locomotives at a cost of Rs. 8.4 crores during the Third Plan period, despite which, bulk of the passenger services on the electrified sections had to be run on steam/diesel traction. Further investigations into the utilisation of the imported electric locomotives on the South Eastern Railway revealed that although the anticipated goods traffic had not materialised and it was possible to divert some of the surplus multipurpose imported locos to passenger services at the permissible restricted speed upto 64 Kmph., the Administration delayed the diversion of the same for over a year till December, 1966.

2.28. Stabling of electric locomotives was considered undesirable since insulation level and characteristics of several electrical equipments deteriorated and batteries got discharged, requiring constant attention to keep them in good working order. On the other hand, utilisation of these locos was expected to result in a saving of Rs. 1.29 lakhs (Rs. 0.74 lakh in fuel costs and Rs. 0.55 lakh in operating expenses) per month or Rs. 15.5 lakhs per annum.

2.29. The surplus locos available (after making 15 per cent allowance for ineffective locos) in October, 1965 was 3, which rose to 9 in April, 1966, 15 in May, 1966 and 25 in September, 1966; but electric locos were used for running passenger trains only from December, 1966 (after the level of surplus locos reached 31 in November, 1966) without any alteration in the time table.

2.30. The Administration explained (December, 1968) that the diversion could not be made earlier as the goods traffic trends, particularly in the peak period, had to be carefully watched.

2.31. It may be mentioned that, as stated in the Audit Report, 1967, the traffic (particularly, the coal and mineral traffic) was lagging behind the expectations from the beginning of the Third Plan period. In fact, the Administration approached the Railway Board for according the necessary approval in August, 1965 and again in June, 1966. (The approval was given only when the Administration approached for a third time in October, 1966).

2.32. The Administration further stated that there were a large number of failures in the electric locos which could be controlled only by August/September, 1966.

2.33. It is, however, observed that the loco failures referred to were largely in the WAG class meant to carry only goods traffic and not in the WAM class eventually diverted to passenger services. It may also be mentioned that the South Eastern Railway had, throughout the relevant period, a surplus of about 70 steam locos (equivalent to 7 per cent of the total holdings) to cope with any unforeseen increase in the demands of goods traffic.

[Paragraph No. 40—Audit Report (Railways), 1969.]

2.34. The Committee pointed out during evidence that from the beginning of the Third Plan, the goods traffic that materialised lagged behind expectations. They, therefore, enquired why permission to the South-Eastern Railway to divert some of the surplus electric locos from goods to passenger haulage was so belatedly given. The representative of the Ministry stated that unfortunately the position in this regard was not clearly explained to Audit. He said that there is a distinction between surplus and spare engines. If an engine is under repairs even for a part of the day and it is not utilised, it is treated as spare for that calendar day. On the other hand, surplus engines are those which are spare continuously for one month and these are shown as GRS (in good repair stored).

2.35. In regard to goods traffic being less than the anticipations, the representative of the Ministry stated that this was not the position so far as the electrified sections were concerned. Electrification was done only on sections where the traffic density was heavy. The anticipated traffic on the electrified sections in 1965-66 was 4.7 million tonnes Km. while the traffic that actually materialised was 5.3 million tonnes Km. In 1966-67, however, there was a little shortfall and that was why some electric locos meant for goods traffic were shown as GRS. At that time three more sections were coming up for completion viz. the Kharagpur-Tata section under orthodox doubling, the Howrah-Kharagpur and the Barajamada sections. It was anticipated that there would be greater traffic offering and that the electric locomotive service would be started from October, 1965. This, however, did not materialise.

2.36. The Committee called for details of original anticipation of goods traffic on the electrified and non-electrified sections South-Eastern Railway from 1961-62 to 1966-67 and the actual traffic that materialised together with data about the approved requirement of locomotives, traction-wise, during the same period and the details of locomotives allotted to South-Eastern Railway. The information regarding traffic anticipated and actually moved is tabulated below:

Statement showing traffic anticipated and actually moved under electrified and non-electrified Traction (S.E. Railway):

Anticipated net tonne K.m. Goods including proportion of mixed	Actual net tonne K.M. goods including proportion of mixed
(In thousands)	
ELECTRIC	
Not available	1,937,927
1,991,174	3,350,045
3,350,045	3,929,162
4,130,435	4,631,853
4,723,037	5,233,690
5,687,749	5,169,398
NON-ELECTRIC TRACTION	
not available	13,896,426
14,197,908	12,936,010
13,333,531	12,381,970
14,016,424	13,490,781
14,572,491	15,354,442
16,489,553	15,929,706

2.37. The Railway Board have further furnished the following figures of electric locos kept as 'spare' and 'in good repair stored' (GRS) on South Eastern Railway.

Month	1964-65		1965-66		1966-67		1967-68	
	Spare	GRS Total	Spare	GRS Total	Spare	GRS Total	Spare	GRS Total
April	1	1	1	1	17	17	12	12
May	4	4	1	1	11	8	19	12
June	4	4	3	3	8	10	19	12
July	6	6	3	3	9	10	19	7
August	7	7	5	5	7	9	16	7
September	10	10	5	5	13	12	25	2
October	9	9	6	6	10	15	25	9
November	8	8	5	5	15	16	31	7
December	5	5	9	9	15	15	9	9
January	5	5	9	9	13	2	15	16
February	1	1	8	8	13	2	15	12
March			12	12	10	10	8	8

2.38. The Ministry have explained that "in October, 1965, though 6 locomotives are shown as spare during the month (6 spare would be reduced to 5 after making usual 15% allowance for the ineffective), it is to be stressed that this is an average figure for the month. However, it is ascertained that the number of full day spares was less than 3 on 15 days of the month. Further, there were no full

day spares at all, on five days of this month. A similar position exists in other months also.

“It is, therefore, apparent that the average figure of spare for the month cannot form the basis for any decision to divert locomotives for passenger services. The appearance of small percentage of locomotives under the category ‘Spare’ and ‘GRS’ is inevitable and usual on the Railways.”

2.39. The representative of the Ministry added in evidence that “they were statistical spares”. The locomotives appeared as GRS for the first time only in May, 1966.

2.40. To a question how it was ensured that the surplus engines were kept in good running condition, the witness stated that the batteries which were susceptible to deterioration were charged periodically to keep insulation in good order. No engine was in fact stabled for a long time. They kept changing them so that all the engines were kept in use.

2.41. Explaining the reasons for delay in according permission to the South-Eastern Railway, the representative of the Ministry stated that these locomotives were ‘restricted locos’ fit to run at 40 miles per hour and were, therefore, alright for hauling goods trains. They were a completely new rolling stock designed by a firm in Europe where they did not have 5½’ gauge to try them out anywhere. Therefore, they had to be tried on Indian Railways in the first instance and there was obviously no question of putting them on passenger trains. It was only after the Additional Commissioner for Railway Safety (ACRS) had certified them fit for hauling passenger trains that the permission asked for by the South-Eastern Railway could be given. At the time the request was received from the South-Eastern Railway, correspondence was going on with the A.C.R.S. Trials were conducted by the Research and Designs & Standards Organisation (RDSO) only in November, 1966 and they indicated to the Railway Board that the locos would be fit for running at 100 Km/h with certain modifications. It was, therefore, on 1st December, 66 that the necessary permission was given. He added that the Board considered it unsafe to permit these locos to be utilised on passenger trains pending completion of the trials as the drivers were accustomed to running upto 60 m.p.h. and they might exceed the safe limit of 40 m.p.h.

2.42. The Committee enquired why the suggestion of the South-Eastern Railway to run them at the reduced speed was not considered. The representative stated: “The final responsibility for safety is that of the Railway Board.”

2.43. The Committee called for copies of correspondence exchanged between the South-Eastern Railway and the Railway Board on

this subject. These have been made available to the Committee. These disclose the following position:

- (i) In August, 1965, the South-Eastern Railway approached the Railway Board for sanction for use of electric locomotives for 3 passenger services on two sections—Tatanagar-Adra and Adra-Chakradarpur. The Zonal Railway stated that they "will have 3 WAMI type electric locomotives available to be utilised on passenger services with effect from 1st October, 1965."
- (ii) In September, 1965, the Railway Board sent a wireless message to the Zonal Railway saying that the Board did not approve the proposal for the present.
- (iii) In April, 1966, the Railway Board themselves wrote to the Zonal Railway inviting "proposals... for the utilisation of the spare electric locos... in passenger trains" as "it was noted recently" while "reviewing the position in respect of electric locos spares on each Railway, ... that 14 electric locos were spare on the South-Eastern Railway."
- (iv) The Zonal Railway wrote back to the Railway Board in May, 1966 saying that they "had already recommended to the Board", the electrification of four passenger services on the Adra-Chakradarpur, Tatanagar-Adhra and Tatanagar-Dangoaposi sections.
- (v) In October, 1966, the South-Eastern Railway again wrote to the Railway Board stating that that "a good number of electric locos have been kept as GRS and spare as the anticipated traffic had not materialised" and that it was "undesirable" to keep them "stabled". They pointed out that there would be a monthly saving of Rs. 1.29 lakhs and annual saving of Rs. 15.5 lakhs by introduction of electric haulage of passenger trains and suggested that it be done for 7 services as follows:

S. No.	Train No.	Train	Section for electric haulage
1	315 Up/316	Dn. HWH-ADA-CKP Passenger	CKP-ADA
2	421 Up/422	Dn. Gomoh-ADA-CKP	CKP-ADA
3	321 Up/322	Dn. Tata-Nagpur	Tata-Rou
4	413 Up/414	Dn. Tata-Gua	Tata-DPS
5	411 Up/412	Dn. Tata-RKSN-BJMD	Tata-DPS
6	327 Up/328	Dn. CKP-NGP	CKP-ROU
7	409 Up/410	Dn. HWH-NGP Parcel Express	NMP-ROU

They also said that "the electric haulage of the passenger trains will for the present not result in any acceleration in services and could, therefore, be withdrawn at any time if so required.

- (vi) In December, 1966, the Railway Board approved the fore-

going proposals on the following conditions:

- “(a) It should be ensured that the trains are booked at 36 Kmph corresponding to a maximum speed of 40 Kmph upto which the locos have been cleared for running.
- (b) The speedometers on these locos are correctly maintained and the charts are regularly checked so that any over speeding with passenger trains is detected and suitable deterrent action taken.
- (c) It should be ensured that whenever the electric loco position becomes more difficult or when Howrah-Kharagpur section is energised, it will be possible to withdraw these locomotives for working other important passenger trains.
- (d) Any augmentation of the loads on these trains wherever justification exists, should be permitted only to the extent the steam locos at present in use would be able to haul so that when the electric locos are withdrawn and the trains are again worked by steam power, there is no occasion for reducing the load.”

2.44. As regards the point that the Railway Board were corresponding with the Commissioner of Railway Safety on the question of use of these electric locomotives, the Committee note from the copies of correspondence furnished that the point under correspondence was the question of raising the speed of these locomotives to 100 Kmph/60 m.p.h. On this point agreement was not reached between the Railway Board and the Commissioner of Railway Safety by December, 1966, when the Railway Board gave approval to the South-Eastern Railway for the use of electric traction on passenger services. Besides, the maximum speed at which the use of the locomotive was permitted was well below the speed of 40 Km.p.h. for which the Commissioner of Railway Safety had apparently not raised any objection. His objection was that “it will not be safe to permit a speed higher than 40 Kmph/65 Kmph for this locomotive.”

2.45. The Committee are not convinced by the reasons given by the Railway Board for the delay of over one year that occurred in approving the proposal made by the South-Eastern Railway for diverting spare electric locomotives from goods to passenger services.

2.46. The proposal, which was expected to save annually Rs. 15.5 lakhs on operational expenses, was made by that Railway in August, 1965. It was formulated in the context of developing surpluses in electric loco holdings in that Railway. The proposal was, however, turned down by the Railway Board in September, 1965. In April, 1966, the Railway Board themselves pointed out to the Zonal Railway that a number of their locomotives “were spare” and that steps should be taken for their utilisation on

passenger services. The proposals in this regard, after some further correspondence, were finally approved by the Railway Board in December, 1966.

2.47. It was stated by the Railway Board that the South-Eastern Railway did not have a surplus of electric locos earlier than May, 1966 and that, in any case, the utilisation of these (WAMI) locomotives for passenger services was under correspondence with the Commissioner of Railway Safety. If this was so, the Committee are not able to understand how the Railway Board took the initiative in April, 1966, of asking the Zonal Railway to divert the "spare" (WAMI) locos to passenger services. As regards the question of safety, the Committee find that what was under correspondence with the Commissioner of Railway Safety was the question of use of the WAMI locos at speeds of 100 Km/h and above and that an agreement on this point was not reached with the Commissioner of Railway Safety by December, 1966, when the South-Eastern Railway's proposal for use of these locos on passenger services was approved. In any case, the Railway Board had ultimately authorised the use of these locos at a maximum speed of only 65 Km/h and this could well have been done earlier.

2.48. Later in this Report, the Committee have drawn attention to certain unsatisfactory aspects of the performance of the WAMI locomotives. The Committee do not, therefore, wish to pursue this case further, as it might well be argued that considerations of safety involved in the use of these locos had over-riding importance over other considerations. The Committee, however, trust that the Railway Board will ensure that in future proposals involving operational economies receive the priority they deserve.

Performance of WAMI Locomotives

2.49. The Committee enquired when imported WAM locos were first brought into use on Indian Railways, their normal speed with full load on normal gradients, the reasons for restricting the speeds and the steps taken to rectify the defects noticed. In a note on these points, the Railway Board have apprised the Committee of the following position.

Imported WAM 1 locomotives have been in use on Indian Railways since 1960. The Indian Railways imported 100 of these locomotives from a consortium in Europe. The maximum designed speed of these locomotives is 112 Km/h which can be attained on level and light gradients. Speeds of WAM 1 locomotives with suspension systems as originally supplied were restricted, because cases of excessive vertical oscillation were reported in the higher speed ranges, after the initial running in was completed. After carrying out the trials and investigations in March and April, 1962, the Research, Design & Standards Organisation came to the conclusion

that the excessive vertical oscillations were due to higher stiffness of the main suspension spring. New springs of reduced stiffness were designed by the Research, Designs & Standards Organisation on the basis of parameters arrived at as a result of the tests conducted by the Research, Designs & Standards Organisation in December, 1962 and January, 1963. The locomotive manufacturers supplied new springs to these specifications. All the WAM-1 locomotives were fitted with springs of new design.

2.50. The Committee enquired when the Research and Design Standardisation Organisation was first approached to undertake trials on these locomotives and when these were completed. The Railway Board have given the following information:

“First series of tests carried out by the Research, Designs & Standards Organisation for a quantitative analysis of the riding qualities of the WAM 1 locomotives with suspension system as originally supplied with the locomotives—Tests conducted in March, and April, 1962.

“Second series of tests conducted by the Research, Design & Standards Organisation for a quantitative analysis of the riding qualities of the WAM-1 locomotives with different suspension systems—Tests conducted in December, 1962 and January, 1963.

“Tests conducted by the Research, Designs & Standards Organisation to assess the riding qualities of WAM-1 locomotives fitted with softer springs, on nominated main line sections of South-Eastern Railway, under monsoon conditions—Tests conducted in October, 1966.”

2.51. The Committee called for copies of the correspondence exchanged with the Commissioner for Railway Safety on the question of increasing the maximum permissible speed of the WAM locomotives. The following excerpts from the annual reports of the Commissioner of Railway Safety give a complete account of the developments in this regard:

“*Raising the speed of WAM-1 A.C. Electric Locomotives:* The Indian Railways imported 100 Electric Locomotives of Class WAM-1 A.C. from Messrs Group of Europe. They desired to run these locomotives at 60 miles per hour to haul passenger traffic. The question of raising the permissible speed of the WAM-1 Class A.C. Electric Locomotives (supplied by the Messrs Group of Europe) operating on the Electrified Sections of the Eastern and South-Eastern Railways came up for consideration of the Railway Inspectorate during the year under review.

“These locomotives which were originally authorised to operate at speeds up to 96 Km. p.h. (60m. p.h.) by the Re-

search, Design and Standards Organisation of the Railway Board, had to be restricted to a speed of 65 Km/h (40 mph) only, by the Additional Commissioner of Railway Safety, Eastern Circle, Calcutta, as the riding characteristics of these locomotives at speeds in excess of 65 Km/h (40 mph) were found unsatisfactory. To improve the riding quality, the original springs of the locomotives were proposed to be changed under instructions from the Railway Board.

"The Additional Commissioner of Railway Safety, Eastern Circle, who travelled on the foot-plate of one such locomotive, fitted with new springs at speeds up to 105 Km/h, found that although there was a distinct improvement in riding, the 'rail joint effect' was pronounced on stretches where Joints were low (which low joints are normally encountered) and at speeds above 96 Km/h vertical oscillations appeared to be excessive. This Inspectorate therefore did not permit any increase in speed over 65 Km/h. It was recommended that intensive tests be conducted during the monsoon of 1966 on specially selected bad stretches of Electrified track and the results should be forwarded to the inspectorate to enable a reconsideration."

"In para 17(b) of the Annual Report for the year 1965-66, it was stated that this Commission was unable to agree to the increase in speed of the 100 electric locomotives of type WAM-1 imported from Europe beyond a speed of 65 Km/h. However, when the Railway approached this Commission for higher speed it was recommended that results of intensive tests to be conducted during the monsoon of 1966 on specially selected bad stretches of electrified track should be forwarded to this Commission. Since the Railway Board were keen to run these locomotives at 100 Km/h (60 miles per hour), the Commissioner of Railway Safety was invited for a meeting in the office of the Railway Board on 27th July, 1966. In this meeting, the Railway Board conveyed the impression that there was nothing much wrong with these locomotives, but if the locomotive gave rough riding at any location, the speed of the locomotive could be restricted suitably in these stretches.

"It was made clear to the Board that in the opinion of this Commission, the inherent defect lay with the locomotive, inasmuch as it reacted sharply to track irregularities, which irregularities are a normal feature on Indian Railways and this aspect of the locomotive should, therefore, receive due attention. It was emphasised that having accepted in principle the recommendations of the Pacific

Locomotive Committee of 1938 in regard to the design and commissioning of new locomotives, the Railway Board should not depart from it in this case, particularly in view of the fact that these locomotives have had a 'history' of rough running even at speeds lower than the maximum for which sanction was being sought from this organisation, despite the fact that a certain amount of improvement was effected by changing the original springs.

"Notwithstanding the advice of this Commission the Railway Board decided in December, 1966 to sanction the running of the WAM-1 Electric Locomotives at 100 Km/h (60 miles per hour) based on certain speed trials carried out on the Eastern and South Eastern Railways and certain instrumental trials on rundown stretches of track on the South Eastern Railway in October, 1966. The speed trials conducted on the South Eastern Railway showed unsatisfactory running at speeds round about 80—82 Km/h. In fact the Engineers of the Railway accompanying these trials recorded that on the final run on the Down line between Chandil and Purulia at a speed of 80—82 Km/h. the recurrence of bouncing of the WAM-1 locomotive was so frequent and so persistent that on reaching Purulia apprehensions were expressed as to whether anything had gone wrong with the locomotive, which was visually examined for broken parts, if any. Since nothing was found broken on the locomotive, the trial was repeated over the same section with a WAM-2 locomotive, which negotiated the section satisfactorily. It may be noteworthy that while this Commission passed WAM-2 Electric Locomotive as satisfactory for 60 miles per hour, i.e., 100 Km/h. they could permit only 65 Km. p.h. for WAM-1 locos on account of their inherent defects.

"The Mechanical Engineering Report in which the results of these instrumental trials have been incorporated was noted that while the performance of the WAM-1 locomotives with new springs could be considered as satisfactory on well maintained main lines, for track conditions which obtained in Rajkharswan yard the Research, Designs and Standards Organisation had recommended a speed restriction of 75 Km. p.h. whereas other main line locomotives such as the WP type could run through this yard without any such restriction, i.e., at the maximum permissible speed of the WAM-1 locomotive and this aspect was again brought to the notice of the Railway Board in February, 1967 for the consideration. Nevertheless, the Railway Board in exercise of their over riding powers, authorised

the Railway Administrations to operate these locomotives at the maximum speed of 100 Km. p.h.

"This development could not but be viewed with great concern by the Commission of Railway Safety, and in consideration of the fact constituted a potential hazard to the safety of the travelling public and may involve heavy death roll the matter has been brought through a special Memorandum to the notice of the Central Government in the Ministry of Tourism and Civil Aviation which controls this Commission, with the suggestion that (i) an impartial expert body like the 'Pacific Locomotive Committee' of 1938 be set up to investigate into the operation of WAM-1 electric locomotives at the high speed sanctioned by the Railway Board along with the question of purchase of these locomotives with special reference to specifications, inspections before and after import, trials at the designed speed, etc. (ii) in the event of an accident involving these locomotives, an inquiry into the same be entrusted to a Judicial Court as this Commission have already expressed their apprehensions on the suitability of this class of locomotives in their present form for speeds higher than 65 Km. p.h. and it would, therefore, not be appropriate for an Officer of the Commission to hold a statutory inquiry in this case.

"It may be pointed out that a derailment usually takes place due to a combination of defects in the vehicle and in the track and for this reason the experts treat those two items as the two parts of the same machine for efficiency and safety. Unless, however, these shortcomings show up simultaneously, an accident may not take place. Thus when certain inherent defects are known to exist in a locomotive, no complacency should be entertained just because no derailment has taken place for some time or certain officers found no fault with the engine during their test runs."

"Consequent on divergent opinions, as between the Railway Board and the Commission of Railway Safety, on the performance of Bo-Bo 25 K.V. A.C. electric locomotives, imported from Europe, for the Northern, Eastern and South-Eastern Railways—outlined in paragraph 37, Chapter VI, of the Report on the Working of the Commission of Railway Safety for the year 1966-67—the Ministry of Railways requisitioned the services of Messrs Rendel, Palmer and Tritton, Consulting Engineers, London—

"To investigate and report if the WAM-1 class A.C. electric locomotives fitted with softer springs could, from the

point of view of safe running, be permitted to operate on normal main line track of the Indian Railways at speeds of 105 kilometres per hour'.

“Accordingly, a Team of two Engineers of Messrs Rendel, Palmer and Tritton visited the Eastern Region in September and October, 1967 and carried out extensive inspections and tests. Based on detailed investigations and trial runs carried out by the Team on the Eastern and South-Eastern Railways, the Consulting Engineers made the following observations and recommendations in their ‘Report on the Riding Qualities of WAM-1 A.C. Electric Locomotives.’”

“*The Locomotive:* With the present soft suspension springs, the locomotive riding is considered acceptable upto a maximum speed of 100 Km. p.h. where track conditions are suitable for traffic at that speed, subject to the following provisos:

- (i) A high standard of inspection and maintenance of friction dampers is maintained, with monthly inspections of these parts on all locomotives of this type. Fabric friction pads are replaced before rivet heads are exposed, and guidance is given to staff on condemning limits for these pads.
- (ii) Lateral hydraulic dampers are fitted to all locomotives on passenger working....Arrangements are made for periodic checking on a test rig of these hydraulic dampers.
- (iii) Continued vigilance is exercised over the observance by drivers of all speed limits imposed on the track.
- (iv) Suspension springs should not be manufactured from Silicomanganese steel ‘black’ bar as the dynamic stress ranges on track not in best condition, are above the desirable limit for ‘black’ bar. For springs manufactured from Silico-manganese steel ground bar, random dynamic stress cycles above the desirable limit occur on track not in best condition. A high standard of manufacture of these springs should be maintained through stringent inspection.
- (v)A modification to the extant design of ‘Friction Dampers’ to incorporate a longer spring would be beneficial.”

“*The Track:* The track and formation drainage in the cuttings and station yards seen during the visit of the Team is not upto the standard ‘for the heavy traffic carried’ and the

maximum speed envisaged 'this matter should be rectified before June, 1968....'

"The speed of 100 km. p.h. already authorised on certain sections may continue with necessary restrictions provided track improvements—increasing sleeper density by June, 1968, relaying of 90 lb. rails with 52 kg/m rails by March, 1971, and making up the depth of clean ballast below sleeper to 25 cm. minimum—are carried out.

"The maximum running speed of WAM-1 locomotive should not be increased to 105 km.p.h. until 'the track improvements' as suggested 'have been completed'.

* * * * *

"The Commission of Railway Safety conveyed to the Railway Board its considered views on the Observations and Recommendations made by the Consulting Engineers and desired to be advised on action taken regarding improvements suggested both in respect of the WAM-1 locomotive and track maintenance standards. The Railway Board intimated that such of the Recommendations of the Firm as were found acceptable have been implemented.

"The Commission of Railway Safety has not received any adverse report on the riding quality of the WAM-1 locomotives since the Railways carried out the recommendations made by the Consulting Engineers. The Commission, therefore, considers that these locomotives are fit to run at 100 km.p.h. over such sections where they are permitted."

2.52. The Committee are not very happy with the performance of imported WAM-1 locomotives. 100 of these locomotives were purchased from a firm in Europe and commissioned from 1960 onwards. Though these locos were designed for a speed of 112 kilometres per hour on level and light gradients, safety considerations made it necessary to restrict their speed for a long time. In fact the locomotive was originally chased from a firm in Europe and commissioned from 1960 onwards later the speed had to be restricted to 40 miles per hour (65km. per hour) due to what the Additional Commissioner of Railway Safety described as "poor running on main line track." Extensive trials with the locomotive had to be conducted by the Research, Design and Standards Organisation of the Railways over a period of four years from 1962 to 1966. As a result of these, substantial modifications were made to the locomotive by changing the original springs and modifying other suspension attachments with a view to improving its riding characteristics. Still the Commissioner of Railway Safety remained reluctant to permit higher

speeds up to 100km. p.h. at which the Railway sought to operate them in view of what he characterised as the "history of rough running" of the locomotive "even at speeds lower than the maximum for which sanction was being sought." Notwithstanding this, the Railway Board decided to operate these locomotives at this speed—a decision which the Commissioner of Railway Safety described as "a potential hazard to the safety of the travelling public." It was only after a team of foreign consultants was called in to inspect the locomotives and they cleared them, subject to certain modifications in the locomotives and improvements to be effected in standards of its maintenance as well as the conditions of the track, that the controversy between the Railway Board and the Commissioner of Railway Safety was ultimately resolved.

2.53. The Committee have reasons to apprehend that the operation of these locomotives might entail substantial cost to the Railways. The Report of the consultants calls for the provision of lateral hydraulic dampers, a change in the design of friction dampers, a high standard of their inspection and maintenance, use of better quality springs, besides substantial track improvements. Apart from the cost, certain safety considerations would also appear to be involved, as one of the conditions stipulated by the consultants is that "continued vigilance should be exercised over the observance by drivers of all speed limits imposed on track."

2.54. The Committee would like a comprehensive and independent investigation to be made into the circumstances under which the purchase of such defective locomotives was made. The investigation should be to ascertain when the defects in the locomotives came to notice, whether adequate action was taken to stop further supplies after these defects were noticed or to obtain rectification of the defects and what it is going to cost to ensure compliance with the conditions stipulated by the consultants for the operation of these locomotives at higher speeds. It would also be necessary to examine how best operational procedures could be improved in the Railways operating these locomotives so as to ensure that the safety of the travelling public is not jeopardised.

Overall position of utilisation of electric and diesel locomotives.

2.55. The Committee drew the attention of the representatives of the Railway Board to the observations made by the Study Team of the Administrative Reforms Commission that "the output of diesel and electric locomotives is low". The Study Team had also drawn attention to the high percentage of electric engines under repairs in certain Railways, "the multiplicity of types of electric engines and consequent maintenance problems" and certain "design defects" in locomotives imported from one country. The representative of the Railway Board stated that so far as imported electric locomotives were concerned, they had "teething troubles with al-

most all the new locomotives and other new stock when they were received." For instance, in the Japanese locomotives, there was trouble with the springs. After modification of springs, they were certified fit for running at 100 Kmph. In regard to engines manufactured in the CLW, they had difficulties mainly with indigenous items like compressors etc. Previously these items were imported. Difficulties arose when they tried to develop them within the country. These failures had since come down but certain items were even now giving trouble in spite of the fact that the indigenous manufacturers had taken them up 1-1/2 to 2 years back.

2.56. The Committee called for a list of electrical loco failures separately for imported locos of WAM class and CLW manufactured locos. The Railway Board have accordingly furnished the following figures of loco failures:

	WAM	WAG	TOTAL
1964-65	55	48	103
1965-66	23	133	156
1966-67	7	88	95
1967-68	4	88	92

2.57. In a further note on this subject, the Ministry have catalogued the major defects noticed in various types of imported and indigenous electric locos and the action taken to rectify them. The statement is at Appendix IV to this Report.

2.58. The Railway Accidents Inquiry Committee (1968) made the following observations about failures of diesel and electric engines:

"Failures of diesel and electric engines: The kilometrage per diesel engine failure during 1967-68 on some of the Railways was about 1.2 lacs on the broad gauge and about 69 thousand on the metre gauge. The largest number of diesel engine failures were due to defective material on both the gauges. The kilometrage per electric engine failure during 1967-68 on the Eastern, the Northern and the South Eastern Railways were 82,397, 31,974 and 1,08,996 respectively. These performances are obviously on the low side. The need for efforts to improve the performance of diesel and electric engines is, thus, clearly indicated."

2.59. The Committee pointed out that a special team of engineers under the Efficiency Bureau of the Railway Board had made a comprehensive study of the economics of electrification vis-a-vis dieselisation. They had come to the conclusion that on a section with gradients ranging upto 1 in 200, a diesel or electric locomotive should give an output of about 700 kilometres per day per engine

on line and this should be the objective to be pursued by the Railways. The representative of the Railway Board stated that the utilisation of the engines was improving gradually and in fact in some sections, it had exceeded the targets laid down. However, the attainment of this target depended upon the availability of traffic on a particular section. Therefore, where the traffic density was low, they had still to come up.

2.60. The Committee called for a note showing the targets and actual performance of electric locos on the electrified sections of various Railways during 1968-69. The Railway Board have indicated the position as follows:

Performance of locos

Railway	Kilometres' day locomotive on line (good).				
	C	E	N	SE	SE
Target	140	420	355	200	315
Actual performance in 1968-69	135	351	262	174	284

2.61. The following table shows the engine kilometrage achieved on different gauges for diesel as well as electric traction during the three years ending 1968-69:

Engine Kms. per engine day on line.	1966-67		1967-68		1968-69	
	BG	MG	BG	MG	BG	MG
(i) Diesel	314	229	324	245	322	250
(ii) Electric	248	188	259	251	277	258

2.62. Explaining the reasons affecting utilisation of electric locos, the Ministry have stated that "the targets for engine utilisation are fixed taking into consideration the special features and limitations on each Railway.

"On the Central Railway—Bombay Division, goods train movement is affected by heavy passenger and suburban services, by the very heavily graded Ghat sections towards Poona and Igatpuri and also by short runs."

"The electrified section on the Southern Railway is relatively short and a single line section and hence engine utilisation is reduced.

"Operation on the South Eastern Railway is hampered by heavy gradients, restrictions on speeds of certain old types of special type wagons and very short hauls between terminals.

"On Eastern Railway performance was frequently affected by OHE thefts and civil disturbances.

"On Northern Railway only one Section between Mughalsarai-Kanpur has been electrified and hence there is considerable detention at terminals awaiting loads."

2.63. The Railway Board have added that the target of 700 kilometres/day/locomotive on line is a longterm objective to be aimed at by the Railways for certain double line BG sections with gradients upto 1 in 200 with very heavy density of traffic and not for all sections in general.

2.64. The Committee find the position in regard to utilisation of diesel and electric locomotives unsatisfactory. A special team of engineers under the Efficiency Bureau of the Railway Board had, after comprehensively examining the question of utilisation of these locomotives, come to the conclusion that these locomotives should give an output of about 700 kilometres per day per engine on line. The Railway Board have taken this to be a goal to be achieved in the distant future. In the meanwhile, even the relatively modest targets that they have set have not been achieved. The data about engine utilisation available to the Committee shows that the highest kilometrage per engine day on line has not exceeded 324 in respect of diesel and 277 in respect of electric locomotives upto 1968-69. In the Committee's opinion, this constitutes gross underutilisation of costly assets acquired by the Railways.

2.65. A major factor affecting the utilisation of these locomotives seems to be the high incidence of engine failures. The data furnished to the Committee shows that both imported and indigenous locomotives developed major defects or caused difficulties in maintenance. The Railway Accidents Inquiry Committee (1968) which investigated the position comprehensively came to the conclusion that the performance is "obviously on the low side" and efforts for its improvement are "clearly indicated." The Committee would like the Railways to establish procedures for efficient maintenance through intensive supervision and better training of the operating and maintenance crew.

2.66. The very low rate of utilisation of these locomotives also indicates that schemes for dieselisation and electrification of routes and services are not being examined with adequate care. As these schemes call for heavy capital outlay, the Railway Board would do well to refine the procedures for their examination. The Railways have been in the red now for four years successively and, with their reserves almost depleted, the need for circumspection in embarking on schemes involving heavy capital outlay needs no emphasis.

Southern Railway—Delay in utilisation of Metre Gauge Parcel Vans.

Audit Paragraph

2.67. Forty seven Metre Gauge Parcel Vans built by the Integral Coach Factory against the Rolling Stock Programme of 1962-63 and 1963-64 were received by the Southern Railway during the period from March, 1966 to June, 1966 for use of Metre Gauge sections of the Railway. As the dimensions of these vans differed from those of the existing stock, sanction of the Additional Commissioner of Railway Safety, Bangalore for putting them on line was obtained in April, 1966 for running these Parcel Vans on various M. G. Sections of the Southern Railway at a maximum permissible speed of 75 kmph. While 21 of these Parcel Vans were moved in June, 1966 for running on North M. G. Sections, 25 Parcel Vans were pressed into service on South Metre Gauge at the speed of 75 kmph. only in May, 1967 i.e. after a delay of one year.

2.68. The commissioning of these parcel vans was linked up with a proposal to increase the speed limit of A. C. Locos to 80 kmph. on the electrified section of the South Metre Gauge system. This proposal was awaiting the approval of the Research, Design & Standards Organisation and Railway Board and even at the time these vans were pressed into service (May, 1967) approval of the competent authority was not received for authorising a speed of 80 kmph. The maximum permissible speed on the entire metre gauge system including the electrified section does not exceed 75 kmph. even now (January, 1969). The delay in pressing the vans into service was, therefore, avoidable.

2.69. Thus, 25 Parcel Vans, manufactured at a cost of Rs. 28.09 lakhs were not utilised for a period of one year, entailing both loss of revenue and payment of dividend to General Revenues amounting to Rs. 71 thousand without deriving any benefit.

[Paragraph No. 41—Audit Report (Railways), 1969]

2.70. Explaining the reasons for the dimensions of the new parcel vans manufactured by the Integral Coach Factory exceeding the permissible moving dimensions, the Railway Board have stated in a note submitted to the Committee that "due to variations in lengths the assembly jigs had been modified. The first lot of shells turned out from these jigs were observed to have the body ends curling upward beyond the body bolster by about 15 to 20 mm., thus infringing the maximum moving dimensions at roop level under unloaded conditions by the corresponding amounts. The assembly jigs were modified to obtain shells to correct dimensions for the later builds.... Permanent condonation from the competent authority viz. Additional Commissioner of Railway Safety, Bangalore was obtained for the deviation that took place."

2.71. The Committee were given to understand by Audit that out of 25 vans only 13* were affected by the change in dimensions. They, therefore, enquired why the remaining 12 vans were not put into service without delay. The Board have stated that this was not done because these vans were also presumed to be infringing the maximum moving dimension at roof level.

2.72. Asked to state the reasons for the delay of over one year in putting the vans into service, the Board have replied that "the question of utilisation was inter-linked with the question of speed on Madras-Villupuram section. Pending final decision by Research Design and Standards Organisation about the proposed increase of speed on this section the vans were not pressed into service as the normal flow of parcels traffic in the South makes the utilisation impossible even by reducing the pay load (if the Madras-Villupuram section is excluded), as the entire traffic is from and to Madras Egmore."

2.73. To a further question if the speed limit had since been increased, the Board have replied that it continues to be 75 kmph. as before.

2.74. The Committee are not convinced by the explanation given by the Railway Board for the delay of one year that took place in commissioning 25 parcel vans (cost Rs. 28 lakhs) on Southern Railway. These vans formed part of a lot of 47 vans supplied by the Integral Coach Factory. While 21 of the vans supplied were commissioned almost immediately, these 25 vans were held unused for a year on the ground that their commissioning was inter-linked with a proposal to increase the maximum permissible speed on the Madras-Villupuram section to 80 Kmph. This proposal has still not been approved, but in the meanwhile the vans have been put on the line and are being run at speeds of 75 Kmph. It is not clear why the Railway Administration could not have done this earlier, particularly as 21 such vans had been commissioned by them at this speed almost immediately after they were supplied.

2.75. The Committee would like the Railway Board to take steps to ensure that costly rolling stock acquired by the Railways is put to the best possible use. Non-utilisation or inadequate utilisation of these assets deprives Railways of much needed earnings on the one hand, while creating a liability on the other for payment of dividend to the general revenues.

2.76. Incidentally the Committee note from the information furnished by Audit in this case that 3 of the 47 vans infringe the prescribed dimensions in respect of height. They would like to be informed whether this factor would interfere with their use if the speed limit of trains on the electrified section is raised to 80 Kmph.

*According to information subsequently furnished by audit, only three vans infringed dimension.

**Central Railway—Non-completion of facilities for salt traffic at Uran
Audit Paragraph**

2.77. Development of salt trade along the West Coast was one of the main considerations on which construction of Diva-Panvel-Uran Railway line was sanctioned in May, 1961 at a cost of Rs. 3.05 crores. The line was completed and opened for goods traffic in January, 1966.

2.78. The estimate included an arterial siding from Uran to Mora Bunder, costing Rs. 9 lakhs to cater to the needs of the traffic from salt pans located away from the Uran station from which salt has to be brought by country craft. On a suggestion by the Salt Department in 1962, the proposed siding was extended by another 1500 ft. as the site selected earlier could be reached by the craft only once in a fortnight during high tides. Some additional facilities such as wharf wall, a warehouse and loading ramps alongside the terminals of the siding were also provided for berthing and unloading of country craft. Since these additional facilities estimated to cost Rs. 6.85 lakhs were not required for loading of the salt into wagons, the Administration suggested to the Salt Department and the Salt Merchants Syndicate, who were the main beneficiaries of these facilities, to bear the cost thereof. As the question of apportionment of the cost could not be finalised, the work was stopped in November, 1965 after completing the earthwork and bridges at a cost of Rs. 9.5 lakhs out of the revised estimated cost of Rs. 12.5 lakhs.

2.79. Meanwhile, while the traffic from the salt pans situated around Uran Station is brought to the station by road, the traffic from salt pans located away from the area remains untapped for rail traffic. A major portion of this traffic moves by country craft to Chandni Bunder siding for the purpose of onward movement by rail.

[Paragraph No. 42—Audit Report (Railways), 1969.]

2.80. The Committee enquired about the total annual production of salt in the area served by the new Railway line and the quantum thereof moving by Rail and other means of transport. The Railway Board have stated in a written reply that the annual production of salt in the area served by the new railway line and the hinterland is about 1,40,000 tonnes. In the year 1968-69 a total of 55,645 tonnes were moved by rail including 30,258 tonnes from Chandni Bunder, Thana, 22,429 tonnes from Uran railway station and 2,958 tonnes

from Pannel. The balance production of salt, excluding that consumed locally, amounting to about 70,000 tonnes is moved by country crafts to the ports and hinterland of Konkan, Kanara and Kerala.

2.81. To a question as to the quantum of salt traffic that was expected to be attracted to the Railways by the provision of the arterial siding and how it was at present moving in the absence of the siding, the Board have stated that, in addition to the salt traffic now moving from Uran and Panvel on the Diva-Panvel-Uran Section, about 1,000 wagons (approx 28,000 tonnes) of salt traffic per annum is expected to originate on the siding at Mora Bunder when it is commissioned with wharf and other ancillary facilities. It is now being moved by country crafts to Thana and booked by rail from Chandni Bunder siding at Thana. Therefore no salt traffic in the area remains untapped for movement by rail.

2.82. During evidence, the Committee enquired whether the Salt Department were consulted about the location of the siding and the likely need for other facilities alongside the terminals of the siding. The representative of the Board stated that when the traffic survey was undertaken, both the Salt Department and the Industry were consulted. At that time they thought that the jetty would not be needed as they would bring the Salt in country crafts to the rail-head for loading. The need for provision of additional facilities was brought to the notice of the Railway by the Salt Commissioner in August, 1962.

2.83. The Committee enquired why the Railways did not insist on a prior agreement between the Salt Department and the salt merchants on the question of apportionment of cost of facilities to be provided at the siding before undertaking construction. The Board have in a note on this point stated that the earthwork was commenced on 2nd February, 1963 and the bridges on 23rd May, 1963. At the time of the commencement of work on the siding it was not known that additional facilities like wharf, ramps and warehouse would be required by the Salt Merchants/Salt Department as these facilities were not normal facilities required by the Railways. Similar facilities at Chandni Bunder, Thana had been provided at the cost of the beneficiary parties. It was therefore, taken for granted that these facilities would be provided by Salt Merchants/Salt Department, before the siding was completed.

2.84. The representative of the Board added during evidence that the Salt Department were prepared to meet upto 66 per cent of the cost and the remaining 34 per cent was to be met by the Salt Merchants. The latter were, however, not willing to pay the share in a lumpsum. Pending a settlement and also because of the need to effect economy in expenditure during the emergency caused by Pakistani aggression, it was decided to stop further work on the siding.

2.85. The Committee enquired why in the absence of an agreement between the concerned parties, the Railways continued work on the siding for as long as 3 years. The Board have stated that there was no reason to suspect that the Salt Department/Salt Merchants would not bear the cost of the additional facilities particularly when similar facilities at Chandni Bunder, Thana had been provided at the cost of the Salt Department. In view of this and the fact that the construction organisation was already functioning in the area to execute the work on the main line, the railway proceeded with the work on the main line. Though the Railway had been ascertaining from time to time from the Salt Department the progress made in regard to the bearing of the cost of these additional facilities, and the Railway Board too had taken up the matter with the Ministry of Industry and Supply, it was only in November, 1965 that the latter advised that construction of these facilities should be postponed.

2.86. Audit have offered the following comments in this regard:--

“The work on the provision of an artrial siding was commenced in February, 1963 whereas the Deputy Commissioner Salt Department had approached the Railway Administration for the provision of additional facilities like wharf, ramps and warehouses in August, 1962. The Railway Administration was thus aware at the time of the commencement of the work that additional facilities would be required by the Salt Merchants Salt Department and therefore they could have insisted upon a prior agreement between the Salt Department and the Salt merchants on the question of apportionment of the additional facilities to be provided at the siding before starting the work. The Railway Administration was aware as early as May, 1964 that Salt merchants were not agreeable to share the cost of the construction of these additional facilities with the Salt Department but they continued to do the work in the absence of an agreement with the concerned parties. It was only in November, 1965 when an expenditure of Rs. 9.5 lakhs had been incurred on the work that the construction of the siding was stopped. In view of all this, the continuance of the work for cover 3 years without formal agreement regarding sharing of costs is not justified. If the Railway Administration had insisted on a prior agreement on the question of the apportionment of the cost of the additional facilities before commencing of the work or stopped the work in the early stage when they came to know that no agreement was in sight between the parties concerned, blocking of the capital of Rs. 9.5 lakhs in an incomplete work and consequential loss would have been avoided.”

2.87. The Board have, in reply to the above, stated as follows:

“In May, 1964, Deputy Salt Commissioner advised the Railway that the Salt Department was negotiating with the Salt Merchants for sharing the cost of the additional facilities. Again in April, 1965, the Deputy Salt Commissioner advised the Railway that the Salt Department was exploring the ways and means of realising a portion of the cost of the proposed facilities from the concerned beneficiary licences. Meanwhile, the matter had also been taken up by the Railway Board with the Ministry of Industry and Supply. The latter, however, stated on 5th November, 1965 that due to the emergency, it had been decided to postpone the construction of wharf, ramps and warehouses. The work on the siding was stopped immediately thereafter. As there was no reason to suspect at any stage that the cost of the additional facilities would not be borne by the Salt Department/Salt merchants, the Railway proceeded with the work and the first indication of the decision to postpone the work was given only in November, 1965 and the work was accordingly suspended.”

2.88. Asked about the present position in the matter, the representative of the Railway Board stated that a meeting was held with the Ministry of Industrial Development on 30th September, 1969 at which the following decisions were taken:

- (i) Scope of the facilities should be reduced to the barest minimum and the cost reduced;
- (ii) Reduced cost of the work will be borne by the Salt Department and the Salt Merchants Syndicate in the ratio of 66 per cent : 34 per cent. If the share of the Salt Merchants exceeds Rs. 68,500 which they have agreed to bear originally, the balance will be recovered from them by Salt Department, by levying a cess of Rs. 5 per wagon in consultation with Ministry of Finance till the amount in excess of Rs. 68,500 is recovered. The Salt Department will, however, initially pay to the Railways, the balance of cost, which is to be recovered by them from the Salt Merchants Syndicate.

2.89. To a question whether the Railways would insist on taking an advance from the Salt Merchants before restarting the work, the representative of the Railway Board stated that the amount of Rs. 68,500 would be taken in advance.

2.90. The Board have further informed the Committee that the following facilities were considered to be adequate to deal with the traffic of 3 wagons a day as per the decisions taken in the meeting held on 30.9.1969.

- (a) a double sided jetty 140'x15'
- (b) a ware house 20'x150'.

The Salt Merchants Syndicate, while agreeing to the aforesaid decisions suggested that a larger jetty of size 380x45' should be provided. This request is stated to be under examination.

2.91. The Committee enquired whether the Railways had prepared a revised estimate of the cost of completion of the siding and when the project is expected to be completed. The Board have stated that the revised estimated cost of providing the siding is approximately Rs. 12.52 lakhs. The remaining work on the Salt Siding will take approximately 6 months for completion after restarting the work.

2.92. The work on the siding can, however, commence only after the revised plans for the wharf wall, jetty etc. are finalised and approved by the Salt Department and the Bombay Port Trust.

2.93. To a question whether the earthwork was in tact, the representative of the Board stated "some portion of the bank might have suffered—even in existing old banks which may be hundred years old, we have to carry out minor repairs after every monsoon."

2.94. The Committee note that work was commenced in February, 1963 on an arterial siding at Uran as part of the Diva-Panvel-Uran Railway Project, for handling salt trade along the West Coast. The work was suspended in November, 1965 due to disagreement between the Railway and the Salt merchants as to the apportionment of cost of certain facilities to be provided at the siding. The line was opened to traffic in January, 1966 but work on the siding still remains to be completed for want of an agreement between the Salt Department and the Salt merchants on the question of apportionment of cost.

2.95. The Committee note that the Salt Merchants Syndicate have recently agreed to certain proposals for the sharing of cost. The Committee would like the matter to be sorted out expeditiously so that work on the siding, the cost of which has gone up by about Rs. 3.5 lakhs due to delay in completion, is not further delayed.

Northeast Frontier Railway—Provision of excessive facilities at New Cooch Behar station

Audit Paragraph

2.96. The Administration provided at New Cooch Behar station, a loco shed with ancillary facilities, a sorting yard and reception and despatch yard in connection with the construction of the new B.G. line from Raninagar to Jogighopa. The facilities were provided as it was anticipated that goods train would originate from and ter-

minate at the station and for forming and breaking of the trains a shunting engine would be homed there.

2.97. However, no goods trains terminated at or originated from the station and as such neither the shunting engine was homed nor the facilities provided could be utilised. The total cost of the facilities provided at the station was Rs. 17 lakhs.

2.98. The Administration explained (January, 1969) that facilities on this section were initially provided on *ad hoc* anticipation as no traffic survey was conducted and the project had to be completed in two working seasons.

[Paragraph No. 43—Audit Report (Railways), 1969.]

2.99. The Committee desired to know when the assessment of traffic prospects on this line was made and the basis thereof. The Railway Board have stated that the traffic prospects of the New Jalpaiguri—Jogighopa Broad Gauge line was decided in a meeting of the General Manager of the Railway with the Heads of Departments in August, 1963. The assessment agreed upon at this meeting was that the intake at Khejuriaghat from Farrakka would be about 400 wagons, of which 100 wagons would be dissipated in the Siliguri area and 100 wagons would be transhipped at Dangtal for destinations beyond Bongaigaon and the remaining 200 wagons would move between Bongaigaon and Jogighopa. While planning these facilities on this section, the need for resiliency in meeting the possible transport requirements at short notice in an emergency was also kept in view in the context of the Chinese aggression in 1962.

2.100. The Committee enquired whether the traffic prospects reviewed before commencing the work on provision of the facilities and whether any works were curtailed as a result thereof. The Board have stated that they reviewed the traffic prospects and advised the following projection to the N.F. Railway in February, 1964:

Farrakka Crossing	400 wagons
Dispersal at Khejuria	54 wagons
Remaining	346 wagons
Transhipment at New Jalpaiguri	137 wagons
Wagons to move east of Jalpaiguri	209 assessed at 225
Dispersal to Jalpaiguri Bongaigaon Section	25
Enance arrival at New Bongaigaon	200

2.101. The forecast was based on the assumption that the Central Road Transport Corporation will take 100 wagons from new Bongaigaon by Road and 50 wagons by riverine transport for Jogighopa. In fact, N.F. Railway had asked for enhancement of transhipment

capacity at New Jalpaiguri but it was not considered necessary as no increase of transshipment at New Jalpaiguri was anticipated and traffic was expected to move upto New Bongaigaon. The N.F. Railway daily, the traffic materialisation is of the order of 3 goods trains achieved till then was 50 wagons. It was considered that on that basis, 4 through goods and one work train would have to be run on that section. As no reduction in the number of trains was contemplated, no curtailment in facilities was done at that time.

2.102. The Board have further informed the Committee that, against 5 goods trains and three passenger trains anticipated each way daily, the traffic materialisation is of the order of 3 goods trains and 2 passenger trains each way on an average.

2.103. The Committee regret that the N.F. Railway incurred an expenditure of Rs. 17 lakhs on provision of certain facilities at New Cooch Behar station without carrying out a proper traffic survey. The facilities created have remained unused as traffic has not materialised on the scale anticipated.

2.104. The Committee have commented upon similar instances of avoidable expenditure incurred by N.F. Railway in paras 4.27 and 4.34 of their Sixtieth Report (1968-69). The Committee note that instructions have since been issued by the Railway Board, in pursuance of the observations of the Committee, reiterating the need for a thorough and realistic appraisal of traffic requirements before undertaking Capital works. The Committee would like these instructions to be strictly complied with.

Northeast Frontier Railway—Provision of avoidable facilities at New Domohani Station

Audit Paragraph

2.105. In August, 1963, the General Manager of the Administration indicated that on the new B.G. Line it was sufficient to provide crossing stations at every 12 Kms. (D miles). However, three stations namely, Jalpaiguri Road, New Domohani and New Mayan-guri were provided within a distance of 12 Kms., New Domohani being located 8 Kms. from Jalpaiguri Road and 4 Kms. from Mayan-guri Road. Neither were the reasons for providing a crossing station at variance with the general decision recorded nor was the approval of General Manager obtained.

2.106. The construction of New Domohani Station was undertaken in July, 1963 and the work was completed in February, 1965. The station was opened for traffic in May 1965. A total of 13 staff including one Station Master and 2 Assistant Station Masters were also provided at a total salary of about Rs. 2,100 per month.

2.107. As a result of a directive issued by the General Manager in July, 1967, the provision of crossing station was reviewed and the station was converted into a flag station a year later in September, 1968. For the flag station only one booking clerk and one porter at a total salary of Rs. 336 are required. Excluding the station building, platform and approach road, quarters for essential operating staff and track maintenance staff, the cost of avoidable facilities due to provision of a crossing station came to Rs. 2.14 lakhs.

2.108. The Administration explained (December, 1968) that Domohani is located at a distance of about one and a half miles from the turbulent river Teesta over which the largest bridge on the B.G. is situated calling for constant vigilance and protection and stabling lines were required, in the event of breaches occurring. The above comment does not relate to provision of additional tracks and the vigil over the bridge could apparently be kept even from a flag station.

2.109. The Administration also explained that after the completion of Farakka barrage there is likely to be a complete change in the pattern and movement of traffic to North Bengal and Assam. Provision of signalling arrangements and excessive quarters at an intermediate station and posting of staff in anticipation of such a change in pattern of traffic was possibly not justified.

[Paragraph No. 44—Audit Report (Railways), 1969.]

2.110. The Committee desired to know on what considerations three crossing stations were provided at Jalpaiguri Road, New Domohani and New Manyaguri contrary to the instructions issued by the General Manager in August, 1963, and enquired whether the reasons for providing a crossing station at New Domohani were on record. The Board have stated in a note that the General Manager's view that it was necessary to provide crossing stations only every 8 miles was not in the nature of a mandatory order. It was only to give a general guide line for location of wayside stations for normal operational facilities. The location of each crossing station had to be decided taking into account several factors. The site for a crossing station at New Domohani was fixed taking into consideration its proximity to the turbulent river Teesta located 1-1/2 miles away, and also the importance of the place. Considering the previous history of this river which had been changing its course and causing damage to the railway track on the metre gauge line often, the Railway Administration felt it necessary to provide a crossing station at New Domohani as it would provide facilities for stabling material trains in time of emergency during monsoon. On the main metre gauge line also, there are two crossing stations viz. Sevek and Pilsanhat on both sides of the Teesta Bridge, the distance between them being only 5 Kms. including the length of the bridge, whereas in the case of this B.G. line, the distance is 8 Kms. including the bridge.

"The decision to provide a crossing station at new Domohani was taken at the time of the Final Location Survey in May/June, 1963 by the Chief Engineer incharge of the project. However, in this reach, the alignment adopted for the broad gauge was that surveyed earlier for a metre gauge line wherein a crossing station had been proposed at New Domohani. While there are no records about the General Manager's specific sanction having been obtained, the General Manager was aware of this, as the question of provision of quarters at various stations, including New Domohani was discussed at the General Manager's meeting with heads of departments on 29th June, 1964."

2.111. To a question as to the reasons that prompted the Administration to convert the crossing station into a flag station, the Board have replied that "after the General Manager's inspection on 31st July, 1967 the matter was reviewed by the concerned Departments and a decision was taken on 8th November, 1967 to convert the station into a flag station. This was done mainly to effect economy to the maximum extent possible. The existing density of the train service on the section viz. 3 goods and 2 passenger trains each way did not make the crossing station an operational necessity."

2.112. Explaining the reasons for delay in implementing the above decision till September, 1968, the Board have stated that this was due to the time taken for preparation of the plans, getting them approved by the concerned officers and obtaining sanction of the Additional Commissioner, Railway Safety. The Additional Commissioner, Railway Safety's sanction was finally obtained on 3rd September, 1968.

2.113. On being informed by Audit that the flag station had again been reconverted into a crossing station w.e.f. 31st December, 1968 the Committee asked for the reasons for reversing the earlier decision. They are informed that serious floods in the Teesta river caused breaches to the Railway embankment on 4th and 5th October, 1968, and traffic on the railway line was suspended till 25th December, 1968. The line was opened temporarily for goods traffic on 25th December, 1968 but due to severe speed restrictions the line capacity of the sanction was severally restricted. For improving the line capacity and also for allowing the ballast trains to work and to be stabled as near the bridge as possible for the restoration of the breaches on the approaches to the bridge, the station was reconverted as a crossing station on 31st December, 1968. The temporary downgrading of the station in September, 1968 was done as a measure of economy only.

2.114. The Committee enquired about the line capacity between Jalpaiguri Road and New Manasguri on different utilisation during

six months prior to September, 1968 (when New Domohani station was converted from a crossing to a flag station) and six months after 31st December, 1968 (when it was again converted into a crossing station). The information furnished by the Board indicates the capacity available and its actual utilisation to be of the following order:—

(i) "Six months prior to September, 1968 :	
Charted capacity	11 trains each way
<i>Actual utilisation :</i>	
Up	5.9 trains
Dn.	5.9 trains
<i>September and October, 1968 :</i>	
(After converting New Domohani as flag station)	
	10 trains each way
(ii) Six months after 31-12-1968 :	
Charted capacity	11 trains each way
<i>Actual utilisation</i>	
Up	5.6 trains
Dn.	5.4 train

2.115. Audit have offered the following comments on the foregoing:—

"The actual utilisation of the line during six months prior to September, 1968 for Up and Down was 4.24 and 4.11 trains respectively as against 5.9 trains indicated in the reply. Similarly the actual utilisation during six months after 31st December, 1968 for Up and Dn. was 4.05 and 3.91 trains respectively as against 5.6 and 5.4 trains respectively indicated in the reply. These figures have been vetted by the District operating Supdt. concerned

The decision taken at the meeting held on 13th August, 1963 outlining the basis on which the facilities on the New B.G. line was to be provided. The decision taken in the meeting might not have been mandatory but any deviation from the guideline given by the General Manager in the meeting on 13th August, 1963 should have been made on a proper justification duly recorded and the approval of the G.M. thereto obtained. The station was subsequently converted into a flag station and this decision is unlikely to have been taken without taking into account the fact that the Teesta river which was subject to floods was closeby. There is no evidence therefore to show that based upon the proximity of Teesta, the location of a

station close to it was ever considered a totally necessary measure at the stage of planning or its conversion to flag station."

2.116. The Committee are not convinced by the reasons given by the Railway Board for provision of a crossing station at New Domo-hani on the Jalpaiguri-Maynaguri Section. The General Manager of the Railway had given instructions that crossing stations on this section should be located at distances of 12 Kms. but the construction of this crossing station, located at a distance of only 4 Kms. from Maynaguri, was nevertheless undertaken. After an inspection by the General Manager, this was converted into a flag station in September, 1968—after a delay of over a year—but the station has since been reconverted into a crossing station. The Committee would like the Zonal Railway to review this decision in the light of the trend of traffic which, by and large, has been less than half the char-ted capacity (of 11 trains) of this section.

Northern Railway—Delay in dismantlement of a Railway line.

Audit Paragraph

2.117. After partition the utilisation of the line capacity in one of the sections of Northern Railway (26 Kms.) came down to 7 trains each way as against the available line capacity of 15 trains each way. A proposal was therefore, initiated in 1949 to introduce single line working on this section in place of the existing double line working. This proposal, which was considered from time to time, was not im-plemented due to uncertain political conditions. In September, 1964 the Railway Administration again examined the question of conver-ting this double line section into single line as a result of the sugges-tion given by the Member Transportation (Railway Board). The dismantlement of the second line was expected to save an expendi-ture of Rs. 1.65 lakhs per annum on repairs and maintenance and the cost of staff employed for the maintenance of the line. But the approval for the dismantlement of one of the lines was sought for in February, 1965 and was given by the Railway Board only in March, 1966. However, the estimate for taking the work in hand was sub-mitted to the Railway Board two years later in May, 1968 after the matter was taken up in Audit in April, 1968. The estimate was sanctioned by the Railway Board on 8th August, 1968. Meanwhile 31 gangmen were surrendered from 1st August, 1968 though single line working has not been introduced so far (January, 1969).

2.118. The Ministry of Railways (Railway Board) explained (January, 1969) that any reduction in the gang strength could be made only after the double line was converted into a single line or a little earlier.

[Paragraph No. 45—Audit Report (Railways), 1969.]

2.119. The Committee called for details of various proposals made from time to time from 1949 onwards for conversion of this section into single line working. In a note on this subject, the Railway Board have stated that when the proposal was first mooted by the Ex. E.P. Railway in April, 1949, it was considered premature to give effect to it, on account of the uncertain political relationship between India and Pakistan and other strategic reasons even though there was no justification otherwise for the double line.

2.120. The proposal was again revived in 1953, when Pakistan Railway enquired whether Government of India was agreeable to the double line section upto Attari on their side of the border being converted into a single line, as the Pakistan Government was proposing to do likewise for the railway line from Harbanspura to Wagha on their side of the border. In view of the proposed resumption of passenger traffic between India and Pakistan via Attari, the Government of Pakistan were informed that it was not proposed to convert the section into single line working.

2.121. In June, 1962 the Northern Railway again asked for dismantlement of the unused portion of the up line between Attari Station and the Indo-Pak border. While the Ministry of Home Affairs agreed with the proposal, the Ministry of Defence and the Ministry of External Affairs who concurred with them considered it 'inopportune'.

2.122. Further reference was made to the Ministry of Defence in September, 1964 for their concurrence to dismantle the up line between Attari and Indo-Pakistan border. The matter was pursued and finally the Ministry of Defence advised in February, 1965 that there was no objection to the dismantlement of the up line between Attari and Indo-Pakistan border. Accordingly, the Northern Railway was advised to the necessary action on 25.2.1965.

2.123. As a result of the then Member Transportation's visit to Ferozepore Division in September, 1964, the question of converting the Amritsar-Attari section from double line to single line was again revived. The Northern Railway after having examined and satisfied themselves that one of the lines could be dismantled, approached the Board for approval in February, 1965. Reference was made to the Ministry of Defence in April for their approval to the dismantlement of one of the lines between Amritsar and Attari. The Ministry of Defence advised (August, 1965) that in view of the current situation on the borders, consideration of the proposal to dismantle the double track between Amritsar & Attari to make it single line had been deferred for the time being. The Chairman, Railway Board, then addressed the Defence Secretary in February, 1966 pressing the need to dismantle one of the tracks so as to reduce the cost of maintenance. Finally, the Ministry of Defence advised

on 24.2.1966 that there was no objection to the proposal to dismantle one of the track between Amritsar & Attari.

2.124. The Committee then enquired about the reasons for the delay of two years in dismantling the Railway line. The Railway Board's note in this regard reads as under:

"...Board's decision was conveyed by the Railway to the Divisional Superintendent, Ferozepore on 15.4.1966. The Division who were already geared up and had their tentative scheme ready, forwarded the plans for alterations in station yards to the Railway Headquarters on 22.4.1966. The plans were sent back to D.S. office on 20.8.1966 for corrections and clarifications. It is reported that the file containing the plans was lost in D.S. office in October, 1966 and could not be traced despite best efforts. The Division had, therefore, to prepare revised plans which were submitted to Headquarters on 21.2.1967. At the Headquarters' level, the plans were scrutinised and approved by the concerned Departments and returned to the Division on 12.5.1967 with directions to prepare and submit the estimate. The Division prepared the estimate and submitted duly vetted by 'Accounts' to the Headquarters on 25.9.1967. At the Headquarters' level the Estimate was scrutinised by the concerned Departments including Finance. Certain additional information had also to be obtained from the Division. The Estimate was finally vetted by Finance on 15.5.1968. As the work had to be undertaken as non-programme one during 1968-69 and was beyond the Railway Administration's power of sanction, the railway submitted the detailed estimate to the Railway Board for sanction and allotment of funds in 1968-69. After obtaining certain clarifications Board's sanction for undertaking this work was communicated to the Railway on 8.3.1968. The work of dismantlement was completed thereafter and single line working between Amritsar and Attari was introduced with effect from 10.11.1968."

2.125. The representative of the Railway Board admitted during evidence before the Committee that "There has been no doubt and undue delay in processing the case by the Northern Railway Administration.... The Headquarters Office did not deal with the matter expeditiously. There have been some delays. We have written to the General Manager to look into the matter and fix responsibility for this delay."

2.126. The Committee observe that the proposal to introduce single line working on the Amritsar-Attari section of the Northern Railway was first mooted in 1949 and reviewed on a number of occasions thereafter but was shelved from time to time on political

and strategic considerations. The proposal to dismantle the line was finally cleared by the Ministry of Defence in 1966 but it took more than 2 years for the concerned Railway Administration to dismantle the line because the file containing the plans was lost in October, 1966 and "could not be traced despite best efforts" necessitating preparation of plans and estimates all over again. The Committee would like action to be taken to fix responsibility for the loss of the file and the delay in executing the work.

South Eastern Railway—Acquisition of Land at Kalumna

Audit Paragraph

2.127. In 1961, South Eastern Railway Administration obtained Railway Board's approval for acquisition of land near Nagpur for future development of Railway housing, keeping in view the formation of Nagpur Division. The proposal for acquiring land at Kalumna near Nagpur had been considered earlier in the years 1955—59 against an offer from a party at the rate of Re. one and eleven annas per square yard, but the same was dropped on the consideration that Kalumna was more than 4 miles away from the Railway Offices at Nagpur and the area being of black cotton soil, construction of staff quarters would be expensive, especially in foundation. The same party, when contacted again, quoted the rate of Rs. 4 per square yard in February, 1962. This was not accepted by the Administration and land acquisition proceedings under urgency clause were instituted. A sum of Rs. 12 lakhs representing value of 62 acres of land (3,00,080 square yards) at the rate of Rs. 4 per square yard, was, however, placed at the disposal of the Collector, Nagpur for arranging payment of compensation. The possession of land measuring 62.05 acres was given to the Administration in June, 1962 and an advance payment of Rs. 4,00,429 was made by the Collector to the party in July, 1962. However, the award given by a Land Acquisition Officer in May, 1965, admitted compensation to the extent of Rs. 21,799 only. Thus a sum of Rs. 3,78,630 became recoverable from the party who has since gone to the Court. The case is at present sub-judice.

2.128. Though the urgent acquisition of land in 1962 was intended to provide for housing, construction of quarters could not be undertaken because of the non-development of civic facilities by the Nagpur Corporation, and Railway's requirements subsequent to the formation of Nagpur Division with effect from 1st April, 1963, had to be met by constructing 539 quarters in three other places, namely, Ajni (300), Motibagh (166), and Mount Road (73).

2.129. The Railway Administration also acquired 35.73 acres of land at Kalumna from four other parties. The compensation paid as per award given in May, 1966 amounted to Rs. 24,090. The parties being dissatisfied with the award, have gone to the Court and the cases are sub-judice.

2.130. The entire land measuring 97.78 acres for which a payment of Rs. 4.24 lakhs has been made so far, is thus lying unutilised.

[Paragraph No. 46—Audit Report (Railways), 1969.]

2.131. The Committee enquired under what circumstances the S.E. Railway decided to acquire land at Kalumna during 1955—59, why the proposal was dropped and again revived in 1961. It has been stated by the Board in a written reply that "in the context of development envisaged in the 2nd Five Year Plan and in the absence of spare land at Nagpur for development, the S.E. Railway had been on the look-out for additional land in the area. During this period (1955—59) the setting up of a Divisional Headquarters was also contemplated. Besides, the Railways had been directed by the Railway Board in January, 1957 to make an early assessment of their requirements of land "for construction of quarters in the next 10 years or so with a view to acquire land at locations where it would be advantageous financially and where failure of acquisition would have repercussions in the developmental activity of the Railways."

"Since no final decision had been taken regarding the divisionalisation scheme till 1961 and since there was no immediate need for additional land, the matter for acquisition of land at Kalumna was not pursued." The proposal was again revived in 1961 with the decision to introduce divisional system on SE Railway and setting up of a Divisional Headquarters at Nagpur."

2.132. The Committee enquired why the land was proposed for acquisition in 1961 when it was earlier considered unsuitable for construction of staff quarters. The Board have stated that there was little vacant land available for future development near Nagpur. Even though it was black cotton soil, it could not be considered unsuitable for construction of staff quarters. With some change in the type of foundations which would involve approximately additional 10 per cent cost, quarters could be built there. The Board have added that consequent on the shifting of some Central Government offices to Nagpur with likelihood of further shifting and also due to industrial expansion in and around Nagpur, there had been an appreciable rise in land values.

2.133. The Committee enquired why an advance @ Rs. 4 per Sq. Yd. was made to the Collector when the same rate quoted by the party had been considered unacceptable. The Board have stated that the acquisition was being done by the State Government on behalf of the Railway and as such the Railway had no say in the matter regarding the cost of land till it was intimated by the State Government. The Board have added that according to enquiries made unofficially from the civic authorities in November, 1961, the

value of land at Kalumna was Rs. 18 to Rs. 20 per sq. yd. while the additional land acquired by the Railway in that area had been quoted at Rs. 4.50 in January, 1962. It was therefore, considered reasonable to deposit a sum of Rs. 12 lakhs at the disposal of the Collector.

2.134. The Committee enquired why the proposal was not given up when the quarters required consequent on divisionalisation could be constructed at Ajni, Motibage and Mount Road. The Ministry have stated that land acquisition proceedings at Kalumna were not given up as it was the intention that as soon as the civic amenities are provided by Nagpur Corporation, quarters for S.E. Railway would be constructed at Kalumna. As such the number of quarters at Ajni etc. for implementing the divisional scheme had been kept to the barest minimum. It was also envisaged at that time that these quarters would be handed over to Central Railway.

2.135. The Committee enquired about the progress of the Court case and the latest position regarding recovery of excess payment made to the landowner. The Board have replied that the case is still *sub-judice*. Certain documents required by the court were produced in September, 1969. The question of recovery of excess payment cannot therefore be finalised till the case is decided.

2.136. The Committee desired to know how the Railway Administration proposed to utilise the large area or land measuring 97.8 acres acquired by them and whether the question of provision of basic amenities was discussed with the Nagpur Corporation prior to its requisitioning. The Board have in a note stated that "The Railway's requirement of quarters has not been met fully. Out of 3099 staff, only 1350 Nos. have been provided with quarters. As soon as the basic amenities are developed in the area, the land would be utilised for housing the staff. In addition to building of staff quarters, a proposal for setting up a divisional permanent way depot for Nagpur division as per the recommendation of the Efficiency Bureau has been mooted by the Railway and plans are under finalisation. Further, it is proposed to convert part of the land as Ballast Stacking ground as the S.E. Railway has no suitable stacking area between Nagpur and Tumsar Road and difficulty is being experienced in distribution of ballast."

2.137. In regard to the question of provision of basic amenities, the Board have stated that "no verbal or written indications were received in 1961 from the Nagpur Corporation regarding development of civic amenities in the area in question but it was expected that the Nagpur Corporation would develop necessary facilities in that area under greater Nagpur Development Scheme in near future. . . . For want of funds, no proposal or scheme has so far been finalised by Nagpur Corporation for providing basic amenities like water, electricity and drainage."

2.138. The Committee note that about 98 acres of land acquired by the S.E. Railway at Nagpur, four to eight years back, have not yet been put to use, as the question of payment of compensation for the land is sub-judice. The Committee would like these cases to be actively pursued and to be apprised of the outcome of the pending proceedings.

2.139. The Committee note that these lands were acquired with the intention of providing accommodation for Railway staff. Due to the question of payment of compensation for the lands being sub-judice and lack of civic amenities in the area where these lands are situated, the requirements of staff have been met to some extent by constructing quarters at other places. It has been stated that the land will still be required, for the construction of some more quarters, a permanent way depot and Ballast stacking ground. The Committee would like the Zonal Railway to ensure that there is real need for the land and that proposals for new projects are not approved just out of an anxiety to put the land to some use, as that would entail needless capital investment.

III PURCHASES AND STORES

Avoidable payment of higher rates for wagons

Audit Paragraph

3.1. The orders for the 1965-66 wagon building programme were placed by the Ministry of Railways (Railway Board) in April, 1965 with 30th September, 1966 as the common date of delivery. Extensions to the delivery dates were, however, granted from time to time although it was known that the prices had meanwhile come down. The Ministry of Railways (Railway Board) finalised the orders for 1967-68 wagon building programme, at rates lower than those for 1965-66 orders as early as November, 1966. The delivery dates for 1965-66 orders were nevertheless extended upto 31st October, 1968. While finalising the 1967-68 orders, neither were negotiations held with the firms for reducing the rates of 1965-66 orders, nor was the question of cancellation of outstanding orders considered. Reasons, if any, for not adopting either course of action are not on record.

3.2. It may be mentioned that the 1965-66 orders themselves were placed in excess of the requirements. Out of the total provision of wagons provided for in the Third Five Year Plan, as revised from time to time) the wagons left to be ordered against 1965-66 Rolling Stock Programme were only 7,755 four-wheelers. As this quantity was considered too small to provide adequate load to the wagon builders, the Ministry of Railways (Railway Board) decided in February, 1965 to draw up on the provision made in 1966-67 Rolling Stock Programme. Advance orders were thereupon placed in April, 1965 for 23,388 four wheelers. These were expected to book the capacity of the wagon builders upto September, 1966.

3.3 In view of the slow materialisation of traffic and the substantial cut in the Fourth Plan provision it was, however, decided in March, 1966 that the orders for 1966-67 should be so regulated that the off-take of wagons in 1966-67 was about 77 per cent of the average of previous three years production of each wagon builder and only just enough orders should be placed so as to ensure that they did not run out of work before March, 1967. Accordingly, only a small order for 2,201 four-wheelers was placed in April, 1966 on seven firms at the same rates of 1965-66 orders (reducing the wage escalation factor from 0.2 per cent to 0.17 per cent) and free extensions to delivery dates were granted in all the cases upto 31st March, 1967 without any restriction.

3.4. The orders for 16,320 four-wheelers against 1967-68 Wagon Building Programme were finalised in November, 1966. The rates

accepted by the wagon builders for different types of wagons against 1967-68 orders with 1st April, 1966 as the base date for price and wage escalation were lower than the brought up prices of 1965-66 orders as on 1st April, 1966. In respect of BCX type wagons, substantial number of which were outstanding, the prices were even less than the base price of 1965-66 orders (i.e. as on 1st April, 1964). The Ministry of Railways (Railway Board) were also aware that a sizeable number of wagons namely, 6,079 four-wheelers, against 1965-66 orders would remain outstanding on 1st April, 1967. (The actual number that remained outstanding on 1st April, 1967 out of 1965-66 orders were 7,460 four-wheelers including 4,107 of BCX type). However, no attempt was made to negotiate with the wagon builders for reduction in rates for 1965-66 orders. Nor was the question of cancellation of orders considered on the expiry of the extension already granted upto 31st March, 1967.

3.5. Instead, provisional extensions to the delivery dates were granted to the wagon builders without prejudice to the rights of either parties. By December, 1967 the orders for 1968-69 Wagon Building Programme were also finalised at rates which were even lower than 1967-68 rates. The procedure of granting provisional extensions, however, continued and only in January, 1968 the question of conducting negotiations with the wagon builders in the light of reduced prices was taken up. However, the actual negotiations were conducted five months later only in June, 1968 by which time 5,073 of the outstanding wagons had already been delivered.

3.6. The wagon builders did not agree to any reduction in prices. Since the Ministry of Railways (Railway Board) had not exercised the right of cancellation of the orders on 31st March, 1967, the date upto which the orders were earlier extended and accepted the wagons under provisional extensions, the dates of delivery of wagons were finally extended upto 31st October, 1968. Only a small quantity of 780 four-wheelers which remained outstanding after 31st October, 1968 was cancelled and ordered afresh on the same wagon builders at the reduced rates of 1968-69 prices. In respect of one firm, however, the contract for 500 four-wheelers (200 units) of BCX type wagons was further extended upto 30th June, 1969 without even pegging the escalations.

3.7. Similarly, though the prices settled for 1968-69 orders finalised in December, 1967, were lower than the prices for 1967-68 orders, the Ministry of Railways (Railway Board) granted extensions beyond the scheduled delivery date, namely, 31st March, 1968, in respect of 1967-68 orders without considering the question of cancellation and placing fresh orders for them at prices obtained or 1968-69 programme.

3.8. The relevant contracts provide that, where any raw materials necessary for the execution of the contract are procured with

the assistance of the Government they shall be returned, if required in the event of termination of the contract for any reason whatsoever. If the contract is cancelled for any default on the part of the firm the latter shall also bear the freight charges for the return of the materials. The materials collected for the manufacture of specified types of wagons rendered surplus due to the cancellation of the contracts could have been utilised for the manufacture of same types of wagons by the same firms on whom orders were placed under 1967-68 and 1968-69 Rolling Stock Programmes.

3.9. In respect of 2,328 four-wheelers (931 units) of 1965-66 orders delivered upto 31st October, 1968, and in respect of 1,426 four-wheelers (1,087 units) of 1967-68 orders delivered between 1st April, 1968 and 31st October, 1968, the avoidable expenditure assessed on the basis of prices in the subsequent years was about Rs. fifty-one lakhs.

3.10. In respect of the firm whose delivery date for 1965-66 orders had been extended to 30th June, 1969, the avoidable expenditure due to payment of higher rates would work out to about Rs. eleven lakhs. Since escalations have not been pegged to any specified date the extra expenditure with reference to eventual dates of delivery, would be even higher.

3.11. The total avoidable expenditure would thus be of the order of Rs. 62 lakhs.

[Paragraph 12, Audit Report (Railways), 1969.]

3.12. The Committee enquired about the steps taken to develop wagon building capacity both in the Railway workshops and in the private sector and about the present annual production. The representative of the Railway Board stated that a high powered Committee (Railway Equipment Committee) appointed by Government in 1955 had recommended that in view of the requirements of wagons in future, the wagon building capacity in the country should be increased to the level of 50,000 wagons per annum within the next 10 years. The Board accepted the recommendation and it was decided to develop additional wagon building capacity to the extent of 10,000 wagons output during the Second Five Year Plan. It was further considered that the development of the building capacity upto the above number should not necessarily involve any firm commitment on the part of the Railways to purchase this number, as the number of wagons to be ordered from year to year would depend upon the actual requirements of Railways and the available capacity with the various manufactures. On this understanding 8 firms were allowed to develop upto an annual output of 1,000 wagons each. The total installed capacity thus came upto 28,000 (the then installed capacity being 20,000 largely in the Calcutta industrial area). Later on, the Board considered that having regard to the expected increase in traffic of nearly 60.8 million tonnes as envisaged in the Plan, the installed

building capacity of 36,000 wagons per annum should be built upto meet the wagon requirements of the Third Five Year Plan as also those of the last two years of the Second Plan. It was decided that, in addition to the eight firms which had already been selected for educational orders, such orders should also be placed on some other firms out of those recommended by the Railway Equipment Committee, provided they were willing to locate their factories on dual guage points. The Board, however, felt that there was a certain amount of risk in the above decision because, in case the raffic lagged behind the expectations of the Plan, some orders would have to be placed on the new firms, though they might not be warranted by the actual needs of traffic. However, to minimise the risk, it was decided to keep a strict watch over the trends of traffic, progress of the wagons manufacturers and supplies and re-adjust and reduce the purchases when necessary in order that the wagons purchased might not turn out to be substantially in excess of the actual requirements.

3.13. A statement showing the wagon building capacity licenced since the beginning of the Third Five Year Plan till 1966-67, based on the data furnished to the Committee by the Railway Board, is given in Appendix V to this Report.

3.14. In so far as the production of wagons in Railway workshops was concerned, the Board have stated that capacity has not been created specially for wagon building purpose in Railway workshops. New wagons are, however, being produced in Railway workshops since 1960 by absorbing surplus capacity which has been generated through increased productivity on the introduction of incentive schemes. Production of wagons in Railway workshops during 1961-62 to 1968-69 was of the order indicated below:

(in terms of 4-wheelers)

1961-62	.	.	.	.	.	.	.	799.5
1962-63	.	.	.	.	.	.	.	2652
1963-64	.	.	.	.	.	.	.	6470.5
1964-65	.	.	.	.	.	.	.	6977.5
1965-66	.	.	.	.	.	.	.	6946.5
1966-67	.	.	.	.	.	.	.	4706.5
1967-68	.	.	.	.	.	.	.	3678
1968-69	.	.	.	.	.	.	.	3078

3.15. Explaining the reasons for decline in the production of wagons in Railway workshops in recent years, the representative of the Board stated during evidence that this was due to heavier repair load on the workshop following the augmentation of the stock of wagons and locomotives.

3.16. The representative of the Board stated in evidence that although the licensed capacity in the private sector was 38,000 wagons

per annum, the maximum production so far in any year had not exceeded 27,000 wagons. He added: "It is difficult to say what is the actual installed capacity. The wagon building industry say our capacity is being checked because of shortage of orders. But when we place an order, the wagon builders always have a backlog of more than a year's production. . . . Although the installed capacity may be there, but due to certain reasons—labour trouble, steel shortage and various other things—the real capacity is much less. . . . Actually the industry that manufacture these have a common capacity in which they produce other structurals also. When the demand for them is not there. . . . then they can transfer that capacity for wagon manufacture also. Similarly, the capacity for wagon manufacture can be transferred for manufacturing other new things. Therefore, it would not be possible to lay down very rigidly that this is the wagon production capacity for a particular unit or the industry as a whole."

3.17. The Committee enquired from the Board as to what the anticipations regarding originating traffic were as at the end of 1965-66 and the Old Fourth Plan (1966-67 to 1970-71) and what assumptions of wagon requirements were made while placing orders against the 1965-66 wagon building programme. The Board have informed the Committee that "in March, 1964, a tentative outline of the Fourth Plan (1966-67 to 1970-71) was prepared envisaging an increase of 129 million tonnes of originating traffic over the Third Plan estimate of 245 million tonnes or a total of 374 million tonnes. A revised Fourth Plan was prepared in September, 1964, taking into account the latest traffic anticipations, when the originating traffic in 1970-71 was scaled down to 350 million tonnes.

"In February, 1965, the Fourth Plan traffic estimates were further re-assessed in the light of the declining trend in the Third Plan traffic anticipations. This revised Plan provided for a total originating traffic of 325 million tonnes in 1970-71."

"The Rolling Stock Programme for wagons for 1965-66 was finalised in December, 1963, when the total originating traffic for that year was anticipated to be 245 million tonnes. At that time the left over provision of wagons of the Third Plan Programme was only 7,755. Therefore, 19,616 wagons out of the Rolling Stock Programme of 31,428 wagons for 1966-67 were also included in the 1965-66 wagon building programme."

3.18. The Committee enquired why advance orders were placed in 1965-66 against 1966-67 wagon building programme. The Board have explained the position as follows:

"The orders proposed against 1965-66 programme were for delivery by 30th September, 1966 which covered a period

of the first six months of the then Fourth Plan period. In September, 1964 when an assessment was made of the wagon requirements for the then Fourth Five Year Plan, it was estimated to be 1,96,000 four wheelers viz. from 1966-67 to 1970-71. In view of this, it was not considered advisable to restrict the procurement of wagons during 1965-66 to only 7,755 four wheelers. It was felt that it would be prudent and economical in the long run to maintain a uniform rate of production without violently disrupting the flow of wagon production. It was with this idea that advance orders from 1966-67 RSP were planned. Actually only 19,616.5 wagons in terms of four-wheelers from 1966-67 RSP were ordered against 1965-66 programme (16,935 four-wheelers on the private sector and 2,681 four-wheelers on the Railway workshops)."

3.19. The representative of the Board added during evidence that "in February, 1965 after the retarded growth was taken into account, the wagon requirements were 1,75,554. Our contention is that if in the original Fourth Plan from 1966-67 to 1970-71, 1,75,000 wagons were to be procured then in order to see that there is even production we decided to order a few wagons against the Fourth Plan requirements so that the load on the industry is evened out. The wagon orders have to be there in advance because the Industry needs time."

3.20. Audit have furnished the following comments in this regard:

"It may be mentioned that the annual targets of originating traffic for 1964-65 and 1965-66 framed in December, 1963 and January, 1965 were only 212 and 208 million tonnes respectively. (Actuals for 1963-64 and 1964-65 being 191.10 and 193.84 million tonnes). The assumption made in February, 1965 that 325 million tonnes of traffic would materialise by 1970-71, based on which the advance orders were placed in 1965-66 provided for a growth of over 110 million tonnes during 1966-67 to 1970-71 and was therefore unrealistic.

"In December, 1964, the Ministry decided that the wagon output by the private builders should be maintained at the level of previous years which was about 25,000 four-wheelers. At the time of placing the orders for 1965-66 wagon building programme in April, 1965 it was expected that 17,410 fourwheelers would remain outstanding out of the earlier orders by the end of June, 1965. With 23,388 four-

wheelers ordered against 1965-66 wagon building programme the level of deliveries expected during 1965-66 was 31,390 four-wheelers as against the actual production of 25,137 and 27,565 four-wheelers during 1963-64 and 1964-65. Thus the orders placed against 1965-66 wagon building programme were not only more than the requirements, but also more than the performance capacity of the wagon builders."

3.21. The Committee drew the attention of the witness to the statement in the Audit Report that at the time of finalising the wagon building programme for 1967-68, the rates accepted by wagon builders were lower than the brought up price of 1965-66 orders as on 1st April, 1966 and that in respect of BCX type wagons, substantial number of which were outstanding, the prices were even less than the base price of 1965-66 orders (i.e. as on 1st April, 1964). The representative of the Railway Board stated in evidence that the BCX wagons were of a new design for which orders had been placed for the first time in 1965-66. New machinery, jigs, tools and fixtures had to be designed. It had been decided that the wagons should be entirely of welded type to which there was lot of resistance initially. The established wagon builders, who later came forward, stated that they would have to invest a few crores of rupees to switch-over to welded construction. A large number of special jigs had to be made which was a long drawn out process. When the new order was placed, all these facts had to be taken into account and they had to pay higher prices giving due allowance for the development charges.

3.22. The Committee enquired whether the Railway Board had at any time made an assessment of developmental charges stated to have been incurred by the wagon builders and on that basis came to a considered conclusion that prices to wagon builders should cover developmental charges. If so, they enquired, what the quantum of developmental charges assessed was and how it was distributed amongst the firms *inter-se*. The Committee also enquired whether there was anything on record to show that the Railway Board did not for this reason pursue the question of reduction of prices on pending wagon deliveries. In a note on this point, the Railway Board have stated: "Even though no precise estimate for the additional charges had been indicated, this fact was taken into consideration. While requesting for extensions in delivery dates, the firms specify the reasons which caused delay in completion of the contract, like non-receipt of steel in matching sets, labour troubles etc. and the extensions are granted after examining all the circumstances depending on the merits of each case. It will be observed that the delay in the BCX order of 1965-66 was substantial in the case of M/s. . . . This firm did bring this aspect of developmental charges for the consideration of the Board. An extract of para 2(e)

of this letter No. 70/E. 25/6032 dated 6th August, 1968 is given below:

'.....BCX order on the 1965-66 Programme is the first order for this type of wagons. Wagons of any first order always cost more than the repeat orders'.

"As regards others, the delays are not substantial and in any case they were given extensions by restricting escalations upto the dates justified by the regulation."

3.23. The Railway Board have added that "the Tender Committee while recommending the price of BCX wagons against 1965-66 orders recorded as under:

.....Taking into consideration the cost of the new jigs and fixtures etc. required for manufacture of new type of wagons, after prolonged discussion with wagon builders, it was settled that the price of BCX Mark II wagon may be about Rs. 6,500 more than that of a BOX wagon'. Accordingly, against the price of Rs. 49,000 for a BOX wagon, the price of BCX wagon was settled at Rs. 55,500. Although no precise estimate for additional charges on account of new jigs and fixtures etc. was indicated, it was evident that the element of developmental charges had been taken into account for fixing the price of BCX wagon.

"Against 1967-68 orders, BOX wagons had not been ordered. However, the brought up price of BOX wagons as on 1st April, 1966 worked out to Rs. 52,656 for the Port town wagon builders. Against this, the price offered to port town wagon builders for BCX wagons was Rs. 55,200, i.e., the difference between the brought up price of BOX wagon and the contract price of BCX wagon was Rs. 2544/. In respect of price for BCX wagon, the Tender Committee's comments were as under:

'.....In the case of BCX wagons, a stage has now reached when the consequential benefit accruing from the stabilisation of production should be shared with the purchaser and therefore substantial reduction in the cost of these wagons should now be feasible'.

Keeping in view the fact that for other types of wagons ordered during 1967-68, the prices settled were nearabout the brought up price, it is evident that the reduction in the cost of BCX wagon was on account of developmental charges having already been taken into account in the earlier orders. This is further borne out by the fact that the difference between the BOX and BCX prices against

1968-69 and 1969-70 programmes has been maintained at about the same level."

3.24. The Committee enquired why, if reduction of prices on outstanding deliveries was considered inappropriate due to the firms having incurred developmental charges, negotiations for this purpose were conducted in June, 1968. The Railway Board have stated in a note:

"The negotiations on the basis of the prices offered against subsequent programme were undertaken for the outstanding orders of 1965-66, 1966-67 and 1967-68 programmes for all types of wagons (except for marginal cases) to see whether wagon builders could be made to agree to our proposals. At that stage, no exception was made in respect of the BCX order, on the ground of inclusion of development charges in the 1965-66 price as it was sought to derive the maximum possible advantage through the negotiations for the outstanding order."

3.25. The representative of the Board further stated during evidence that prices for BCX wagons against the first order were calculated on the basis that the additional cost would be worked off on the given number of wagons (2.610). While they insisted on a lower price against the second order, it would not have been reasonable on their part to have asked the wagon builders to reduce the prices against the first order also, for, in that case, it would not have been possible for the industry to go through the development period for this item. The representative of the Board added: "...we brought about a reduction in the prices of these wagons not because the quotations received were low but we felt since the first development order had already been issued at a certain price, the second large order should be placed at a certain lower level in spite of the fact that in the meantime the prices of steel had gone up, the wages of labour had gone up. Secondly, the price fixed for the first order was to cover the developmental charges over a certain quantity and unless that quantity was completed it would be breaking an agreement."

3.26. In this connection, Audit have stated as follows:

"There is no record of any systematic assessment having been made by the Railway Board of the developmental charges incurred by the wagon builders for the different types of wagons.

"It may be mentioned that BOX wagons were ordered for the first time in 1958-59. There was, however, no specific allowance in terms of developmental charges nor was there reduction in the price of BOX wagons in 1959-60. The prices fixed for BOX wagons went on steadily increasing upto 1965-66.

"BCX wagons were ordered for the first time in 1967-68 on M/s....., M/s.... and M/s..... No developmental charges have been included in these first orders as they were also given the same prices as given to the other wagon builders. In fact the price offered to M/s.... (the second firm) was lower by Rs. 500 compared to the prices given to other upcountry builders. M/s.... (the third firm) had not manufactured any bogie type wagons before.

"There is nothing on record to show that the Railway Board did not contemplate negotiations for lower price for BCX wagons before January, 1968 because of the developmental charges included in 1965-66 price."

3.27. The Committee enquired why even if reduction of prices on outstanding deliveries was not considered appropriate, the question of pegging the escalations to the stipulated delivery dates was not considered. The Committee also called for a detailed statement showing—

- (i) the dates upto which price escalations were permissible, category-wise, for various lots of supplies in respect of each firm according to the contracts as they originally stood; and
- (ii) the dates upto which price escalations were actually allowed category-wise, in respect of each firm, for various lots of supplies.

The statement furnished by the Ministry is at Appendix VI. to this Report. The Committee observe therefrom that when extension of delivery dates was given, escalations in price were allowed to all the wagon builders in respect of orders placed for 1965-66 requirements beyond the date stipulated in the contracts, i.e., 30th September, 1966. The Railway Board have added: "The escalations were actually restricted to the delivery dates based on the regulation, even though the extensions were granted beyond these dates."

3.28. Explaining the position further, the Board have in a note stated as follows:

"The delivery date for 1965-66 and 1966-67 contracts was 30th September, 1966 and 31st March, 1967 respectively. It had been decided in January, 1966 that the offtake from the private wagon builders should be regulated to 21,000 (4-wheelers) and that individual production was to be restricted to 77 per cent of the average of preceding three years production. While considering extensions of deliveries beyond the above date, the effect of the regulation which was imposed on the wagon builders in early 1966

had to be taken into account. As the restriction on the production was imposed by the Railway Board, the firms were in equity entitled to such extensions based on the regulated off-take varied between March, 1967 and June, 1968 depending on the firms. The question of granting further extensions beyond the dates justified by the regulation was not taken up till January, 1968 for the following considerations:

- (1) Out of 13 firms, supplies against 1965-66 orders were materially delayed beyond the dates justified by the regulation only in respect of 3 cases i.e. In other cases, the delays were marginal (less than 4 months). Even in these cases, the extensions were granted by restricting the escalations to the delivery dates justified by the regulation (no further escalations beyond the delivery dates were permitted for such delayed wagons). In doing so, we were guided by the advice of the Ministry of Law who had been consulted in respect of earlier orders of 1963-64 programme. According to their advice, negotiations were held with the wagon builders and with considerable difficulty, wagon builders were forced to accept escalations only upto the delivery dates. A similar practice was followed in respect of 1964-65 contracts.
- (2) The wagon production was hampered on account of short supply of mounted wheelsets from October, 1965 to July, 1966. (The wheelsets are a free supply item as per the contract). As this resulted in production being held up, the wagon builders were entitled to the benefit by way of further extensions beyond the dates justified by the regulation. By restricting escalations to the delivery dates justified by the regulation, the Railway Board did not give a benefit to the Wagon Builders. Any attempt, however, to negotiate on the basis of the prices obtained in the subsequent programme, would have led the wagon builders to claim further extensions with benefits due to the short supply of mounted wheelsets. This should have meant that in respect of the firms where the delays were marginal, they would have been given benefits of escalations for a further period.
- (3) It is pertinent to point out that even during 1967-68 regulation in offtake of wagons was necessary in view of the difficult ways and means position. The orders placed against 1967-68 programme alongwith the outstanding orders from earlier contracts as on 1-4-67 totalled nearly 27,000 wagons in terms of four-wheelers. Hence if the negotiations were held in early 1967 with the wagon builders on the basis of the prices offered

against 1967-68 programme, the Railway Board would have had to be prepared to accept nearly 27,000 wagons in terms of four-wheelers in 1967-68 against the regulated off-take of 21,000 wagons in terms of four-wheelers. This would have placed us in an embarrassing position.

“However, since their actual performance during 1966-67 and 1967-68 even did not come upto the regulated off-take for various other reasons, it was decided not to regulate the off-take during 1968-69. Only in this context, the negotiations could be held with the wagon builders for the outstanding orders based on the prices obtained in subsequent programmes. Even so, in respect of the 3 cases where the deliveries were materially delayed against 1965-66 orders, negotiations were held. Besides, in respect of two other firms... negotiations were held before the expiry of the delivery date based on the regulation. It will be observed that there has been no delay in holding negotiations against the outstanding orders for 1965-66.

“It would not be out of place to mention that during the year 1967-68, the economy in the country was facing a recession and the Government had given directives to take suitable action to make all out efforts to fight the same. An attempt to cancel the outstanding orders when there was no purchaser for these wagons would have been a step in the reverse direction. In any case, the interest of the Government was protected by not admitting escalations beyond the dates justified by the regulation.”

3.29. The Committee enquired why even after it was decided in January, 1968 to conduct negotiations of prices in respect of wagons not delivered, the Board did not conduct negotiations till June, 1968. Explaining the reasons for delay of 5 months in conducting the negotiations, the Board have stated:

“In January, 1968, it was proposed to conduct negotiations with one firm based on the prices obtained in the subsequent programmes. While examining the proposals in respect of this firm, it was felt necessary to take a uniform stand in respect of all wagon builders who had similar outstanding orders. At the same time, a regulation in the off-take of wagons during 1968-69 which was proposed in November, 1967 was also to be taken into consideration before initiating the negotiations with the firms. This was examined in detail and it was felt that a regulation in off-take need not be enforced during 1968-69 as the firms' performance during 1966-67 and

1967-68 did not come up even to the regulated figure. While considering the proposals of offering the prices based on subsequent programmes in respect of the outstanding orders of 1965-66 it was felt that similar action could be adopted in granting extensions for 1967-68 orders, whose delivery date was also expiring shortly then (31-3-68). Accordingly, proposals were submitted to the Board in April|May, 1968. These were considered in detail in all aspects by the Board and it was decided to conduct negotiations on certain guidelines framed by the Board in early June, 1968. Thereafter, the negotiations were held in late June, 1968.

"The negotiation in the light of the prices obtained in the subsequent programmes in respect of outstanding orders was held for the first time in 1968. Before initiating the same, we had to take into consideration the causes for the delays in respect of each firm and how far the firms could be held responsible for the delay. The reactions of the wagon building industry, which had been claiming that the capacity was built up solely for the purpose of the Railway's requirements, with the Railways as the purchaser, especially in the light of the recessionary trends then existing, were to be taken into consideration. Considering the various factors and the far-reaching implications that the decision had, the time taken cannot be held to be unreasonable."

3.30. The Committee enquired whether the complaint of the wagon builders that their capacity was not being fully utilised was well founded. The representative of the Ministry stated in evidence:

"If you will recall, there was a bit of controversy in the newspapers. At the time we did say that whatever the capacity the industry may claim, this was their production against so much outstanding order. The reply of the industry was that they must have two years orders on their books and, therefore, they will produce only 50 per cent of the orders that they have. That was their viewpoint.... Our point has been that although the wagon manufacturers have been saying that they have spare capacity, in point of fact do not have spare capacity, because they are not able to supply the orders we have placed on them."

3.31. The Board have subsequently furnished the following figures of orders placed and supplies received thereagainst during 1966-67 to 1968-69:

	"Total orders available in terms of four-wheelers at the beginning of the year	Output from-all wagon builders in private sector in terms of four-wheelers.
1966-67	27076	16501
1967-68	26895.5	13956
1968-69	25882.5	13389

The industry could not even complete the orders available on them during 1967-68 and 1968-69 within the stipulated delivery period, although the orders were within the overall installed capacity of the industry".

3.32. To a question whether the agreements with the wagon manufacturers did not provide for termination of the contract upon their failure to deliver the wagons within the stipulated period, the representative of the Board stated that such a provision did exist. However, on an earlier reference to the Ministry of Law, they had been advised that because of the special nature of the wagons ordered for, termination of the contract could result in several complications.

3.33. From a note on this subject subsequently furnished to them, the Committee find that the reference in question was in respect of BOX and BOBX wagons ordered in October, 1962 April, 1963. Advice of the Law Ministry was sought on two points viz. (a) whether the contract with the firm could be terminated for its failure to deliver the wagons even by the extended date although its production capacity was adequate for the purpose and (b) whether escalations could be pegged, in respect of wagons delivered after the extended date of delivery, to increase in cost, labour etc. that took place before the original date of delivery. The Ministry of Law advised that if the contract was terminated, neither party was entitled to damages and that the purchaser could not unilaterally alter the terms of the contract by imposing conditions namely escalation would not be permitted.

3.34. Audit have commented as follows on the foregoing reply of the Board:

"The Ministry of Railways (Railway Board) had to resort to the scheme of regulation so as to limit the offtake of wagons within their financial resources mainly because the quantity of wagons ordered against 1965-66 wagon building programme was much more than their immediate requirement, capacity of the firms and availability of resources.

"The regulated rate of production and the dates upto which extensions were justified based on the regulation were not communicated to any of the wagon builders and so there

was no contractual obligation to grant extensions beyond 31.3.1967 on account of the regulation.

"The actual production by the wagon builders during 1966-67, 1967-68 and 1968-69 was much less than the regulated offtake internally decided by the Board. This shows that the shortfall in production has to be accounted for in terms of factors other than regulation also. The argument that negotiations were not held earlier due to the regulated offtake is not valid. From the records it is seen that the Ministry had not in any case contemplated negotiations even after the expiry of the dates justified by the regulation.

"The opinion given by the Ministry of Law pertains to another case the circumstances of which were different. In that case the Ministry of Railways wanted to peg escalations at 30.6.1964 level in respect of wagons delivered after 31.12.64 and to terminate the contract in respect of the outstanding orders. There were difficulties in the supply of controlled categories of steel and free supply items. The prices of the subsequent orders were not lower. In the case of 1965-66 orders, the position regarding free supply items which was hand to mouth during the last few months of 1965-66, eased after June, 1966. The prices in the subsequent years were also falling. The Ministry did not obtain legal opinion before granting further extensions beyond 31.3.1967 or of the legal implications of terminating the earlier contract and reconsidering at subsequent year's prices.

"The argument of the Ministry that the wagon production was hampered on account of short supply of mounted wheelsets and so the wagon builders were entitled for further extensions even beyond the dates justified by the regulation is not acceptable. While the position regarding the free supply items was tight during the months from April to June, 1966, the supply position became normal by July, 1966 and most of the wagon builders had pulled up the arrears except M s. . . . M s. . . . and M s. . . . in which cases the production did not pick up inspite of the comfortable position of free supply items. Further, if extensions even beyond the regulated dates were justified due to non-availability of free supply items, the placing of the supplementary orders by the Ministry on firms like M s. . . . and mentary orders, 196 on the ground that they had to be kept engaged upto March, 1967 would require to be explained."

3.35. The Committee enquired why in case of one firm at Ambernath, order for 750 4 wheelers was placed on 1st April, 1965 for 1965-66 programme when they already had a backlog of as much as 2595 wheelers outstanding against orders placed on the basis of

previous years' programme. The representative of the Board stated during evidence that "when a fresh order was placed on them for these 750 wagons, they came up with.....a cheaper quotation i.e. Rs. 1500 less for the BCX-type of wagons. By bargaining with them, we could thus bring down the prices of these wagons. It was, therefore, felt desirable to place an order on them in spite of the fact that they had a very heavy backlog with them.....It was a question of competition. And we felt that this party was quoting a lower price and that we could reduce the prices on all wagons.... When we placed the order—this was in April, 1965—at that time there were no regulations and we also hoped that the units might increase their capacity in a big way."

3.36. The Committee enquired why extensions were given to the firm upto June, 1969 without even pegging the escalations. The Board have stated that the stipulated date of delivery for orders against 1965-66 wagon building programme was 30th September, 1966. When the regulation came into force with effect from January, 1966, the offtake from this firm was placed at 580 keeping in view its production during the last 3 years. "When the firm came up for extension in the delivery date, the fact that this firm had outstanding orders for 2181 four-wheelers on 1st April, 1966 and that its out-term was regulated at 580 was considered. Similarly the off-take of wagons from the private sector was regulated at about 21,000 in terms of four-wheelers during 1967-68 also. The regulated off-take from this firm was kept at 580 four-wheelers. When the firm (again) came up with a request for extension, it was noted that they complied with the regulated output during 66-67 and even based on the regulated output for the year 1967-68, the firm was entitled for an extension at least upto the end of March, 1968 which was granted."

"The firm almost complied with the regulation and had an outstanding of 1028 four-wheelers. On 1st April, 1968 when the proposals for the extension beyond March, 1968 were considered, it was pointed out by the firm that the delay in completion of the contracts was mainly due to cut in production imposed by the Railway Board. Because of this, they had outstanding orders for more than 1000 four-wheelers at the beginning of April, 1968. During a meeting held with the firm, it was stated that they could complete these orders by 30th June, 1969 if no further restriction was placed on the production. The proposal of the firm was considered quite reasonable by the Board in light of the following:

- (a) The firm offered to complete the balance 1000 four-wheelers within a period of 15 months as against their regulated outturn of about 580 four-wheelers during the preceding two years. This in itself called for a higher rate of production during 1968-69.
- (b) The firm had an export order for 600 Bogie Hoppers to South Korea for execution by December, 1968. As such,

the firm's capacity would be utilised from April to December, 1968 mainly on the export orders. (It may be mentioned here that the firm had completed supplies to South Korea by the end of December, 1968. This was a major break-through by the Indian wagon builders in the export market).

"The extension was, therefore, granted upto 30th June, 1969 with all benefits.

"Even for other wagon builders where the regulation was imposed, extensions in delivery dates were granted to suitable dates based on the regulation. Hence the policy adopted for this firm is the same as given to the other wagon builders. The firm, however, did not complete the order by 30th June, 1969 and the outstanding order for 191 BCX was cancelled and reordered on the prices and other terms and conditions applicable to 1969-70 programme."

3.37. The representative of the Board added during evidence that "there was no special favour shown to them when extensions were given to them...for the purpose of record, I want to say that the extension given to this firm did not actually benefit it—because of the 200 wagons ordered on them in 1965-66, 191 were cancelled on 30th June, 1969. The over payment which is said to be Rs. 11 lakhs in the Audit para, can be only Rs. 49,500.....The extension was given because they were engaged in a prestige export order which they secured in South Korea in the face of stiff Japanese competition."

3.38. Audit have stated as follows in this regard:

"As on 1st January, 1965 M.s. (Ambernath) had 2595 four-wheelers outstanding against earlier orders. Together with 750 four-wheelers (100 BOX and 200 BCX) ordered in April, 1965, the total is 3345 four-wheelers. The capacity of the firm as established by their past performance was only 747 four-wheelers per annum. (The licensed and installed capacity was 240 four-wheelers). At this rate no fresh order was justified against 1965-66 wagon building programme. The order outstanding on 1st January, 1965 was adequate to keep the firm engaged upto 1967-68. Placing of orders very much in excess of the capacity of the firm combined with the regulation of off-take resulted in the extraordinary situation of having to grant extensions upto 30th June, 1969 without restriction escalation."

3.39. The Committee cannot help feeling that the Railway Board did not adequately protect the interests of Government in this case.
378 (Aii) LS—8.

3.40. In the first place, the Railway Board placed orders with wagon builders for 23,388 four-wheelers against the 1965-66 rolling stock programme, though the estimated requirement against the programme was only 7,755 four-wheelers.

3.41. Secondly, though the stipulated date of delivery was 30th September, 1966, the wagon makers were allowed to complete supplies on various dates between November, 1966 and June, 1969, without being asked to reduce their prices to the (lower) rates negotiated with them in the meanwhile (November, 1966) for supplies against the programme for 1967-68. Similar extension of delivery periods was also given in respect of some of the wagons ordered against 1967-68 programme, though by the time the extension was given, it was clear that supplies against the subsequent year's programme were going to be made at lower rates. It was only belatedly in January, 1968 that the question of negotiating for reduced prices was considered: the actual negotiations took place five months later, when 780 four-wheelers, the delivery of which was pending, were re-ordered at the reduced rates. The avoidable expenditure incurred due to failure to negotiate for reduction of prices well in time was Rs. 62 lakhs.

3.42. In the third place, the benefit of price escalation, provided for in the contracts, though admissible under normal circumstances only upto the stipulated period of delivery (i.e., 30th September, 1966) was given to the firms for periods ranging from 2 months to 30 months beyond the stipulated date of delivery. The extra expenditure on this account has not been assessed.

3.43. Lastly, one of the 13 firms covered by the orders against 1965-66 programme got an order for 750 wagons in terms of four-wheelers, though at that time they had to supply as many as 2595 (four-wheelers) wagons against previous orders. Extension of delivery dates, with benefit of price escalation, was given in this case upto June, 1969, when the pending supply of 191 wagons (478 four-wheelers) was cancelled and re-ordered at lower rates.

3.44. It has been stated by the Railway Board that orders against 1965-66 programme covered more than that year's requirements, as it was considered "prudent and economical" to maintain an even flow of production. These orders involved the production of a new type of wagon (BCX) for which the wagon builders had to be paid 'developmental charges', as they had set up new jigs and fixtures for producing the wagons. The prices negotiated covered these charges and were therefore higher than the prices for supplies against subsequent years' programmes. It would not have been reasonable to have expected the manufactures to bring down the prices for pending deliveries against the 1965-66 orders to the level of prices settled against subsequent orders, as that would have in-

volved their foregoing 'developmental charges'. The cancellation of pending deliveries and their re-ordering would have also entailed "several complications." Besides, the deliveries were delayed, because the Railway Board, for its own convenience, restricted the production of the wagon makers and regulated the offtake. The regulation naturally made it impossible for the wagon builders to adhere to the date of delivery stipulated in the contract and created a sustainable claim for price escalation beyond that date for an extended period justified by the regulation of off-take

3.45. The Committee are not able to accept the foregoing arguments for the following reasons.

- (i) The Railway Board was aware at the time the orders for 1965-66 were placed in April, 1965 that estimates traffic were not being realised. In fact, between March, 1964 and February, 1965, the Fourth Plan traffic estimates had been revised as many as three times, bringing them down from 374 million to 325 million tonnes. Even the estimate of 325 million tonnes, which formed the basis of the orders for 1965-66, was unrealistic, as it was a far cry from the estimate of 208 million tonnes that had been framed (in January, 1965) for 1965-66. The argument that the orders for 1965-66 were intended to maintain an even flow of production does not appear valid in the face of the fact that as many as 17,410 four-wheelers were already pending delivery against previous orders at the time the orders (for 1965-66) were placed.

3.46. This backlog together with the orders, in fact, placed a load on the wagon builders which was well beyond their capacity. One firm alone, which received orders for 750 wagons had a heavy backlog of 2,595 wagons against previous orders. It is also significant that, shortly after the orders were placed, the Railway Board resorted to "regulation" of off-take of wagons. The Committee, therefore, have no doubt that the Railway Board resorted to heavy over-ordering while placing orders against the 1965-66 programme.

- (ii) The Committee do not see much force in the argument that the wagon builders were not asked to reduce their prices for pending deliveries, because it would have deprived them of developmental charges that they incurred. As pointed out by Audit, there is no record of any systematic assessment having been made by the Railway Board of the developmental charges incurred by the wagon builders. There is also nothing on record to show that the Railway Board did not undertake negotiations for a lower price, because a lower price would have deprived the wagon builders of developmental charges. Besides, the fact remains that the Railway Board did nego-

tiated, though very belatedly, for reduction of prices. Moreover, the Board do not appear to have allowed developmental charges to at least three firms which were asked to produce BCX wagons for the first time in 1967-68. Taking all these factors into account, the Committee cannot but conclude that the Railway Board clearly failed to protect Government's interests by not negotiating in time for reduction in prices.

- (iii) The argument that cancellation of pending deliveries and their re-ordering would have created "several complications" seems to the Committee to be hypothetical. The view is based on a legal opinion which was expressed in a different context. Moreover, the Railway Board did not seek specific opinion from the Ministry of Law in this particular case to ascertain whether it was possible to cancel the supply of wagons not delivered by the wagon builders and re-order them at the lower rate agreed to for subsequent years' supplies.
- (iv) As regards the point that price escalations had to be allowed beyond the stipulated delivery date (i.e., 30th September, 1966) because the off-take of wagons was regulated by the Railway Board, the Committee have already pointed out earlier that 'regulation' became necessary as the Railway Board had heavily over-ordered against the 1965-66 programme. In the circumstances, the Board will have to assume responsibility for the extra expenditure that devolved on Government due to escalations beyond the stipulated date.

3.47. The Committee are for the foregoing reasons inclined to take the view that the Railway Board failed to safeguard Government's interests while placing orders with wagon builders and progressing the contracts. The failure at several stages led to a loss of Rs. 62 lakhs; the loss would be much higher if the monetary effect of the escalations allowed beyond the stipulated delivery date is taken into account. The Committee would like a thorough and comprehensive investigation to be made into the entire deal with a view to fixing responsibility. The investigation should be to ascertain *inter-alia*.

- (i) To what extent there was over-ordering of wagons and what its repercussions were.
- (ii) To what extent the orders placed with the various firms disregarded their past performance.
- (iii) Why there was delay in negotiating for reduction in price for pending deliveries and whether there were any legal impediment in the way.

3.48. The Committee would like the investigation to be completed in six months and to be apprised of the results thereof.

Import of roller bearing axle boxes for buffer stock.

Audit Paragraph

3.49. In October, 1966, the Ministry of Railways (Railway Board) placed two orders for import, one on a German firm for 3,000 roller bearing axle boxes (at a cost of 4.89 lakhs D.M. equivalent to Rs.9.16 lakhs) and the other on a Yugoslavian firm for 10,000 roller bearings (at a cost of Rs. 32.16 lakhs) to be supplied to an Indian firm for mounting on indigenously manufactured axle boxes. The imports totalling 13,000 axle boxes were arranged for the purpose of keeping a buffer stock of approximately 3-12 months' requirements although the indigenous capacity, for manufacturing roller bearing axle boxes had by then been well established. The only indigenous manufacturer of these axle boxes (whose price was about 8 per cent and 1 per cent higher than the import prices) also offered in August, 1966 to supply the roller bearing axle boxes at the rate of 4,500 numbers a month or about 54,000 per annum.

3.50. The German firm completed the supply of 3,000 axle boxes in January, 1967. Against the order for 10,000 roller bearings on the Yugoslavian firm to be mounted on indigenous axle boxes, 6,000 complete roller bearing axle boxes were supplied till February, 1968.

3.51. Meanwhile, an order for 30,000 numbers of roller bearing axle boxes was placed on the Indian firm in January, 1967. The firm completed their supply by December, 1967. The average monthly supply was well over 3,000 numbers and in some months the supply exceeded 4,000 numbers. A further order was placed on the Indian firm only on the 8th March, 1968 for 16,800 numbers, the firm having had no orders in the intervening period. The firm supplied 8,837 axle boxes in the next two months. Thus, the output of the firm was commensurate with the offer made by them. The Ministry of Railways (Railway Board) had, however, advised the firm while placing the orders to complete the supply only by the end of June, 1969 delivering at a uniform rate.

3.52. With the supplies materialising as above, the stock of roller bearing axle boxes increased from 16,900 as on 1st April, 1967 to 22,000 on 1st April, 1968. With outstandings from import and the indigenous firm the availability of axle boxes during 1968-69 would be of the order of 42,800 against the assessed requirements of only 26,100 for wagons provided for in the 1968-69 Budget.

3.53. The capacity of the indigenous firm may thus be booked only to the extent of orders already placed, that is, 16,800 numbers against their annual capacity of more than 36,000 numbers (as established

by actual production during 1966-67). This position could have been avoided had the increasing capacity of the indigenous firm been kept in view while deciding on imports to meet the requirements including buffer stock.

3.54. The Ministry of Railways (Railway Board) stated (November, 1968) that the indigenous capacity was considered inadequate to meet the requirements of the Railways at that time when the import for buffer stock was decided and that the stock of axle boxes increased on account of shortfall in wagon production during 1966-67 due to unprecedented labour troubles.

3.55. It may be mentioned that the capacity of the indigenous manufacturer was increasing from year to year and the shortfall in the wagon production also became quite evident from the figures of production during the first six months of 1966-67 (April, 1966 to September, 1966) before the placement of orders for the imports in October, 1966.

[Paragraph 13—Audit Report (Railways), 1969.]

3.56. The Committee called for figures of the targeted programme of production of wagons requiring roller bearing axle boxes during each of the five years ending 1966-67, the actual production of such wagons and the reasons for shortfall in production. The Railway Board have stated that targets were not laid down for individual types. However, while planning wagon orders, estimate of the type-wise production was made during each of the years based on the provision in the rolling-stock programme and the estimated available capacity. The estimated production of wagons requiring roller bearing axle boxes (20 ton capacity) and the actual production of these types during 5 years ending 1966-67 was as under:

Year	Estimated production	Actual production
1962-63	7164	5152
1963-64	6900	5856
1964-65	7853	7099
1965-66	7828	5723
1966-67	5367	4145

3.57. The targets for wagon production upto 1965-66 were based on an assumption that wagon building capacity would increase gradually in the country with the enhancement of licences of the existing firms and with licensing of new firms and with diversion of surplus capacity in Railway workshops to wagon production. The shortfall in actual production in relation to the anticipated production upto 1965-66 was mainly on account of the fact that the growth

of capacity was not according to anticipations. During the latter half of 1965-66 and the first half of 1966-67, the production suffered due to non-availability of roller bearing axle boxes and wheel-sets, besides other factors like labour trouble. Since September, 1965, in fact, most of wagon builders had been complaining that they would have to cut down their production for want of roller bearings.

3.58. The Committee enquired about the anticipated wagon production, the requirements of axle boxes therefor and the extent to which these were programmed to be met by imports and indigenous production when the decision to import roller bearings was taken in 1966. The Ministry have informed the Committee that the position in respect of anticipated production of wagons requiring roller bearing axle boxes and the procurement of these was as under:

(a) Number of wagons (requiring 20-ton roller bearing axle-boxes) anticipated to be Reduced between April, 1966 to March, 1967.

(b) Roller bearings required	42936
(c) Buffer stock required	13000
(d) Total requirement of roller bearing axle boxes	55936
(e) Anticipated indigenous production of roller bearing axle boxes	33243
(f) Anticipated supply from imports or orders already placed	5600
(g) Additional import decided	13000

3.59. Elaborating the reasons for importing 13,000 roller bearings, the representative of the Railway Board stated during evidence that while calculating these requirements, they in fact took an optimistic view of internal production and assumed a figure of 3,500 bearings per month in spite of the fact that at no stage the Indian manufacturer had given more than 2,300 bearings on an average. In 1964-65, indigenous production was 28,891, i.e., about 2,200 a month. Moreover, since they had asked for extension on orders placed in that very year, the Railways had to plan for importing a certain minimum quantity.

3.60. Audit have offered the following comments in this regard:

"The private builders and Railway Workshops together could produce only 1838 BOX, BCX and BRH wagons (wagon builders—1511 and Railway Workshops—327) during the first six months of 1966-67 consuming 14,704 roller bearing axle boxes against the anticipated production of 5367 wagons of these types (wagon builders—4584 and Railway Workshops—763) during the whole year 1966-67,

requiring 42,936 roller bearing axle boxes. If a reassessment of the requirement of roller bearing axle boxes for 1966-67 had been made before placing the orders for import in October, 1966, taking into account the actual production of BOX, BCK and BRH wagons during the first six months of 1966-67 (April, 1966—September, 1966), the imports could have been avoided."

"The position of free supply items (roller bearing axle boxes) was tight only for the first three months of 1966-67 (April, 1966 to June, 1966) and it became completely normal thereafter. During these three months the wagon builders had turned out 217, 168 and 216 wagons requiring roller bearing axle boxes. After June, 1966, when the position of free supply items became normal, the production of BCX, BOX and BRH wagons was around 300 per month in the private sector and about 70 per month on an average in the Railway Workshops. At this rate the production which could have been anticipated for six months could be about 2,200 or 2,300 wagons only. The wagon builders and Railway Workshops could not have been expected to produce the remaining 3,529 wagons requiring roller bearing axle boxes during the second half of 1966-67, which is almost twice the number produced in the first half irrespective of the actual cause for the shortfall in production. The Ministry in any case did not make any assessment on the basis of actual production before placing the orders for import of the roller bearing axle boxes."

3.61. The Committee called the details of orders placed or supply of roller bearing axle boxes with the Indian firm during 1965-66 and 1966-67, the delivery schedule and actual dates of delivery together with reasons for delay in delivery. The Ministry have accordingly furnished the following information:

Contract No. and date	Quantity	Delivery schedule	Actual delivery	Reasons
	1965-66			
1. No. 65/RS(I)/ 874/3/364 dt. 11-2-66.	3000 Nos.	March, 1966	March, 1966	
2. No. 65/RS (I)/ 874/3/363 dt. 11-2-66.	25000 Nos.	October, 1966.	December, 1966.	The firm could not procure.

1	2	3	4	5
3. No. 65 RS (I) 876 3/367 dt. 17-3-1966	8000 Nos.	January, 1967	March, 1967	Imported raw ma- terial in time.
1966-67				
4. No. 66 RS (I)/874 5 376 dt. 19-1-67.	30000 Nos.	November, 1967	December, 1967	The firm could not procure imported raw ma- terial in time.

3.62. During evidence, the Committee enquired when the Railway Board asked for clearance of imports from Germany and Yugoslavia and when actually it was given. The representative of the Board stated that the clearance for import of these bearings was not asked for from the DGTD. The Joint Director (Railway Equipment) who functioned as *ex officio* Industrial Adviser (Railway Equipment) in the DGTD gave the clearance having regard to the requirements, the capacity of bearings with the indigenous firm and the backlog of orders with them. No formal clearance from the DGTD was, however, obtained. Informal meetings were held frequently by the DGTD of all Industrial Advisers where various policy matters and development of indigenous capacity were discussed.

3.63. To a question whether the practice of conferring *ex officio* status on the officers of some other Department or Ministry could be considered satisfactory, the representative of the Department of Industrial Development stated that so far as the Ministry of Railways were concerned, the Joint Director (Railway Equipment) functioned for purposes of development of Railway equipment and in promoting import substitution effort as an *ex officio* Industrial Adviser in the DGTD and it was a fact that he maintained close coordination with the DGTD through frequent meetings, consultations and discussions. In 1963, all State Governments and Ministries were advised that all clearances would need the prior specific approval of the DGTD. Even after that there was some ambiguity for sometime whether the *ex officio* Industrial Advisers were competent to clear the imports or not. The position came into sharp focus during the recession in 1967-68 when complaints were received that stores were being imported by various Ministries when adequate indigenous

capacity existed for them. Thereupon the entire position was reviewed and clear advice was given to all Ministries and State Governments that clearance by any organisation other than the DGTD could not be taken as a substitute for clearance by the DGTD and that all future imports should have his specific clearance. In giving this clearance, the DGTD acted in closest liaison and coordination with the various Ministries concerned especially the various Industrial Advisers attached to them and the arrangement was working quite satisfactorily now.

3.64. The Committee enquired whether the 13,000 roller bearings were imported entirely as buffer stock and if so, when they were utilised. The representative of the Board stated that they were imported as buffer stock for key and critical items and were supposed to be the minimum required in order to prevent set-backs in production. Planning for such items was made for three months. The first supply came in January, 1967 and they were used up in the next few months.

3.65. The Committee enquired whether any efforts were being made to develop more than one source of supply so as to obviate complete dependence upon one source for such critical items. The representative of the DGTD stated that two new licences were issued for manufacture of axle bearings in favour of two parties. Licence in one case had to be revoked as they failed to take effective steps required under the conditions of the licence. So far as the other firm was concerned, they had stated that they would be taking up production of axle box bearings in the second phase. The firm had not yet installed the machinery and commenced production in the first stage. Therefore, they would not be able to manufacture axle box bearings for about 2-3 years.

3.66. Asked if they were trying to interest any other party, the witness stated that another firm at Poona might be taking up this as well as other types of bearings but they had not yet started production. To a further question if they proposed to set up a firm to produce roller bearings in the public sector, the representative of the Ministry of Industrial Development stated: ".....this is a matter which one has to consider if sufficient capacity does not come up in the private sector despite all our efforts."

3.67. The representative of the Railway Board added:

"May I mention to the Committee that we are engaged on a very large import substitution programme in Railways and a very special effort is being made to ensure that indigenisation of components which have so far been imported goes on at a very fast pace. But in this matter we are coming up against a lot of difficulties and one of them is that the promised production from the various units does

not materialise and when it does, it does not keep pace with our requirements with the result that if we find a manufacturer of a particular item today and feel that the manufacturer would be able to meet our requirements in the next few years, it is very much on the cards that sometime or other he may fail us. There have been instances where in regard to items which had become completely indigenous, we had to go back on imports for a short period. It all depends on how these things continue, how the rate of production remains, whether their qualities and quantities suit our requirements at that time.... We have reduced our import component from 30 per cent to 13 per cent of the total purchases and this 13 per cent which still remains consists of hard core items which are highly sophisticated. In the development of these we are finding considerable difficulty and we seek your indulgence in this matter because there may be instances where some parallel procurement becomes essential. With hindsight we may say that it was probably not required."

3.68. In a further note on the question of development of indigenous capacity for manufacture of roller bearing axle boxes, the Ministry of Industrial Development have stated as follows:

"Messrs. Jaipur hold an industrial licence for the manufacture of Roller Bearing Axle Boxes for an annual capacity of 23,160 numbers on 2 shift basis. They were also granted a letter of intent on 30th March, 1963 approving in principle their expansion scheme for Roller Bearing Axle Boxes for an annual capacity of 36,000 numbers.

"Besides this unit, industrial licences letters of intent were granted issued to M/s. Calcutta, M/s. Calcutta, M/s. Bombay for the manufacture of roller bearings for Axle Boxes. M/s.Hyderabad were also granted an industrial licence for manufacture of bearings including those required for axle boxes.

"M/s. Bombay (another firm) submitted an application for setting up a capacity for the production of 1,00,000 Nos. of Spherical Roller Bearings per annum. This application was examined by the DGTD. The phased manufacturing programme submitted by the company was not found to be acceptable to the Government as this was not in accordance with what was suggested to them in discussions at a meeting. The company were requested to revise the phased manufacturing programme. They expressed their apprehension about the decline in the demand for spherical roller bearings from the Railways. As the manufacture of Spherical Roller Bearings alone was not economically

feasible the company wanted to revise their scheme to include Spherical Cylindrical and Taper Roller Bearings to make the project economically viable. The company also wanted firm figures of requirements for the various types of bearing for the Railways and also needed more time to carry out further survey with respect to the precise demand for the various types of Axle Box Bearings. No revised proposals were, however, received from the firm. The application was, therefore, treated as closed.

“The company submitted another application on 14th July, 1969 for grant of an industrial licence for substantial expansion of their existing licensed capacity of 30 lakhs of ball bearings to 60 lakh Nos. per annum on three shift basis. As they were yet to achieve their earlier licensed capacity for ball bearings in full, this application was rejected *prima facie*. The company was also simultaneously informed that they should expedite submission of their proposal for manufacture of axle box bearings. The representation received from the company is under consideration.

“Taking into consideration that none of the licensed/approved schemes mentioned... for the manufacture of axle box roller bearings has fructified so far, it is now proposed to issue a Press Note inviting applications from existing manufacturers of bearings for grant of industrial licences for setting up capacities for Railway Axle Boxes with spherical cylindrical tapered roller bearings.”

3.69. The Committee feel that the decision to import roller bearings for wagons was taken without a realistic appraisal of the wagon building programme. The decision to import the roller bearings was based on the calculation that 5,367 wagons (requiring roller-bearing axle boxes) would be produced in 1966-67 and that the requirements of buffer stock of roller bearings for production on this scale could not be met by the existing level of indigenous production. However, at the time the decision to import the roller bearings was taken (i.e., in October, 1966), only 1,838 of BOX, BCX and BRH wagons had been produced. It should have been, therefore, apparent that, in the remaining period of six months in 1966-67, the shortfall in production of wagon was not likely to be made up. With the prospects of production not coming up to targets, the indigenous producer could, therefore, well have met any requirements for buffer stock.

3.70. The result of these imports was that no orders were placed on the indigenous firm between January, 1967 and March, 1968, and the firm's capacity was inadequately utilised during this period and ever thereafter. In fact that firm was asked to slow down the pace of supplies. The Committee consider that the Railways should have

carefully reviewed the progress of production before placing the orders for imports. Had that been done, the need for importing roller bearings (for buffer stock) at a cost of Rs. 41.32 lakhs would not have arisen.

3.71. The settled procedure for making imports is to obtain clearance for them from the DGTD. The Committee note that approval for import of bearings in this case was not asked for from the DGTD and that this was given by an official in Railway Board himself in his capacity as ex-officio Industrial Adviser (Railway Equipment) in the DGTD. It has since been clarified that all future imports would have to be specifically cleared by the DGTD. The Committee trust that the Railways will ensure that all proposals for imports get such prior clearance from the DGTD.

3.72. The Committee note that the Ministry of Railways are at present dependent only on one source of supply in the country for their requirements of roller bearing axle boxes. Proposals to interest other firms in the manufacture of this item are yet to fructify. The Committee would like the Railway Board to pursue the matter with the DGTD so that additional capacity to the extent required is built up in the country for meeting the requirements of the Railways and imports could be avoided in future. This would also encourage competition and provide alternative source of supply.

Excessive import of special steel for wagon building.

Audit Paragraph

3.73. The 'Z' Section Steel (a special category of structural steel) required for manufacture of BOX, BCK and BOEX wagons was not indigenously available in the past and the entire requirements for wagon production upto 1963-64 Rolling Stock Programme and part of 1964-65 Rolling Stock Programme were imported. At the instance of the Ministry of Railways (Railway Board) and the Iron & Steel Controller, the Indian Iron & Steel Co., were developing indigenous capacity for production of 'Z' Section Bars since March, 1964. In August, 1964 they were successful in turning out 50 per cent of their rolling within the specified tolerance. The Board were informed in September, 1964, that with certain minor relaxations the indigenous supply could be between 450 and 500 tonnes upto December, 1964 and over 800 tonnes a month thereafter. A quantity of 2,600 tonnes was also due to be received after September, 1964 and a contract placed on a British Firm in March, 1964.

3.74. An assessment of the availability of 'Z' Section conducted in September, 1964 revealed that indigenous supply and the dues from imports were adequate to meet the requirements of 1964-65 wagon building programme but left no cushion for the buffer stock. The requirements of buffer stock were assessed at 4,100 tonnes equivalent to 5 months' requirements of 'Z' section steel.

3.75. While making this assessment, however the outstanding from imports were wrongly taken as 730 tonnes less.

3.76. Global tenders were invited in December, 1964 and a contract for a quantity of 4,308 tonnes was placed in March, 1965 at a cost of 1.96 lakh pound Sterling (FOB) (Rs. 26.13 lakhs at pre-devaluation rates) to be financed from World Bank Loans. The landed cost of the imported 'Z' Section was also higher by Rs. 181 per tonne (at pre-devaluation rates) than the price for indigenous 'Z' Section and the extra expenditure involved was Rs. 7.69 lakhs.

3.77. The imported material was received between November, 1965 and September, 1966 and was worked off against wagon building programme of 1965-66 resulting in corresponding reduction in the offtake of 'Z' Section from the indigenous producer. This could have been avoided if a more precise assessment of the import requirements had been made, keeping in view the growing indigenous capacity.

3.78. The Ministry of Railways (Railway Board) explained (November, 1968) that the import was considered necessary in September, 1964 as buffer, as production of this steel in the country had not stabilised.

[Paragraph 14—Audit Report (Railways), 1969]

3.79 The Committee desired to know when the question of manufacturing 'Z' Section Steel within the country was taken up and when production of this item was established. The Railway Board have stated in a note that 'efforts to develop 'Z' Section Steel in a steel mill commenced in 1958.' A number of discussions were held by the Railway Board officials with the firm on specification drawing tolerances, minimum quantity required for economic rolling etc. The question of prices payable for the new items was also raised by the firm. All these points were settled by 1961. Thereafter the firm developed the rolls for the item and the first rolling was scheduled for the last quarter of 1964.

"Within the introduction of BOX wagons 'Z' Section was first required in 1960 and as this section was not indigenously rolled it was procured through import.

In March, 1964, Director, wagon production, Railway Board took up the matter with the Director of the firm, as the stocks of imported 'Z' Section were dwindling rapidly with the rising tempo of wagon production. The latter was asked to bring forward the rolling to May, 1964. He was also given to understand that although the then orders on the firm were 2500 tonnes, future requirements from the next year would be 8000 tonnes.

"Railway representatives were sent to the firm's works in May, 1964 to assist in overcoming initial problems in the development of the section by granting any relaxation that might be necessary on the spot".

"The first rolling in May, 1964 failed. The second rolling in June, 1964 was also unsuccessful. The third attempt in August, 1964 was once again unsuccessful."

"Hoping that the firm would be successful in the rolling, the Board had decided in July 1964 not to import 'Z' Section, even though the Iron & Steel Controller gave clearance for import for 1964-65 RSP requirements. The Director, Wagon Production wrote to General Manager, the firm on 11-8-1964 bringing to his notice the dangerously low stocks and urged him to put in some additional effort for producing the section. The subsequent rolling on 12-8-1964 was partially successful inasmuch as it was reported that 50 per cent of the quantity rolled was satisfactory.

"At the same time General Manager the firm advised that further modifications were being made on the rolls and a certain amount of trial and error was inevitable before the section could be rolled satisfactorily.

"At this time wagon builders were facing acute shortage of this section. The Joint Director (Iron and Steel), Calcutta was, therefore, deputed to convene a meeting in the firm's works on 31-8-1964. In the meeting a number of relaxations were granted in specifications to increase indigenous availability (relaxation in rolling tolerances, weight, rawness of flanges, etc.)."

"In February, 1965, the Railway Board representatives held a further meeting with the firm officials to consider the problems of very heavy rejections in rolling. In the meeting a number of further relaxations were given to salvage earlier rejections. The new relaxations were in respect of further rolling tolerance, bobbin marks, slivers and scabs, slight bending on the long flange etc. It was further agreed to accept the section in two pieces necessitating a weld.

"Thus after persistent efforts and concessions by way of relaxations in the specifications, the firm could eventually produce the section, obviating the need for imports after 1965."

3.80. The Committee called for data about actual production of 'Z' Section in India from January 1965 to March, 1967 and the actual

consumption of the same by the wagon builders. The Ministry have accordingly furnished the following information:

(Figures in M Ts)

Month	*Supply by I I SCO			Consumption		
	1965	1966	1967	1965	1966	1967
January	296	840	63	870	366	636
February	1268	1110	41	770	292	633
March	1271	59	1032	937	332	536
April	92	81		725	281	
May	1380			648	276	
June	683	40		745	285	
July	844			836	331	
August	214			760	511	
September	387	41		541	723	
October	811			471	787	
November	861			560	525	
December	1333	547		539	615	
	9440	2718	1136	8402	5324	1805

3.81. The monthly consumption at the rate of 600 Box wagons a month was calculated to be 830.4 tonnes. It was therefore felt that "since the firm have failed so far and their supplies in case of success in rolling even, are likely to be limited, in the next imports by the Railway Board, 4289.8 M Ts 'Z' Section-3100 wagon sets has been proposed to be imported". The Joint Director, Iron & Steel after his visit to the works of the firm in August 1964 and discussions with the firm's officials on the prospects of supply advised the Railway Board that "our observation was that the firm had achieved a substantial amount of success, with regard to the rolling of the 'Z' Section". They had asked for "certain minor relaxations" which were agreed to. "With these relaxations being granted the firm's authorities were confident that they could supply between 450 to 500 tonnes for the next four months i.e. September to December, 1964. With these supplies from the firm and with an expected average of 350 tonnes arrival of 'Z' Section from import, wagon building activity will not suffer.

"The firm's authorities also advised us that after January they expect to increase the out-turn to about 800 tonnes and if they are able to achieve this, then our full requirements of 'Z' Section for Box wagon construction will be met."

The Committee further called for data as to the actual planning made by the Railway Board on the indigenous producer during the

above stated period. The relevant figures are stated to be as follows:

(Figures in M Ts)

Outstanding as on 31-12-1964-4278

Month	1965	1966	1967
January	..	..	631 (-) ⁵⁰⁰
February	..	170	833
March	596	..	2165
April	2254	..	..
May	2804	..	..
June	..	116	..
July	142	195	..
August	270	(-) ¹⁷⁰	..
September	186	..	..
October	175	44	..
November	218	2272	..
December	(-) ¹⁰¹ 482	..	..
	7026	2627	2129

3.82. The Committee enquired how the requirements of buffer stock assessed at 4100 tonnes in September, 1964, were arrived at. The Ministry have stated that the production of Box wagons during June & July 1964 was 541 and 601 respectively.

"With regard to the quantity of 2516 tonnes of 'Z' Section which is under import at present, 646 tonnes have already arrived and it is expected that another 1400 tonnes will arrive by December 1964. This will leave only a balance of 470 tonnes from the lot at present under import. It is considered very desirable that 4289 tonnes of 'Z' Section should be imported as this will allow a 4 to 5 months' buffer stock to be built up as even if the firm step up their production to 800 tonnes as they hope to do by January 1965, no buffer stocks of this critical section will be available to tide over any break-downs in the mill or to meet any other contingency."

3.83. The Committee then enquired why the contract for a quantity of 4308 tonnes was placed as late as in March 1965 when the sanction of the Iron & Steel Controller had already expired on 378 (Aii) LS—9.

31-12-1964. In a note, the Ministry have explained the position as follows:—

“The Iron & Steel Controller was approached in March 1964 to give clearance for import of ‘Z’ Section to meet the requirements upto 31-3-1965 pointing out that the possibility of the section being rolled (by the mill) before the end of the year appeared very remote. But the Iron & Steel Controller gave clearance for import for requirements upto 31-12-1964, obviously in the hope that the firm would be able to successfully roll the item before the end of the year. Even if action had been initiated immediately to operate this clearance, the material could not have arrived earlier than April 1965 as the time required for the various procedures plus time for manufacture of the item, ocean transit etc. comes to about 12 months.

“However, the Railway Board decided to pend action to import the material on this clearance as the firm had promised to put through a trial rolling of the item in May 1964. It was hoped that in case the trial rolling proved successful, the need for such import could be obviated in spite of clearance having been given by the Iron and Steel Controller. But this hope was belied as the trial rolling did not prove successful in spite of subsequent attempts in June and August 1964. On a thorough review of the situation in September 1964 taking into account the available stocks and the prospects of the firm successfully producing the item, it was decided to go in for import. The tender was issued in December, 1964 after obtaining permission of the World Bank for issue of the tender and the Iron and Steel Controller was advised of the issue of the tender. The order was placed in March 1965 after finalising the tender and release of foreign exchange from the Ministry of Finance and the Iron and Steel Controller was advised of the placement of the contract.

“In fact, in November, 1964 the Iron and Steel Controller was again approached for further imports of 5,000 tonnes of this section for 1965-66 requirements and taking into account the prospects of indigenous availability of the item, the Joint Plant Committee of which the firm is a member, gave a non-availability certificate and the Iron and Steel Controller issued a clearance for import. However, this clearance for further imports was not eventually operated.”

3.84. To a question whether a fresh sanction was obtained, the Ministry have stated that “In view of the fact that a further sanction for 5,000 tonnes had been given by Iron and Steel Controller

for 1965-66 requirements in December 1964, it was not considered necessary to obtain a fresh sanction for the quantity of 4308 tonnes cleared for the earlier period."

3.85. Audit have offered the following comments on the foregoing:—

"It is observed that although the position regarding the need for import of about 4300 tonnes was reviewed in September 1964 and it was decided to go ahead with the import, Global tenders therefor were called only in December, 1964 and the actual order placed towards the end of March 1965. But between September 1964 and the actual placement of order in March 1965 the Board came to know that indigenous production at the mill was well established. The average production which was 900 tonnes between January and March, 1965 remained at 800 tonnes throughout 1965. Substantial dues of over 2500 tonnes of this special steel were also expected to be available to the wagon builders as floating stock from a previous order on import after September 1964. It has been clarified that the clearance given by the Iron and Steel Controller in April 1964 was only for the requirements for wagon building upto 31-12-1964 including requirements of normal floating stock or reasonable buffer also upto 31-12-1964. This emphasised again that there was at no time any reference to floating or buffer stock in the clearance given for import. Even now, the fact that the clearance covered wagon building upto 31st December 1964 has been made clear. Such a clearance cannot obviously be availed of for import after that date.

"In the circumstances the need for going ahead with the import mainly to build a buffer stock ought to have been reconsidered in consultation with the Iron and Steel Controller specially when the order on import was placed in March 1965."

3.86. The Committee then enquired about the reasons for decline in offtake during 1966-67. The representative of the Ministry stated in evidence that in 1965-66, the offtake from the firm was to their full capacity i.e. 700 tonnes a month. It was only after April, 1966 that the offtake came down as the production of wagons had to be regulated. Further asked if the reduction in offtake resulted particularly because of the import of the item, the witness replied "that is right". He, however, added that the offtake of other heavy structurals kept on rising and no indigenous capacity went idle.

3.87. With reference to the statement in the Audit para that the pending supplies in September 1964 against past import orders

were taken as 700 M/T less, the Committee enquired how it occurred and what the factual position was. The Ministry have replied that "in August 1964 pending supplies against an earlier order were taken as 1870 tonnes whereas the correct figure should have been 2600 tonnes. At this distant date it is not very clear how the error occurred. The progress in inspection and shipment was being advised by ISM, London from time to time. Shipments were to be made to three ports-Calcutta, Bombay and Madras. There was apparently some error in assessing the outstanding perhaps due to want of up-to-date information from the different sources."

3.88. Asked if responsibility had been fixed for the lapse, the representative of the Ministry stated,.....The quantity involved was small. We feel that it was not necessary to fix responsibility for this small error. It was a clerical error."

3.89. The Committee are of the view that the import of 'Z Section' made at a cost of Rs. 26.13 lakhs was avoidable. The decision to import this section was taken in September, 1964, with a view to building up a buffer stock of this item. At about that time it had been reported to the Railway Board that one of the indigenous steel manufacturers "had achieved a substantial amount of success" in producing this item. This firm also in fact succeeded in making supplies regularly from January 1965 onwards. The Railway Board should have therefore reviewed their decision before they proceeded to place orders for the import of this item in March 1965. Subsequent developments also demonstrated that this import was unnecessary, as the indigenous manufacturer supplied both during 1965 and 1966 more than the quantity 'planned' on him.

3.90. Other instances of this kind of unnecessary import have been mentioned by the Committee in this Report. Such avoidable imports dissipate scarce foreign exchange resources of the country. The Committee would like the Railway Board to study all these cases in detail and to evolve an appropriate procedure to ensure that proposals for import are not cleared except after a searching scrutiny to meet compelling needs.

South Central Railway—Excess procurement of Stores.

Audit Paragraph

3.91. The work of manufacture of 500 wagons allotted to the Central Railway by the Railway Board in November, 1960 was entrusted to Lallaguda workshop and accordingly the Railway Administration procured the material required for the construction of these wagons. In September, 1963 the Railway Board, however, curtailed the number of wagons to be manufactured at Lallaguda workshop from 500 to 250 and transferred this work to Golden Rock workshop. Consequently stores, mainly steel, valued at Rs. 43.55 lakhs, were left over after the completion of the work in October,

1964. In October, 1963 and March, 1965 the Railway Board placed further orders on this workshop for the manufacturing of 79 and 130 Box wagons respectively. When the last order for 130 wagons was completed, the value of the material left over as on 30th June, 1967 was Rs. 20.70 lakhs. This surplus was reduced to Rs. 6.06 lakhs by 31st December, 1968 as a result of sale of the material to other Railways and wagon builders etc. Meanwhile, in addition to the dividend paid to the General Revenues on the value of these surplus stores, material valued at Rs. 1.64 lakhs became unsuitable for use owing to modifications in design and conversion to metric standards.

(Paragraph 15—Audit Report (Railways), 1969.)

3.92. The Committee enquired about the reasons for curtailing the order placed on Lallaguda workshops for the manufacture of wagons from 500 to 250 in September, 1963 and asked why action was not taken immediately to assess excess stores on hand with a view to transferring them to other workshops. The Board have replied that "the order for 500 Box wagons placed on Lallaguda workshops in November, 1960 was part of 2,000 Box wagons ordered on Railway workshops namely, Lallaguda, Amritsar, Golden Rock, Kanchrapara & Mahalaxmi in pursuance to a decision of the Board in August, 1960. A review of the progress of production in the Railway workshops conducted in September 1962 revealed that Lallaguda's progress in wagon construction had been slower than what was expected. It was estimated that Lallaguda workshops would turn out only 74 wagons upto June 1963 whereas Golden Rock shops, where construction of Box wagons had been very well established, would be turning out 393 Box wagons in that time. In September, 1963, it was observed that Golden Rock workshops were falling short of load and since Lallaguda's progress had been slower, it was decided to transfer 250 Box wagons from the orders of Lallaguda to Golden Rock to provide adequate load to that workshop.

"The South Central Railway had transferred 2394 Metric tons of steel and components worth Rs. 6 lakhs to Golden Rock from the stock when order for 250 wagons was transferred to Golden Rock workshop. However, this transfer was mainly with a view to enable Golden Rock to commence production against the transferred order. Since South Central Railway had anticipated further orders and it was the intention to continue wagon construction in Lallaguda shop; it was not considered prudent to transfer the entire outstanding indents of steel and components for the 250 wagons to Golden Rock workshop or any other workshop."

3.93. The Committee enquired when the designs were changed and whether any action was taken to find out whether the materials worth Rs. 1.64 lakhs could be utilised in the execution of pending orders which follow the old designs. The Board have in a note on this point stated that "since the modification in the design of Box wagons was issued by the RDSO for incorporating immediately by

all the Railway workshops and wagon manufacturers, the material rendered unusable due to modifications could not be utilised by other wagon builders; Railway workshops for new construction. However, this material can be used for the repairs of coaches and goods stock and the used for the repairs of coaches and goods stock and the South Central Railway have already taken action to transfer such surplus material for revenue work."

3.94. In reply to a question whether the Board had assessed whether there are any other stores held by Railways which had been rendered idle following metricisation, the Board have stated that "it is expected that very few items, if any, are likely to become slow moving due to metricisation. However, detailed assessment has been undertaken on the Railways. On obtaining full details of items if any rendered obsolete, the Railways will be instructed to make use of these items with suitable alterations to avoid wastage of material".

3.95. The Committee enquired whether there were other similar cases where load was transferred from one workshop to another and if so, whether materials were also transferred or duplicate procurement was effected together with reasons for doing so. The Board have stated that "out of 250 wagons ordered on Mahalaxmi workshops, 241 were transferred to Amritsar workshops together with the materials. The Western Railway had accepted the manufacture of 250 Box wagons in Mahalaxmi workshop in the background of surplus staff that was likely to arise consequent upon the introduction of incentive scheme; wagon production as an additional activity could provide a steady load to keep the surplus staff engaged. The production of Box wagons however depended upon a number of unforeseen factors such as availability of cranes, staff, material, plant, machinery etc.

"Simultaneously an order for the manufacture of conventional 4-wheeler wagons was placed on Mahalaxmi shops to provide adequate load until such time Box wagon manufacture which was a new type of activity was established.

"Western Railway had planned to start manufacture of Box wagons in January, 1962 at the rate of 3 wagons per month and desired to step up this out-turn gradually to a target of 25 Box wagons per month in May, 1962. While Mahalaxmi was able to establish production of 4-wheeler wagons and bogies for box Wagons, the body for Box wagons could not be undertaken on account of handicaps such as non-receipt of EOT cranes in time, set-back in receipt of complete sets of materials for Box wagons in time etc.

"The demand of Box wagons had already grown by then. During a review of wagon production carried out in Board in August, 1963,

it was revealed that Amritsar shops, who had established production of Box wagons, could undertake the manufacture of these wagons which Mahalaxmi shops was not in a position to do in the absence of cranes and other handicaps. A decision was therefore, taken by the Board to transfer 241 Box wagons from Mahalaxmi to Amritsar shops in November, 1963."

3.96. The Committee observe that stores worth Rs. 6.06 lakhs acquired for manufacture of wagons are lying surplus with Lallaguda workshops, due to the transfer of part of the wagon-building work to another workshop. Of these, stores worth Rs. 1.64 lakhs have become unsuitable for use in the manufacture of wagons due to modifications in design and switch over to the metric system. The Committee trust that immediate action will be taken to transfer all such material for utilisation in repairs of old coaches and goods stock.

3.97. The Committee note that a detailed assessment has been undertaken to ascertain the quantum of materials that have become obsolete consequent upon metricisation. They would like to be informed about the results of such study and action taken to transfer the surplus stock.

**Southern, Eastern, South Eastern, Central & Western Railways—
Infructuous expenditure in the manufacture of special fittings
for Box wagons used for loading of foodgrains.**

Audit Paragraph

3.98. Transport of foodgrains in open wagon is fraught with the risk of damage by rains and hence the Research, Designs and Standards Organisation was commissioned to evolve a suitable gadget for covering BOX wagons with tarpaulins. Meanwhile, to meet the shortage of covered wagons for lifting foodgrains, the Southern Railway had in May, 1965 evolved a design of non-detachable fixtures to the open type (Box) wagons for securing tarpaulins on wagons loaded with foodgrain bags in pyramidal fashion. This design was approved by the Railway Board in May/June, 1965 but only as an interim measure, in view of the urgency of movement of rice traffic from Andhra Pradesh to Kerala. The design of this equipment was stated to have a certain disadvantage as compared to the design being developed by the R.D.S.O. Accordingly, 256 wagons were fitted with these equipments by the Southern Railway at a cost of Rs. 1.11 lakhs during the period May, 1965 to July, 1965 and in July/August, 1966. The wagons fitted with these equipments were used for rice traffic for a short time during 1965-66 but thereafter got dispersed to other Railways.

3.99. In October, 1965 the Railway Board approved the design consisting of 12 detachable parts and tarpaulins evolved by the

R.D.S.O. and issued instructions to all the Railways in January, 1966 to use detachable fittings as per the design developed by the R.D.S.O. for securing the tarpaulins to the Box wagons. It was also directed that these riggings should be headquartered at Madras, Bombay, Calcutta and should be escorted by Railway Protection Force men for their safe return to base. Although the Southern Railway, after making a trial of one sample as per this design on a Box wagon pointed out to the Railway Board in August, 1966 that this equipment was not suitable for use due to increased loading time, interference with loading by fork lifts, large number of components and difficulties in return of these from unloading points etc., the Railway Board did not agree to reconsider their decision and directed the Railway Administration to take special steps to make more and more progressive use of these fittings, as these fittings were approved after taking into consideration all the aspects.

3.100. In pursuance of these directives, the Southern, Eastern, South Eastern, Central and Western Railways procured manufactured 805 sets of special fittings at a cost of Rs. 3.57 lakhs.

3.101. The utilisation of these fittings has, however, been very poor. On the Western Railway all the special fittings procured during July-August, 1966 are lying unutilised since August, 1967. On the Southern Railway only 40 sets were used once in November, 1966 and thereafter all the 220 sets are lying in safe custody. On the Eastern Railway only 56 sets were fitted to Box wagons for sarrying imported foodgrains during June, 1966 to December, 1966 and the remaining 44 sets have not been utilised at all. On the South Eastern and Central Railways all the sets were used on a few trips but most of those fittings were lost in transit and are not traceable.

3.102. The Ministry of Railways (Railway Board) have since decided that no further manufacture of these special fittings should be undertaken.

[Paragraph 60—Audit Report (Railways) 1969.]

3.103. The Committee enquired whether, before issuing orders for installing the fittings developed by RDSO proper trials were carried out so as to find out if they would meet the requirements and whether the matter was reconsidered when the S. Railway pointed out in August, 1966 that they were not suitable for use. The representative of the Board stated in evidence that it was as a measure of experimentation that these fittings were introduced. At that time, the situation was that food imports were increasing and it was not possible to provide covered wagons for their movement from the ports. In April, 1965, a conference of all Chief Operating Superintendents was held in which the Member, Transportation pointed out that in foreign countries open wagons were utilised by fitting a sort of a bracket and then putting a tarpaulin over it whereby it became a sort of a detachable tent. He added that one stage, the Minister of Food himself suggested to the Member Transportation that this

technique should be followed in our country also. The Railway Board, therefore, asked the RDSO to develop a design. Meanwhile the S. Railway, who were hard pressed for movement of 4 lakh tonnes of foodgrains from Andhra Pradesh to Kerala stated that they would evolve a design without waiting for the RDSO design which they eventually did. This experimentation served its purpose as it enabled them to transport 98,000 tonnes of foodgrains to Kerala between April-September, 1965 as against 52,000 tonnes during previous year. Latter on these were used for others trips from Madras to Bangalore and for movement of foodgrains to Bihar etc. It was, however, found that the tarpaulins had to be retrieved at the destination, but the Food Department protested that they could not provide the labour for this. Meanwhile, the crisis gradually disappeared and the pressure on movement of foodgrains was reduced. Further, they continued to manufacture more and more covered wagons.

3.104. Asked about the difference between the design developed by the RDSO and that of the S. Railway, the witness stated that the former was detachable whereas the latter was fixed and that was the disadvantage with it. The wagons when loaded with ore, coal etc. could not be tipped at the ports with these fixtures.

3.105. On his attention being drawn to the poor utilisation of the special fittings designed by the RDSO, the witness stated "On the Eastern Railway, out of 100 manufactured, 56 were used. On the rest of the Railways, they were used for sometime for specific purposes".

3.106. The Committee note that the Railways incurred an expenditure of Rs. 3.57 lakhs on an experiment for procuring special types of fittings (designed by RDSO) to provide cover to open BOX wagons utilised for movement of foodgrains. In addition, an expenditure of Rs. 1.11 lakhs was incurred by the Southern Railway on certain equipment designed by it for the same purpose. While the latter was used for a limited period, the utilisation of fittings designed by the RDSO was very poor on all Railways to whom these were provided, excepting the Eastern Railway, where 56 out of 100 fittings were used. The poor utilisation was due to the fact that the fittings interfered with loading and involved use of a large number of components which it proved difficult to keep track of.

3.107. The Committee are surprised that an organisation like the RDSO should have overlooked practical difficulties involved in the use of equipment designed by them. Apparently, the organisation did not conduct adequate field trials before suggesting the use of the equipment. The Committee hope that instances of this kind will not recur.

Eastern Railway Infructuous expenditure in the manufacture of locomotive parts.

Audit Paragraph

3.108. The work of manufacture of flanging blocks for fire boxes of H.S.M. and G.S. class of locomotives on use on the South Eastern Railway was undertaken by the Jamalpur workshops of the Eastern Railway in July, 1961. The work was not completed till May, 1966 when an advice was received from the South Eastern Railway that they were no longer in need of the spares since these classes of locomotives were already condemned. The machining work of the flanging blocks already cast was thereupon stopped. Attempts made to transfer these spares to other Railways have proved futile.

3.109. The Administration stated (December, 1968) that out of the total charges of Rs. 3.06 lakhs booked to the relevant work orders, a detailed review conducted on receipt of the audit comment revealed that an amount of Rs. 2.12 lakhs had been wrongly debited. Thus the infructuous expenditure involved in the manufacture of these flanging blocks was only Rs. 94 thousand.

[Paragraph 17—Audit Report (Railways), 1969.]

3.110. The Committee enquired when the manufacture of the flanging blocks was programmed and whether factors like the age of the locomotives in question and the likelihood of their condemnation were kept in view. The Railway Board have stated in a note that "the manufacture of the flanging blocks was programmed in July, 1961. Factors like the age of the locomotives in question and the likelihood of their condemnation were kept in view at the time of programming the manufacture. It may be mentioned that there were 311 locomotives of these classes in South Eastern Railway at the time the manufacture of the blocks was programmed. Of these locomotives, 111 locomotives were below the age of 35 years and 80 locos 40 years and above. At the time the manufacture of blocks was programmed, there was a considerable demand for locomotives due to the rapidly increasing traffic and condemnation strictly on the basis of age could not be anticipated."

3.111. The Committee enquired about the reasons for delay in the execution of the work in the Jamalpur Workshop. The Board have replied that "the job involved manufacture of 20 patterns and 21 core boxes in the Pattern Shop, 53 castings of flanging blocks in the Foundry Shop and their final machining. The Pattern Shop at that time was heavily loaded and the priority of manufacturing different items in the Pattern Shop was laid down in the normal sequence of urgency. Though the manufacture of patterns came in a priority category, there were a large number of orders already pending in the

Pattern Shop and since the work of flanging blocks was allotted a low priority, there was a lapse of time before the work was taken up. The first pattern and core box was completed on 31-3-1962 and the other patterns and core boxes were completed on 5-2-1963. With the manufacture of the patterns and core boxes, castings had to be taken up. This first compliance was started on 26-12-1962 and the last compliance was on 30-9-1963. There were 53 castings in all. During this period the General Iron Foundry was in the process of re-organisation and remodelling on account of setting up of the Steel Foundry. As result, there was considerable dislocation of work due to shifting of Machinery & Plant resulting in reduction of capacity”.

3.112. The Board have further stated that some of moulding boxes could not accommodate the various items. It, therefore, became necessary to cast the moulding boxes. Besides, the machining of the blocks involved heavy capacity machine tools and the Millwright Shop was already overloaded with a number of priority items of work. “Due to low priority of the flanging blocks, these could not be taken up for machining before May, 1966 at which time the Eastern Railway was advised by South Eastern Railway to discontinue the work.”

3.113. The Committee enquired why the S.E. Railway did not advise the Eastern Railway in time to stop manufacturing these spares. The Board have stated that “The burnt of increase in traffic generated by the second and third five year plans was borne by the South Eastern Railway. The gross tonne kilometers of traffic hauled by this Railway recorded an increase of over 75 per cent during the period 1958-59 to 1965-66. To carry the increased traffic, it was necessary to retain as many old locomotives in service as possible since allotments of new locomotives were limited. No new shunting locomotives were allotted to the South Eastern Railway during the period 1-4-1958 to 31-3-1966. Consequently, H.&G. class locomotives had necessarily to be retained in service for shunting and branch line traffic especially because heavier classes of locomotives are not permitted on certain branch lines. From the above facts it can be seen that there was no scope for reviewing the order for fire boxes upto the beginning of 1966.”

3.114. The Board have further stated that it was only in February, 1966 that the Railway Board, after the 23rd meeting of Controllers of stores on 23rd and 24th December, 1965 directed the CMEs to give a forecast of the classes of locomotives that were due for condemnation in the next 5 years so that the Stores Department could straightway start controlling the procurement of spares. Subsequently, the Railway Board vide their letter No. 64M(L) 650] 1Pt. dated 14-6-1966 stipulated the following policy regarding condemnation of overaged/replaced locomotives:

“Since the availability of broad gauge steam locomotives at the end of third five year plan is more than adequate, the

programme of condemnation of overaged/replaced locomotives should be adhered to, so that uneconomical locomotives not capable of giving satisfactory service are not kept in service."

3.115. It was only after receipt of these directives that the condemnation of old locomotives became a distinct possibility. A strategy for phasing out old locomotives was then formulated. The number of H&G class locomotives programmed to be phased out during the period 1966-67 to 1970-71 was 266 and 33 respectively. Immediately after this programme was formulated, the Eastern Railway were advised to suspend manufacture of flanging blocks on 13-5-1966.

3.116. In reply to a question as to the extent of stock of these spares available at the time of ordering their manufacture, the Ministry have informed the Committee that "23 spare fire boxes for the locomotives in question were available in stock at the time of placement of order."

3.117. The Committee enquired whether any other spares for these locomotives were manufactured in Jamalpur and other workshops from 1960 onwards and if so, to what extent these spares were utilised and what is the balance and cost thereof. The Board have furnished the following information on those points:

"The H & G class locomotives in question are maintained by South Eastern Railway and, therefore, no spares were manufactured by Jamalpur for these locomotives. South Eastern Railway during periodical overhauls and other repairs of these locomotives manufactured spares as necessary to meet the actual demand—

- | | |
|--|---------------|
| (i) Approximate No. of shop manufactured items for these 6 classes of locos. | 3500 |
| (ii) Approximate value of annual off take of these items | Rs. 20 lakhs |
| (iii) Approximate value of stock balances. | Rs. 15 lakhs" |

3.118. Audit have offered the following comments on the foregoing:—

"The consumption of the fire boxes both for H & G classes of locomotives during the period from 1958-59 to 1968-69 was 21 number and as against this consumption the Admn. had a stock of 28 spare fire boxes for the locomotives at the time of the placement of order. It would thus appear that on the basis of the past consumption, the stock of spare fire boxes was sufficient to last for a very considerable

period and there was no pressing need for the manufacture of flanging blocks for 24 H & G and 8 GS classes BG locos particularly when the stock consisted of overaged locomotives.

“It would appear that other spares valued at Rs. 15 lakhs procured for H & G class locomotives are lying in stock. As the overaged locomotives are likely to be condemned, these spares will also be rendered surplus. Obviously these spares were also procured without keeping in view the age of the engines and likelihood of their condemnation and that safeguards provided in codes were not taken for preventing the spares for G & H classes of locomotives from becoming surplus.”

3.119. The Committee observe that the manufacture of flanging blocks for certain locomotives undertaken in the Jamalpur Workshop as early as in July, 1961, was not taken up till 1966. By that time the requirement for these items ceased to exist as it was decided to condemn the locomotives concerned. The Railway Board have stated that with the very heavy increase in traffic in the S.E. Railway, that necessitated the retention of overaged locomotives, it could not have been anticipated that the locomotives would be condemned. The Committee do not find this explanation very convincing. Besides it would appear that there was no pressing need for these spares as adequate numbers were already in stock. The Committee therefore consider that the placing of order for the flanging blocks was not based on a realistic assessment of requirements and the Railway Administration should have cancelled the order at least on a subsequent review of the position.

3.120. The Committee further observe that the Railway Administration has a stock of spares worth Rs. 15 lakhs not likely to be needed in view of the condemnation of these locomotives. The Committee would like the Railway Board to issue necessary instructions to the Railway Administrations for disposing of such spares as are not needed.

Southern Railway—Excessive procurement of superheater element tubes.

Audit Paragraph

3.121. 1749 Nos. of superheater element tubes of 4 types of YP YG class locomotives valued at Rs. 3.80 lakhs were received during April, 1966 to January, 1967 for use in the Golden Rock Workshop during the period upto February, 1967. However, at the end of February, 1967 the entire quantity procured together with 199 elements out of the previous stock valued at Rs. 4.23 lakhs remained unutilised. The accumulation arose out of over-indenting.

3.122. In 1964, the workshops estimated their requirement of superheater element tubes as 1,724 Nos. per annum while the average annual consumption during the two previous years on the basis of which indents are generally placed was only 331 Nos. The stores department, however, scaled down the estimates by 50 per cent and placed indents by taking the requirement as 776 Nos. per annum. The excess indenting was noticed by the Administration in July, 1965 while considering the demand for the next contract, but the request for cancellation was made to D.G.S.&D. in December, 1965 only, by which time the firm had either despatched the material or entered into commitment for the purchase of raw material. The firm, therefore, expressed their inability to accept cancellation without financial repercussions.

3.123. The Railway Administration stated (December, 1968) that the stock of element tubes at the end of August, 1968 had come down to 1,465 Nos. and that the balance would be used by 31st March, 1970. However, against the stock of 631 and 342 tubes of two types, as on 1st April, 1968, the average annual consumption in the preceding two years was only 72 and 24 respectively.

[Paragraph 18—Audit Report (Railways), 1969.]

3.124. The Committee enquired why the general practice of basing the requirements on the consumption of the previous two years was not followed by the workshops while assessing the requirements of element tubes in July, 1964. The Board have explained that "while past consumption is one of the factors taken into account while estimating requirements for a future period, it is not the sole factor. In respect of an item like super heater elements, other relevant factors such as the locomotive holdings, the number of locomotives coming for POH, IOH and special repairs during the period for which requirements are being assessed, as also the condition of the elements which are already on the locomotives have to be reckoned. With ageing of the locomotives, the extent of replacement of the super heater elements also increases and therefore the consumption also goes up. Basing future requirements purely on past consumption may result in under-assessment of requirements with the consequence of material not being available in adequate quantities when required".

3.125. Asked on what basis the Stores Department imposed a cut of 50 per cent on the estimates furnished by the workshops, the Board have stated that the average consumption of these four items immediately preceding the date on which the provisional statement was prepared (i.e. 15-6-1962 to 15-6-1966) was only 331 Nos. per annum. "The Stores Department responsible for placing the indent on the DGS&D exercised their initiative and scaled down the

annual requirement indicated by the Mechanical Department to about 50 per cent as it was thought prudent to process only a portion of the assessed requirement in the first instance.

3.126. In reply to a question why the DGS&D was not addressed immediately to curtail the order when excess indenting was noticed by the Railway Administration in July, 1965, the Board have stated that "the provision statements of the Golden Rock, Mysore and Hubli Depots were received in Headquarters Office of the Stores Branch on varying dates in July, 1965 and the excess in the provision noticed in July, 1965 was in respect of Golden Rock Depot only. As to whether there was any excess on the Railway as a whole could be ascertained only after the position of the other Depots had also been examined. It was only in September, 1965 that after due consolidation of the statements of different depots, it transpired that there was a possibility of an excess. Thus, the likelihood of excess was noticed by the Administration in September, 1965 and not in July, 1965. When the position of availability of this item was examined in September, 1965, supplies were practically pending in respect of major portion of items and the suppliers were facing difficulties in the matter of obtaining raw materials for the fabrication of the elements. The delivery period in the A.T. dated 5-2-1965 was also "unguaranteed" and subject to availability of raw materials. The position revealed in September, 1965 was, therefore, that the prospects of getting supplies in full on the two A.Ts. were not bright and it was premature then to come to any conclusion as to whether the ordered quantities should be reduced. It was only in November, 1965 that inspection notes started being received in Headquarters Office, which showed that supplies started materialising from that time, on the basis of which the Railway could think of cancellation of certain excess quantities. Even at this stage, cancellation had to be done cautiously as the realistic picture of the consumption could not be arrived at as the 3 items were out of stock during the year immediately preceding the date on which the stock position was taken. So, after a careful consideration of all factors, the DGS&D was requested on 15-12-1965 for cancellation of certain quantities".

3.127. With reference to the information furnished to Audit that the stock of these elements had come down to 1465 Nos. at the end of August, 1968, the Committee enquired as to how it came about and how many elements were actually utilised in locomotives. The Board have informed the Committee that the "reduction in stock was due to issues made to workshops, locosheds and Stores Depots attached to Loco Sheds. The stock of all these four element tubes at Golden Rock Depot as on 1-4-1967 was 1944 Nos. In April, 1967 and July, 1967 there was a receipt of 86 Nos. of repaired element tubes from shops into the Stores Depot. During the period 1-4-1967

to 31-8-1968, the following issues were made from Golden Rock Depot:—

Issues to Shops	322 Nos.
Issues to loco sheds where stocks are held under Divisions	22 Nos.
Issues to Stores Depots attached to loco sheds which are under control of C.O.S.	221 Nos.
TOTAL	565 Nos.

“Out of total issues of 565 Nos. made from 1-4-1967 to 31-8-1968, all but 35 Nos. i.e. 540 Nos. have been actually utilised in the locomotives both by shops and loco sheds. There was only a balance of 25 Nos. of these elements in the Depots attached to the Sheds besides, 1465 Nos. at Golden Rock Depot”.

3.128. The Committee enquired about the normal life of the super-heater elements and the number of elements replaced during the course of POHs in 1966-67, 1967-68 and 1968-69. The Board have stated that the “normal life of super heater element is 10 to 12 years or 3 to 4 POHs. This will depend largely on the quality of water supplied to the boilers and the area in which the locomotive works as salinity adversely affects the life of these tubes.

“Number of elements replaced during 1966-67, 1967-68 and 1968-69 is given below:

Year:	No. of elements replaced
1966-67	135
1967-68	312
1968-69	586”

3.129. The Committee asked about the up-to-date position of stock with the Stores Depots and enquired by what time these elements were expected to be used up. The Board have stated that the balance available stock as on 28-12-1969 at Golden Rock Depot is 395 Nos. which are expected to be used up by December, 1970. Besides, there are 79 Nos. of all four items available at Villupuram and Madurai Stores Depots attached to loco sheds which will be used up by April, 1970.

3.130. In reply to a further question if any further indents were placed after February, 1967, the Board have stated that assessments made for the period 1-3-1967 to 29-2-1968, 1-3-1968 to 28-2-1969, 1-3-1969 to 28-2-1970 and 1-9-1970 to 31-8-1971 had indicated that in view of the available stocks/dues in, no indents were necessary. For the period 1-6-1969 to 31-8-1971 "no procurement was initiated in view of the fact that only recently the number of elements replaced had been quite high. For the period 1-9-1971 to 31-8-1972, provisioning was done on the basis of the average consumption of the 2 years immediately preceding 1-6-1969 and a programme indent was placed on DGS&D for the above period".

3.131. The Committee regret to observe that due to over-estimation of requirements, 1,749 nos. of super heater elements tubes were procured in 1966-67 at a cost of Rs. 3.80 lakhs. The over-estimation arose out of inflated estimates of requirements which had no relation to actual average annual consumption (approximate 331) during the previous two years. Even though the estimates were scaled down by the Stores Department to about 50 per cent i.e. 776 nos. per annum, the elements when received, were found to be superfluous. In fact, as many as 199 elements out of previous supplies were already on hand in February, 1967. As a result of such excess provisioning, the Railways have stopped further indents for this item upto August, 1971. The Committee would like the Railway Board to investigate the circumstances under which the over-provisioning occurred with a view to fixing responsibility.

3.132. The Committee trust that procurement of these and other items will in future be based on a more realistic assessment of requirements based on past consumption data, and the stocks available in stores.

North Eastern Railways— Loss due to accumulation of heavy stock of spare parts for engines

Audit Paragraph

3.133. The extent rules require that when budgeting for the replacement of rolling stock, plant or machinery, a list of the equipment to be replaced should be submitted by the Mechanical Department to the Stores Department in order to enable the latter to prepare a statement of spare parts in stock for these equipment and to refer to consuming departments to ascertain whether the spare parts could be used on other similar equipment or would become obsolete. The prescribed procedure was not followed by the Mechanical Department of the Administration with the result that a large number of spare parts valued at Rs. 4.82 lakhs for 25 types of engines not in use on this Railway are lying unutilised in the stores depots at Gorakhpur and Izatnagar for a long time and in some cases last issue

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of these spares date as far back as to the year 1950-51. The components for engines of four classes valued at Rs. 80 thousand are lying idle because at the time of bifurcation of the Railway in 1958, these engines were transferred to the Northeast Frontier Railway but spare parts for these engines were left on the North Eastern Railway. Other Spare parts valued at Rs. 4.02 lakhs also remained unutilised because no action was taken by the Railway Administration to transfer these surplus spare parts to other Railways where most of these types of engines, on which these spares could be used, were still in service.

(Paragraph 19—Audit Report (Railways) 1969.)

3.134. The Committee enquired why the stock of stores in this case was not regulated keeping in view the programme of replacement of locomotives, the dates on which each type of locomotive ceased to be in service, the number thereof and the value of spares in stock. The Railway Board have stated that the surplus stores in question largely relate to locomotives which were carried over from a number of Company Railways and came into the hands of the North-Eastern Railway as a part of the assets of those company Railways. The North-Eastern Railway, therefore, did not have much hand in restricting or regulating the receipt of stores in accordance with the programme for replacement of locomotives prior to taking over the stores. The stocking of spares for these locomotives had to be regulated not only keeping in view the programmed replacement but also the actual date of withdrawal of such locomotives which had sometimes to be deferred depending on requirements and the availability of rolling stock. Particulars of such locomotives indicating their number (class-wise), date of withdrawal from service and the value of spares still lying with N.E. Railway are as follows:

S.No.	Class of loco	Date/year in which locos ceased to be in service	Number there- of	Value of spares lying with North Eastern Rly. (in rupees)
1	2	3	4	5
1.	A	1957-58	4	116.00
2.	MWGX	Still in service on N.F. Railway		2,700.00
3.	B2	1963-64	1	1,952.16
4.	G2	Not available	3,964.54	
5.	YF	Still in service on N.F. Railway		44,093.80
6.	F	1965-66	4	79,788.87
7.	RK	Still in service on N.F. Railway		75.00
8.	PC	March, 1968	1	7,530.00
			(on NF Rly.)	

1	2	3	4	5
9.	HM	Prior to 1.4.54	Not available	24,000·00
10.	GT	July, 1969	3 (on NF Rly.)	90·00
11.	BESA	Still in service on N.E. Railway.		1,116·77
12.	ST	—DO—		9,534·94
13.	LS	—DO—		209·00
14.	B1	1964-65	1 }	21,806·00
15.	B3	Still in service on N.E. Railway.		
16.	Old B	Not available		
17.	K	July, 1969.	1 (on N.F. Rly)	
TOTAL			Rs.	1,96,986·08"

3.135. The Committee enquired why timely action was not taken to offer the surplus stores to other Railways. Explaining the position in this regard, the Board have stated that the spares in question were non-standard items for non-standard locos inherited by the N.E. Railway. As such "an integrated nomenclature list showing full drawing references, specifications, etc., was not available, in the absence of which it was not possible to examine whether the items were at all surplus to the Railway's requirements as a whole. Further, the spares were stock at several depots scattered all over the unbifurcated North-Eastern Railway and, as such, such examination to decide on the items which were surplus, took considerable time. After 1958-59, when the North-Eastern Railway was bifurcated into North-Eastern and Northeast Frontier Railways, this examination was continued jointly in order to redistribute the stores between the 2 Railways and thereafter to offer the balance items to other Railways. Wherever transfers were possible, they were effected. Every action was, therefore, taken to offer the surplus stores to others to other Railways without undue loss of time".

3.136. Audit have stated as follows in this regard:

"It would appear that A, B1, B2 and O, C and H.M. classes of engines were withdrawn from the N.E. Railway during the years 1954 to 1964-65 but the list of surplus stores was circulated to other Railways in 1967. The list circulated to the Railways was also incomplete in that it did not indicate the drawing number against each item and when the Western Railway asked for the list showing the drawing number it was not supplied to them. Further in respect of the engines transferred to the N.F. Railway, the spares were not transferred along with the engines with the result that these spares became surplus on the N.E. Railway while the N.F. Railway would evidently have found use for them".

3.137. The Board have further informed the Committee that seven items valuing Rs. 49,000 have since been scrapped.

3.138. The Committee observe that spare parts valued at Rs. 482 lakhs have been lying in stock with the North-Eastern Railway for a number of years, in some cases for over twenty years. Of these spares worth Rs. 1.97 lakhs relate to locomotives which were in some cases condemned long ago. These 'non-standard' parts are stated to have been inherited by the Railway from the erstwhile company managed railways. It is obvious that adequate and timely steps were not taken by the Mechanical Department of the Railway to prepare an inventory of these spare parts to facilitate their use, in some of the other Railways where apparently some of them at least could have been used. It is unfortunate that when some of these old engines for which some of the spare were acquired, were transferred to the N.F. Railway, the spares were not transferred along with the engines.

3.139. The Committee would like steps to be taken for the disposal of such of the spares as are not likely to be required. The Committee would also like the Railway Board to issue necessary instructions in the light of their experience in this case with a view to avoid repetition of such wasteful stocking in future.

Excessive procurement of Sleeper plates in 1964-65 and 1965-66
Audit Paragraph

3.140. Para 15 of the Audit Report, Railways, 1968 dealt with non-utilisation of ferrous scrap available with the Railways in the manufacture of supply of CST-9 sleeper plates for the years 1964-65 and 1965-66 resulting in a loss of over Rs. 10 lakhs. Further investigations revealed that even the orders placed in these years (i.e. 4 lakh tonnes in 1964-65 and 2.17 lakh tonnes in 1965-66) were excessive resulting in accumulation of CST-9 sleeper plates on the Railways.

3.141. In a note to the Public Accounts Committee in connection with the above para, the Ministry of Railways (Railway Board) stated that the CS T-9 sleepers received during a particular year are not kept separately and as such it would not be possible to say when any particular year's supply was physically utilised. It was, however, stated that quantity of sleepers lying unutilised at the end of any year would normally be about 20 per cent of the year's purchase.

3.142. However, it was noticed that a large quantity of sleepers procured during these years remained unutilised. According to the reports received from the Chief Auditors, the balance of CST-9 sleepers as on 1st October, 1966, that is six months after the close of the year 1965-66, was 1.63 lakh tonnes (out of which quantities to the extent of 1.28 lakh tonnes were stated to have been verified by the Railway Administration).

3.143. As a result, the requirements of sleeper plates during 1966-67 were reduced to only 13 thousand tonnes and no order could be placed although the rates received in the tenders (June, 1966) were lower than the previous years' rates by Rs. 9 per tonne despite an increase of Rs. per tonne in the cost of pig iron. (The pig iron used in the manufacture of CST-9 sleeper plates varied from 50 to 75 per cent.).

3.144. The Ministry of Railways (Railway Board) explained (December, 1968) that the sleepers received during these years could not be fully utilised owing to slowing down of the tempo of various construction works.

3.145. It was also explained that the curtailment of funds was effected during the course of the year and that the orders for sleeper plates already placed in May and June, 1964 could not be cancelled. It is, however, seen that instructions to prune the expenditure and to slow down the construction works were issued to the Railway Administration as early as in June and July, 1964. By that time orders for only 3.59 lakh tonnes were issued against the requirements of 4 lakh tonnes in 1964-65. Nevertheless orders were placed for 0.40 lakh tonnes of sleeper plates between July, 1964 and December, 1964 against 1964-55 requirements. In any case, there was no curtailment of funds as the actual expenditure under the relevant grants approximated to the Budget Grants in 1964-65 and exceeded the Budget Grants in 1965-66, as may be seen from the following figures:—

(In crores of rupees)

Year	B.E.	Actuals
1964-65	136.90	135.06
1965-66	110.89	122.31

3.146. The Ministry of Railways further stated that orders were placed in 1965-66 for a quantity of 2.17 lakh tonnes taking into account the usual failure of suppliers to supply the full quantities in the past. However, the actual supplies of CST-9 sleeper plates during the previous year 1964-65 were of the order of 4.49 lakh tonnes, and the suppliers of wooden and steel sleepers were also more than the anticipated quantities by 2.55 lakhs.

3.147. The Ministry further explained that the non-utilisation of CST-9 sleepers received in 1964-65 was also due to non-availability of matching materials (rails etc.) in sufficient quantity and also due to the utilisation of wooden and steel sleepers in preference to CST-9 sleepers on trunk routes in accordance with Board's policy. The short receipt of rails during 1963-64 and of the quantity of rails expected in the subsequent years in the light of indigenous capacity of steel plants were known before the placement of orders for sleepers

plates in 1964-65 and 1965-66. Further, as the CST-9 sleepers were proved to be not so suitable for main lines as wooden or steel, the requirements of the same were all along assessed by the Ministry of Railways (Railway Board) taking into account the availability of steel and wooden sleepers.

[Paragraph 20—Audit Report (Railways), 1969.]

3.148. The representative of the Railway Board stated during evidence that programming, financial control and procurement of track materials was done on the basis of the financial year.

In reckoning stocks of sleepers, Audit had taken the position as on 1st October and not the beginning or end of the financial year. In October, the inventories of track materials were at their peak mainly because no track works were carried out between May to October, while the track materials continued to flow in during this period.

3.149. Explaining the procedure for procurement of track materials generally and sleepers particularly which was followed during 1964-65 and 1965-66, the witness stated that the Zonal Railways submitted their works programme which they wanted to be taken up during the next year to the Railway Board in the month of September. This programme was discussed by the Railways with the Railway Board during October and a tentative plan was finalised. The Railways submitted their final works programme in January to the Railway Board on the basis of which the budget was prepared. Meawhile the Track Supply Officers of the various Railways worked out the tentative requirements of sleepers on the basis of the works programme. A meeting of all the Track Supply Officers was then held in the Railway Board in December where the total number of sleepers required were worked out. Assessments were made of the availability of the wooden and steel sleepers during the next year. These were accordingly allotted to various Railways and for their remaining requirements they were asked to indent for cast iron sleepers. Tenders were floated in January/February for the total number of cast iron sleepers required by the Zonal Railways. These were usually received by the end of April or beginning of May and contracts placed by July/August. On receipt of orders, the contractors applied for an essentiality certificate for pig iron, coal and coke to the Railway Board and after obtaining them, they applied to the Joint Plant Committee for allotment of pig iron. It was only after all these formalities were completed which would take them upto December that they could start supplies. As a greater part of these sleepers was supplied from Calcutta, it took some time—about a month or so—for the sleepers to reach the Railways. They were then taken to site from the nearest station.

3.150. It would thus be apparent that even though the Railways finalised their requirements in the month of October, actual supplies commenced somewhere at the fag end of the subsequent financial year i.e. January-February. The supplies continued till about July-August of the next year by which time the new orders were placed. Perforce they had to depend upon the backlog of previous contracts until fresh supplies were forthcoming. In order to be able to carry out the works programme efficiently, it was, therefore, necessary for them to hold about five months' supplies or about half the year's requirements.

3.151. The witness added that in a developing country like ours, where materials were not easily available off the shelf, they had to plan for them two years in advance and even after that period there was a backlog varying from 0 per cent to 66 per cent. Therefore, when the programme was drastically cut, excesses of this order were 'inevitable' and so were the shortfalls when it was stepped up.

3.152. The Committee enquired about the reasons for the unusually heavy accumulations as on 1st October, 1966. The representative of the Board stated that "1965-66 was a very very special year." There was general slackness of orders for cast iron materials on the foundries. Therefore, they concentrated on manufacturing cast iron sleepers and were able to supply greater quantity. The witness further stated that as the orders were also scaled down from 4 lakh tonnes in 1964-65 to 2.17 lakh tonnes in subsequent year, the supplies which were in the pipeline then came out and "that is what resulted in our stocks on the 1st October being higher than what we normally expect them to be." A further result was that when the orders started coming down, there was a greater competition among the suppliers as a result of which prices also came down by about Rs. 9 per tonne.

3.153. The witness further stated that two other factors also accentuated the situation in 1965-66 viz.

- (a) Shortfall in supply of rails during the previous year; and
- (b) Some of the line capacity works and new lines were slowed down and as such the sleepers which were available on those works could not be utilised.

3.154. In reply to a question whether by giving extensions and placing further orders on the same firms which failed to deliver the supplies in time the Board were not showing leniency to such firms and denying to the Railways the benefit of lower prices, the representative of the Board stated:

"At the time when we give extension, if the new price is lower than the contracted price, we make them accept

the lower price. If the new price is higher, then we keep them restricted to the old.... If we cut him out because he has failed in previous years, naturally the rates will go up and we have to keep on depending on some suppliers."

3.155. The Board have subsequently furnished the following figures of outstandings of CST-9 sleepers at the beginning of each of the years 1962-63 to 1968-69:

(In lakh tonnes)

Year	Backlog at the commencement of the year	Quantity ordered during the year	Supplies made during the year	Outstanding to be supplied at the end of the year
1962-63	0.86	4.60	3.72	1.74
1963-64	1.74	3.49	4.08	1.15
1964-65	1.15	4.00	4.49	0.66
1965-66	0.66	2.16	2.32	0.50
1966-67	0.50	..	0.39	0.11*
1967-68	..	1.23	0.56	0.67
1968-69	0.67	1.71	1.35	1.03

(*Cancelled)

3.156. The Committee enquired whether in view of the large scale materialisation of supplies against the order for 4 lakh tonnes placed in 1964-65, the subsequent order for 2.17 lakh tonnes in 1965-66 could not have been further cut down in order to avoid accumulations. The witness replied: "We did exercise considerable check and ordered 2.1 lakh tonnes..... It is a question of judgement..... Our judgement did go wrong."

3.157. The Committee further called for details of the anticipated requirements of matching and alternate materials viz., rails, wooden and steel sleepers and the supplies actually received during each of the years 1964-65 to 1968-69. The information furnished by the Board is tabulated below:

Year	(In lakh tonnes)		(In lakh Nos.)			
	Anticipated	Received	Anticipated*	Received	Anticipated	Received
1964-65	3.84	2.97	41.00	42.36	7.50	7.43
1965-66	3.82	2.93	40.00	36.38	7.35	6.69
1966-67	2.41	2.30	N.A.	26.83	7.57	5.95
1967-68	2.36	2.32	N.A.	24.99	6.51	6.42
1968-69	2.06	1.99	N.A.	23.07	8.29	7.31

*These are received from State Forest Departments.

3.158. The Committee also called for data regarding expenditure incurred on track renewals and new lines and traffic facilities during 1964-65 and 1965-66. The Board have given the following information in this regard:

	1964-65		1965-66	
	Budget	Actuals	Budget	Actuals
Track renewals	54.76	59.93	45.27	55.57
New lines	52.30	53.20	40.20	40.41
Traffic facilities	68.04	75.18	73.54	72.92
Total	175.10	188.31	169.01	168.90

3.159. The representative of the Board added during evidence that the expenditure on track materials used for track renewals, new lines and traffic facilities had declined from Rs. 188 crores in 1964-65 to Rs. 169 crores in 1965-66, Rs. 122 crores in 1966-67 and Rs. 102 crores in 1967-68. Of this, the expenditure on new lines and traffic facilities had declined from Rs. 128 crores in 1964-65 to Rs. 113 crores in 1965-66, Rs. 78 crores in 1966-67 and Rs. 55 crores in 1967-68. This was due to the decision to slow down works. Among the major projects affected by the decision were: *

- (i) Guna-Maski
- (ii) Singrauli-Katni
- (iii) Panchkura-Haldia
- (iv) Katni-Morwa
- (v) Jhund-Kandla

(*Note: Detailed information in this regard is awaited).

3.160. The Committee enquired as to when exactly it was decided by the Railways to restrict use of CST-9 sleepers on main lines. The representative of the Board stated: "What happened was, as our traffic was going up, in ten years it was more than doubled, we found that the fittings in these sleepers were getting loose and we also found that the life was much shorter than we expected. We had to change them after a shorter period. So, we said that the best thing was not to use these on heavily used lines, but on sections which are not busy.....The letter was issued in August, 1966. The observation was made over the previous years."

3.161. In a further note on this point, the Board have stated as follows:

"From the point of view of trak structure and its satisfactory performance, wooden and steel sleepers have always been preferred to CST-9 sleepers, to the extent the former are

available to the Railways. The use of CST-9 sleepers was resorted to only to make up the shortfall in steel and wooden sleepers. Formal instructions were, however, issued to the Railway Administrations on 4.8.1966 to reserve steel sleepers for use on trunk routes and main mineral line sections in preference to CST-9 sleepers."

3.162. To a question if the Railway Board maintained any check so as to see that the requirements of sleepers were not unduly inflated and that full allowance was made for outstanding supplies before placing indents for fresh supplies, the representative of the Board stated during evidence. "There is only a Track Cell in the Railway Board's office. The rails and the sleepers are procured by the Track Cell of the Railway Board, while the remaining items are procured by the Director General, Supplies and Disposals. The Track Cell is only a sort of compiling authority which places orders, but the (Zonal) Railways are responsible for the quantities that they order, because they have a Chief Engineer who looks into the details; there is also a Track Supply Officer; these details are examined first at the XEN's level and at the Divisional level and then at the Chief Engineer's level and it is after all this that the figures come to the Railway Board."

3.163. Asked if excessive demands could have been obviated if proper checks were exercised at the level of the Railway Board and whether the position had been reviewed in the light of past experience, the representative of the Board stated:

"We have got about 600 PWIs holding these materials and it will require quite a big organisation to check the stocks from our side; so, we accept the figures which the Railways give us after exercising their check."

3.164. The Committee observe that there was over-provisioning of CST-9 sleepers both in 1964-65 and 1965-66. The over-provisioning led to a substantial accumulation of stocks which led to stoppage of further orders for these sleepers in 1966-67, when the Railways could have purchased them at much lower rates.

3.165. It has been stated that the accumulation of stocks arose out of track laying or renewal works getting solwed down due to inadequate receipt of matching materials like rails. The short-receipt of rails had persistently occurred since 1964-65 and, therefore, should have been taken into account while placing the orders. Besides, the Railways have themselves been over the years showing a preference for wooden and steel sleepers over CST-9 sleepers. This consideration should also have weighed with the Railways to reduce the orders for CST-9 sleepers.

3.166. The Committee recognise that it is primarily the function of the Zonal Railways to keep a check on stocks of sleepers which

are held by numerous permanent way inspectors. The Railway Board should issue instructions to ensure that control over these inventories is tightened up all along the line so that a case of over-provisioning of this nature does not recur.

Excessive import of Fish Plate quality billets

Audit Paragraph

3.167. Para 17 of the Audit Report (Railways) 1968 dealt with excessive import of fish plates (received in 1963-64) without taking into account the growing indigenous production of fish plates for which substantial quantities of fish plate quality billets were already separately imported. Further investigations revealed that even the import of billets in the subsequent years was excessive.

3.168. Besides the 22,000 tonnes of imported billets received by October, 1962, a quantity of 10,000 tonnes of billets were ordered in April, 1964 on a Canadian firm towards the requirements of manufacture of fish plates during 1964-65. A quantity of 9,879 tonnes of billets were received by the Railways by December, 1964. However, only 4,748 tonnes of these billets were utilised by the manufacturers of fish plates from the Railway allotment, by March, 1965.

3.169. Meanwhile, however, Global tenders were already invited in August, 1964 for import of another 5,000 tonnes of fish plate quality billets also against 1964-65 requirements. An advance letter of acceptance was issued to the successful Italian firm on 2nd December, 1964 but the firm declined to accept the condition to supply the billets by March, 1965. On 29th January, 1965 the delivery date was finally revised to 30th June, 1965 by a mutual agreement.

3.170. It may be mentioned that capacity for production of billets was developed in the Bhilai Steel Plant and the production during 1962-63 reached a level of 2 lakh tonnes. The Hindustan Steel Ltd. also wrote to the Ministry of Railways (Railway Board) in September, 1964 that they would be in a position to supply fish plate quality billets at the rate of 500 tonnes a month. Their actual supplies during the six months preceding January, 1965, were on the average 360 tonnes per month. However, the Ministry of Railways (Railway Board) cancelled all orders for fish plates consequent on which the Iron and Steel Controller cancelled all plannings of fish plate quality billets on Bhilai and other producers, on 1st February, 1965. In view of the receipt of imported billets, no further planning of billets was made even subsequently on Bhilai Steel Plant or on IISCO.

3.171. The Railways held a balance of 2,585 tonnes of imported billets in March, 1966, a quantity of 3,712 tonnes having been received in November, 1965. No orders were placed on the indigenous

producers in the subsequent years 1966-67 also and the balance quantity in the import order was cancelled in August, 1966. The balance of imported billets at the end of March, 1967 was 2,092 tonnes.

3.172. The clearance for the import of 10,000 tonnes of billets in April, 1964 and further 5,000 tonnes in December, 1964 to be financed from World Bank-1. D.A. credit was obtained against the requirements of fishplates for the year 1964-65 which were assessed at 25,600 tonnes. But in 1964-65, the Railways could take only 7,604 tonnes of fishplates (quantity for which consignee instructions were issued) were taken by the Railways in that year. (The actual receipts were, however, only 6,333 tonnes in 1964-65 and 5,636 tonnes in 1965-66; orders for 2,459 tonnes of fishplates were later cancelled from October, 1965 onwards). Thus the non-utilisation of billets was due to the incorrect assessment of the requirements of fish plates.

3.173. A correct assessment of the requirement of fishplates for 1964-65 and the subsequent years keeping in view the indigenous capacity available would have obviated the need for the import of 3,712 tonnes (actual receipt against the order for 5,000 tonnes placed in December, 1964) at a cost of Rs. 14.27 lakhs in foreign exchange.

[Paragraph No. 21—Audit Report (Railways), 1969.]

3.174. During evidence the Committee enquired how the requirements of fishplates and billets were assessed during 1964-65 and whether the over-estimation in this case which resulted in excessive import of fishplate quality billets could not have been avoided. The representative of the Railway Board stated that upto 1962-63, all fishplates were imported. In October, 1962 manufacture of fishplates was established in the country. It was considered that it would be cheaper to import billets because re-rolling capacity had become available and they could thus save some foreign exchange. Billets were therefore imported for the first time in 1962-63 to the extent of 22,000 tonnes. Later, the steel plants were asked whether they could manufacture those quality billets. They did supply some billets but as the quantity was not adequate, further import of billets was considered necessary in 1964.

3.175. It had been the experience of the Railways that for want of fishplates, a lot of other valuable material like sleepers and plates could not be used. The fishplates accounted for less than 2 per cent of the total cost. In order that lack of this item might not act as a bottleneck which would result in the rest of the materials costing 98 per cent of the total not being utilised, it was considered that "it would not be wrong to err on the side of a little over-provisioning."

3.176. The Committee called for a note indicating how the requirements of fish plates and billets were assessed during each of the

years 1963-64, 1964-65 and 1965-66 and to what extent the requirements were programmed to be met out of the indigenous production and imports. The Railway Board have stated that "the requirements of fishplates were assessed on the basis of the final works programmes approved by the Board each year. After allowing for indigenous re-rolling capacity for fishplates, the balance quantity of fishplates was imported. In respect of billets to meet the re-rollers' requirements, the quantity in excess of indigenous availability of billets, was also imported.

"For 1962-63 and 1963-64, the requirements of fishplates were jointly assessed in October, 1962 at 32,000 tonnes on the basis of the anticipated receipt of 9.29 lakh tonnes of rails. Out of this 12,500 tonnes of fishplates were imported from U.S.A. and 4,000 tonnes from Japan. The balance was to be met from indigenous sources. Again, for the indigenous re-rolling of fishplates, billets had to be imported as the indigenous capacity for the supply of billets was inadequate. In 1963-64, a total quantity of only about 2,000 tonnes of fishplate quality billets could be supplied by the indigenous steel plants. The balance requirement of billets was met out of the imported billets which had been arranged in 1962-63."

"In 1964-65, the requirements of fishplates were assessed at 19,000 tonnes (the figure of 25,000 quoted by Audit was an initial rough assessment). As sufficient capacity for manufacture of fishplates had been developed by then in the country, no orders for import of finished fishplates were placed. The indigenous re-rollers of fishplates, however, required billets and the capacity for producing fishplate quality billets in the country was still insufficient. 19,000 tonnes of fishplates required about 22,000 tonnes of billets. On the basis of the total supply of only about 2,000 tonnes of indigenous billets received in 1963-64, provision was made for meeting a like quantity from indigenous suppliers and to arrange for the import of the balance requirement of about 20,000 tonnes. However, orders for the import of only 14,000 tonnes were placed in 1964-65 (10,000 tonnes on a Canadian and 5,000 tonnes on an Italian firm). The balance 5,000 tonnes was to be imported only after reviewing the supply position of the indigenous steel plants, as well as the requirements of fishplates on the railways. Subsequently, the requirements fell considerably and no further fish plate quality billets were imported."

3.177. As against the assessed requirement of fishplates of 19,000 tonnes, orders for the supply of 15,000 tonnes of fishplates were placed on indigenous re-rollers in October, 1964 for completing the supplies by June, 1965. Audit have, however, informed the Committee that the estimate originally made was 25,000 tonnes and that "this figure was indicated in the paragraph based upon the reply given by the Railway Board in their letter No. 64/749/8/Track, dated 26th July, 1968 that the total requirement of fishplates for 1964-65

was 25,600 tonnes after taking into consideration the revised requirements of Railways for 1964-65 (8,000 tonnes) and the quantity of fishplates due to be received by the Railways against the orders already placed by the Iron and Steel Controller (17,610 tonnes) and that the requirement of billets was worked out on that basis." As regards the orders placed on re-rollers for supply of fish plates for 1964-65, they have stated that though orders were placed for 15,000 tonnes, "as per the records available in Board's Office, advices of acceptance of tenders (i.e. letters of intent) were issued for a quantity of 14,250 tonnes only on the re-rollers but no consignee instructions were issued. Finally, the letters of intent were followed by firm contracts in January, 1965 for a quantity of 10,820 tonnes only. Consignee instructions were issued only for a quantity of 7604 tonnes in 1964-65. The quantity supplied was even less."

3.178. The Railway Board have further stated that "for 1965-66 the requirements of fishplates were initially assessed in December, 1964 at 15,200 tonnes including backlog. On reassessment in January, 1965, however, it was considered that except for 2,000 tonnes, for which orders were placed on Durgapur, the balance requirement would be met out of the orders placed in October, 1964. Durgapur had developed their capacity for the supply of finished fishplates only in 1965-66 and the initial order placed on them was for 2,000 tonnes. No imports, either of fishplates or fishplate quality billets were arranged during the year."

3.179. Audit have, however, informed the Committee that the initial estimate of requirements of fishplates for 1965-66 was 19,000 tonnes but that it was later revised to 15,200 tonnes. The orders placed upon re-rollers in January, 1965 for 10,000 covered 1965-66 requirements also (apart from 2,000 tonnes ordered on Durgapur). Consignee instructions were however given by the Railways only for about 7,890 tonnes during 1965-66 including backlog. The actual deliveries were even less, i.e., 5,636 tonnes.

3.180. The Committee enquired about the reasons for variations between the quantity estimated and the quantity ordered during these years. The Railway Board have stated that this arose because the estimates were made during the month of December preceding the financial year. These estimates were based on the final works programme approved and the quantity of rails etc. required for these works. Subsequently, however, due to short receipt of rails; slowing down of the works etc; the requirements got reduced and so the orders were placed for lesser quantity. Though the contracts placed in 1964-65 would have consumed the entire lot of imported billets, the failure of certain contractors in completing supplies resulted in the non-utilisation of about 3,000 tonnes of billets. Audit have stated in this connection that the supply position of permanent was materials submitted monthly right

from March, 1964 and later, especially in July and October, 1964, indicated a shortfall of 1.0 lakh tonnes of rails and that this was based on trend of actual supplies received from steel plants till then.

3.181. The Committee pointed out that against the clearance for import of billets for 12,000 tonnes obtained by the Railways from the Iron and Steel Controller (5,000 tonnes in June, 1964 and 7,000 tonnes in November, 1964), order was placed only for 5,000 tonnes on the Italian firm. They enquired why, if 12,000 tonnes of imported billets were deemed necessary, orders were placed for only 5,000 tonnes. The Railway Board have explained in a note that against the request for the clearance of import of 12,000 tonnes of billets, Iron and Steel Controller had approved only 5,000 tonnes in June, 1964. Therefore, while floating global tenders, two alternative offers were invited asking for rates for only 5,000 tonnes and rates for 12,000 tonnes, as the Railways expected that an additional clearance for import may be received for another 5,000 tonnes from the Iron and Steel Controller. Subsequently, however, Iron and Steel Controller gave clearance for the balance 7,000 tonnes asked for by the Railways. However, while placing orders on the basis of the tenders floated, a firm order was placed only for 5,000 tonnes to be supplied by March, 1965, retaining the option to place a further order for 5,000 tonnes more by March, 1965. This was done in anticipation of the requirements going down and in order to enable a further review being made by the Railways. The requirements were re-assessed in February, 1965 and it was found that no further imports would be necessary. In fact, even out of the order for the first lot of 5,000 tonnes, an outstanding quantity of 1,300 tonnes was cancelled on expiry of the delivery period.

3.182. The Committee referred during evidence to the observations made in the Audit paragraph that an advance letter of acceptance was issued to the Italian firm in December, 1964 but the delivery date was extended on 29th January, 1965. Almost simultaneously, on 1st February, 1965, the programme of planned production on indigenous producers of billets was scrapped. They enquired whether the production planned on indigenous producers was scrapped because of orders placed for imported billets. The representative of the Railway Board stated that the tender of the Italian firm was accepted in December, 1964. When the letter of acceptance was received by the firm, they asked for a slight extension in the date of delivery to which a reply was sent by cable on 29 January saying that the extended date of completion was acceptable. The cancellation of the order with the indigenous manufacturer was not cancellation in a real sense. The orders on indigenous manufacturers had been placed by the Iron and Steel Controller. With de-control, the Railways became responsible for procuring the billets direct through the Joint Plant Committee without the intervention of the Iron and Steel Controller. As the Railways cancelled the orders for

fish plates placed *via* the Iron and Steel Controller, the related planning for billets was also cancelled by them later. Regarding cancellation of outstanding order for fish plates (placed by the Iron & Steel Controller), the representative of the Railway Board stated: "It was not cancellation of the order in the sense that we would not purchase any fish plates from that contractor. Fresh tenders were not invited, but the same orders were placed by the Ministry of Railways on the same contractor at the same rates."

3.183. The Committee enquired when exactly the orders placed on indigenous producers (Re-rollers) for fish plates were cancelled and the quantity cancelled. The Railway Board have stated in a note that the cancellation was done on 17-11-1964 and that the quantity cancelled was 13,000 tonnes. To a question to what extent the cancelled quantity was re-ordered and when, the Railway Board have replied that "the orders were placed in October, 1964 prior to cancellation of the Iron and Steel Controller's order. While placing these orders, an overall review of the requirements was made taking into account the outstanding quantities as well as the new requirements and a total quantity of 15,000 tonnes was ordered on re-rollers." Audit have pointed out to the Committee the following position in this regard:

"It is mentioned that on 17-11-1964, supplies of 13,000 tonnes of fish plates pending under the planning done by the Iron and Steel Controller against the requirements upto and for the year 1964-65 were cancelled. The Board's further reply indicates that this cancelled quantity was not also re-ordered, since the orders for 15,000 tonnes also against 1964-65 requirements were already placed in October, 1964 prior to cancellation done on 17-11-1964. The above cancellation, coupled with the fact that the Board followed up with firm contracts for only about 10,000 tonnes (including part of 1965-66 requirements) and final consignee instructions during 1964-65 only for 7,600 tonnes meant a very substantial reduction in requirements of fish plates as well as billets therefor for 1964-65".

3.184. To a question why imported billets could not be utilised, the witness stated: "...we wanted to stockpile the fish plates to build up the stock for two years. But then came the recession and the cutting down of works with the result that all our estimates were found to be excessive." He added: "Incidentally, they were imported at a very cheap rate and they have now come very handy when there has been shortage of steel. Therefore, I would submit there was nothing infructuous in that."

3.185. The Committee called for a statement from the Ministry of Steel and Heavy Engineering showing the dates when manufacture of fish plates and billets was started at Bhilai, Durgapur and

IISCO together with the progressive increase in their capacity. In a note, that Ministry have informed the Committee that in the year 1961-62 a provision for a fish plate plant with production capacity of 11,000 tons of fish plates a year was proposed in the expansion programme of the Durgapur Steel Plant. The fish plate unit came into operation in 1964-65. The production of fish plate quality billets|bars at Bhilai Steel Plant and the Indian Iron and Steel Company also started in 1964-65. The production|despatch of fish plates| fish plate quality billets from 1964-65 onwards from Bhilai, Durgapur and IISCO were as below:

(in tonnes)

	1964- 65	1965- 66	1966- 67	1967- 68	1968- 69	1969- 70 upto Aug'	
Bhilai	2693	424	196	149	292	119	(Billets)
Durgapur	2357	3973	203	..	..	..	(Billets)
	94	1806	2993	2811	4299	2539	(Fishplate)
IISCO	471	312	..	346	125	..	(Billets/ bars)
Total for billets & Fish plates	5614	6515	3392	3306	4716	2656	

3.186. The Committee enquired as to what extent the non-availability of matching materials affected the programmed works. The Railway Board have stated that the Railway Administrations have a very large number of programme works during a year of varying magnitudes, using scores of fittings in the linking of track. In the circumstances, it is not possible to indicate the extent to which various works were affected due to the non-availability of matching materials. Also, it is not possible to pinpoint the savings on this account in the budget provision, as, according, to the general practice on the Railways, the budget allotment is re-appropriated for one sub-work or the other, in the event of there being no possibility of the availability of one or more matching material.

3.187. The Committee feel that the Railways could have avoided the import of 3,712 tonnes of billets made at a cost of Rs. 14.27 lakhs. This import, which was in addition to an import of 9,879 tonnes made earlier, was meant to meet the requirements of fish plates for the year 1964-65. It was considered necessary, as it was felt that adequate quantity of billets for the manufacture of required quantity

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of fish plates would not be available from indigenous production and the import already made. However, these calculations were based on projections of requirements which turned out to be grossly inflated.

3.188. How inflated the estimates of requirements of fish plates were would be evident from the following data. The requirement of fish plates initially estimated for 1964-65 was 25,000 tonnes. This was later reduced to 19,000 tonnes. However, orders on indigenous re-rollers were placed only to the extent of 14,250 tonnes and when it came to placing firm contracts, the quantity was further reduced to 10,820. Against this quantity, instructions to the producers for consignment of the fishplates during 1964-65 were issued only for 7,604 tonnes. Such steep scaling down in requirements naturally resulted in as much as two thirds of the quantity of billets imported remaining unutilised till the end of March, 1967. It also led to large-scale cancellation of orders for billets/fishplates placed on indigenous producers and re-rollers. It is obvious that, with a more realistic appraisal of the requirements of fish plates, the second consignment of imports could have been totally avoided, as the imports already made, together with indigenous production, would have fully covered the requirements for billets for all the fish plates that the Railways needed.

3.189. It has been stated by the Railway Board that fish plates could not be utilised on the scale planned as track renewal laying programmes were affected due to short receipt of rails. But, as pointed out by Audit, the supply position of permanent way materials submitted right from March, 1964 had clearly indicated short-fall in supply of rails. Due note should have been taken of this position before the decision to import the second consignment was taken.

3.190. The Committee would like the Railway Board to examine why there was a failure in this regard and to take appropriate action.

Eastern Railway—Overpayment to a supplier of pig iron

Audit Paragraph

3.191. The Eastern Railway Administration placed a purchase order in September, 1956 for supply of 8,780 tons of imported pig iron on payment of full landed cost in accordance with an allocation letter and acceptance of tender issued by the Iron & Steel Controller in July, 1956 and amended in March, 1957.

3.192. The supplies were received between November, 1957 and December, 1957. Pending receipt of complete set of shipping documents from the supplier, the Iron and Steel Controller fixed the selling rate at Rs. 529.22 per ton provisionally and advised the Railway Administration in November, 1957 that 100 per cent payment of the supplier's bills might be made as the final rate would be more than the provisional price. Accordingly the Railway Administration had arranged full 100 per cent payment to the firm on proof of despatch.

3.193. In May, 1962, the final rate was fixed by the Iron & Steel Controller at a rate less by Rs. 13 per ton. As a result, an overpayment of Rs. 1.08 lakhs on the actual supply of 8,247 tons, became recoverable from the supplier.

3.194. The Railway Administration expected to adjust the overpayment from the pending Sales Tax claims on the imported supplies. But sales Tax on imported stores became inadmissible in March, 1966. Further efforts to get the amount recovered from the credits of the firm with the Iron & Steel Controller, Director General, Supplies & Disposals and other Railway Administrations have not been successful, except that an amount, of Rs. 13,000 due to the firm has been withheld by the western Railway. A suit was filed against the firm on 2nd January, 1969.

3.195. Similar overpayments had been made to the same firm on the North Eastern Railway (Rs. 6,569 on a supply of 687 tons) and South Eastern Railway (Rs. 47 thousand on a supply of 3,928 tons) which are also due for recovery.

3.196. The Ministry of Steel, Mines & Metals explained (December, 1968) that while the rate of Rs. 529.22 per ton was fixed for supplies in respect of the Acceptance of Tender of July, 1956 the supplies for which the payments were made by the Railway actually related to a later order of November, 1956.

[Paragraph No. 22—Audit Report (Railways), 1969.]

3.197. The Committee called for details of acceptances of tenders issued in 1956 for supply of imported pig iron to the firm involved together with the details of supplies actually made to the Railway Administrations concerned. The Ministry of Steel and Heavy Engineering have stated that five contracts were placed on the firm in the year 1956 for import of pig iron from Continent USA. The details of the A.Ts, the quantities required to be imported against

each and the quantities actually imported (as per importer's statement) thereagainst are given below:

A/T No. & Date	Quantity to be imported	Quantity actually imported (as per importer's statement)
(1) CS/8/Pig Iron/Sur-I dated 1-6-56	10,000 L/T	9,364·3781 L/T
(2) CS/8/Pig Iron/Sur-II dated 1-6-56	10,000 L/T	7,999·5535 L/T
(3) CS/76 Rlys/Pig Iron-A dated 16-7-56	17,420 L/T	19,390·9147 L/T
(4) CS/76/Rlys/Pig Iron-B dated 6-11-56	50,000 L/T	55,548·2978 L/T
(5) CS/144/Pig Iron dated 24-12-56	8,000 L/T	8,000·0000 L/T

The excess import of 7,715 L/Tons of pig iron against the aforesaid A/Ts was regularised in Price & Accounts Officer's letter dated 18/19 June, 1958.

3.198. Out of the aforesaid imports, the following supplies were made to the different Railway Administrations (as per statement furnished to the Iron & Steel Controller by the importer):—

A/T No. and date	Rly. Administration	Quantity supplied
CS/8/Pig Iron/Sur-I dated 1-6-56.	Eastern Rly	2,024·6008 L/T
	Northern Rly.	92·9033 L/T
	Western Rly.	99·5025 L/T
CS/76,Rly/Pig Iron-A dated 16-7-56.	Eastern Rly	97·3906 L T
	S.E. Rly	2,218·6055 L T
	Southern Rly	5,316·0984 L T
	Western Rly	2,534·2218 L/T
	Central Rly	3,088·8969 L/T
CS/76 Rly/Pig Iron-B dated 6-11-56.	Northern Rly	1,519·6954 L/T
	Eastern Rly	8,246·1540 L/T
	S.E. Rly	1,719·1192 L/T
	Southern Rly	2,264·8044 L/T
	Central Rly	98·1375 L/T
Northern Rly		331·3354 L/T
	N.E. Rly	686·6152 L/T

The entire supplies of the imports, effected under A/T Nos. CS/8/Pig Iron/Sur-II dated 1-6-56 and CS 144 Pig Iron dated 24-12-56 were

made to fabricators of railway materials and to other quota-holders. The balance supplies from the remaining A/Ts were also made to Railway fabricators and other quota-holders.

3.199. The supplies at landed cost to the Eastern and other railways, referred to in the Audit paragraph were to be made entirely out of the imports effected against the A/T Nos. CS/76/Rlys/Pig Iron-A dated 16-7-56 and CS/76/Rlys/Pig Iron-B dated 6-11-56.

3.200. The Committee enquired as to how and by whom price payment to the supplier was to be determined as per the A/Ts. The Ministry of Steel and Heavy Engineering have informed them that supplies of pig iron to Railways, out of imports effected under A/T No. CS/8/Pig Iron-Sur-I dated 1-6-1956, were required to be made at column I rate ruling on the date of supply which was the rate at which the indigenous material was supplied by the main producers. It was notified by the Ministry, in the Gazette of India, from time to time.

3.201. Supplies against A/T Nos. CS/76 Rlys/Pig Iron-A dated the 16th July, 1956 and CS/76 Rlys/Pig Iron-B, dated the 6th November, 1956 were required to be made to the Railway Administration at "landed cost", which was required to be calculated in accordance with the Commerce and Industry Ministry Gazette Notification number SC(B)-16(9) 52, dated 22nd April, 1952. It comprised—

- (1) C.I.F. cost of the material.
- (2) Customs and town duty, where applicable.
- (3) Port Commissioners charges and landing and clearing charges (including agency commission) at the following rates—

Port of landing	Amount per ton
Calcutta	Rs. 12 8/-
Bombay	Rs. 9 8/-
Madras	Rs. 11/-

**Revised to Rs. 15 per ton as per Government of India sanction No. I&S (G)—4(40)/57 dated 5-6-67.

3.202. The payment clause in the A/Ts did not lay down specifically the authority which would determine the "landed cost". It was expected that the purchaser would determine it himself on the basis of the A/T and the guidelines given under the aforesaid Government Notification. This position was explained by the Price & Accounts Officer in his letter dated 4th December, 1956 to the Railways and

other Government Departments. It was stated in the letter that the purchasers themselves should fix the price of imported steel purchased by them after verification of the relevant shipping documents and confirmation of such rates by Iron & Steel Controller should be obtained by them only in cases of doubt about the admissibility of certain items of cost or where there was dispute about the correct cost. However, in respect of the ATs dated 16-7-56 and 6-11-56, both the provisional and final prices were fixed by Iron & Steel Controller.

3.203. The Committee called for details of provisional and final prices as advised to the Railways by the Iron & Steel Controller from time to time. The Ministry of Railways have accordingly furnished the following information:

“Eastern Railway

- (i) Provisional price of Rs. 442-8-0 per ton ex-jetty *vide* Iron & Steel Controller's letter No. AI 2 2 (26) 56 2137, dated 11-4-1957.
- (ii) Provisional price of Rs. 529.22 per ton ex-jetty *vide* Iron & Steel Controller's letter No. AI 2 2 (26) 56 7817, dated 26-11-57.
- (iii) Final price of Rs. 517, Rs. 516.07 and Rs. 516.44 per ton ex-jetty subject to verification of firm's statement regarding AT against which supplies were actually made, under Iron & Steel Controller's letter No. AI 2 2 62 1543, dated 29-5-62.
- (iv) Final prices stated under (iii) above confirmed under Iron & Steel Controller's letter No. AI 2 2 65 1777, dated 9th December, 1965.

“Southern Railway

Provisional prices of Rs. 529.22 and Rs. 524.11 as advised by the Iron & Steel Controller *vide* his letter Nos. AI 2 26 56 6094, dated 31st August, 1957 and AI 2 43 56 8225, dated 10th December, 1957.

Final prices of Rs. 518.05, Rs. 521.44, Rs. 514.46 for various shipments as advised by the Iron & Steel Controller *vide* his letter No. AI 2 68 300, dated 16th December, 1968.”

“North-Eastern Railway

The Provisional price of Rs. 529.22 per ton was advised by Iron & Steel Controller *vide* his letter No. AI 2 2 (26) 56 6094, dated 31st August, 1967 3rd September, 1967. However on 26th April, 1965, the Iron & Steel Controller advised that the supply received by N.E. Railway was against A.T “B” for which the price was Rs. 805.14 per ton. This price was finally amended to Rs. 517.00 per ton ex-

jetty by the Iron & Steel Controller *vide* his letter No. AI/2/2/65/1751, dated 1st December, 1965.

“Northern Railway

Provisional price of Rs. 529.22 and Rs. 524.41 against A/Ts “A” and “B” was advised by the Iron & Steel Controller *vide* his letters No. AI/2/2/(26) 56 6094, dated 31st August, 1957 and AI/2/43 56 8225, dated 10th December, 1957 respectively. Final prices of Rs. 526.53, Rs. 523.70, Rs. 514.77, Rs. 518.05 and Rs 518.12 for various shipments were advised *vide* I&SC's letter No. AI/2/2/68 299, dated 16th December.

“Western Railway

Provisional price of Rs. 452.50 was shown in the A T. Further Provisional price of Rs. 529.22 was given in the Iron & Steel Controller's letter No. AI/2/2(26) 56 6094, dated 31st August, 1957. Final prices of Rs 519.46, Rs 526.53 and Rs 523.70 for various shipments was advised by the I&SC in his letter No. AT/2/2/68 301, dated 16th December, 1968.

“Central Railway

Central Railway has not been able to trace the relevant records and the information is being collected by them.”

3.204. The Committee enquired why the final prices turned out to be lower and why the Iron & Steel Controller advised the Railway Administrations to pay 100 per cent of the provisional landed cost if initially there were difficulties in assessing the price. The Ministry of Steel & Heavy Engineering have stated in a note that “the provisional price of Rs 529.22 per ton had been fixed based on c.i.f. price of Rs. 430/- and taking into account the admissible ocean freight variation, landing and clearing charges at flat rate and the exchange variation. This price was based on the terms of Iron & Steel Controller's A/T No. OS/76/Railways/Pig Iron-A, dated 16th July, 1956. At the time of provisional fixation of price, relevant shipping documents were not available. The final fixation was made on the basis of shipping documents which reflected lower ocean freight. Moreover, in some cases at the time of final fixation, it was revealed that the supplies had been made against a different A/T No. OS/76/Railway/Pig Iron-B, dated 6th November 1956, which had a lower c.i.f. price. The final price, therefore, happened to be lower than the provisional price. From the available records in Iron & Steel Controller's Office, no assessment could be made as to why the Railway Administration was advised to make 100 per cent payment. The officer who had issued the necessary authorisation to the Railway Administration is no longer in service (dismissed.). It is, therefore, difficult to say precisely what were the

circumstances leading to issue of authorisation to Railway Administration for 100 per cent of the provisional price.”

3.205. The Committee enquired when the Eastern Railway Administration actually paid 100 per cent of the landed cost and whether the Railway raised any point regarding fixation of provisional price at any time with the Iron and Steel Controller. The Ministry have replied that 100 per cent landed cost at provisional rate of Rs. 529.22 per ton was paid by the Eastern Railway Administration between November, 1957 and January, 1958 within one week of the receipt of firm's bills from time to time. (Audit have pointed out that this is not factually correct as payments were held up for a long time). Since the fixation of price of the Iron and Steel was the statutory responsibility of the Iron & Steel Controller, who had categorically advised the Railway to pay 100 per cent at provisional price, payment was effected on receipt of the firm's bills. The Railway awaited advice of the final prices by the Iron & Steel Controller but in view of the delay on the part of the Iron & Steel Controller in doing so (the question was taken up with him on 13th February, 1960 followed by regular reminders. Final prices were advised by him only in May, 1962 and confirmed in 1965.

3.206. The Committee enquired when the North Eastern and S.E. Railways noticed the overpayment and what action was taken by them to get it refunded together with the present position of recovery of the amount. The Railway Board have accordingly stated as follows:

“North Eastern Railway

The North Eastern Railway noticed the overpayment when the Iron & Steel Controller advised the final prices to them in December, 1965. In January, 1966 they addressed the suppliers to refund the excess amount paid to them. The firm replied in January, 1966 to adjust part amount against three pending bills with the Railway for supply of fish plates against another order placed on the firm and agreed to refund the balance amount through a cheque. On scrutiny, it was found that no amount was payable against the said three bills for supply of fish plates. The firm has, therefore, been asked to send a cheque for the entire amount. As this has not been forthcoming, the question of instituting legal proceedings is under consideration.

“South Eastern Railway

The overpayment came to light in December, 1968 when the final prices applicable were advised by the Iron & Steel Controller in his letter dated 13th December, 1968. All other Railway and D.G. S. & D. were addressed to withhold any payment due to this firm but no bill has been found pending. The Railway is considering filing a suit for recovery of the overpaid amount.”

3.207. To a question whether similar overpayments had occurred on other railways who had also received supplies of pig iron from the same firm under the same A/T, the Ministry have stated that a similar overpayment took place on the Southern Railway and came to light in December, 1968 when the final prices were advised by the Iron & Steel Controller under his letter dated 16th December, 1968. It has been advised by the Railway that they have filed a suit in the Madras High Court on 2nd January, 1969 for the recovery of the overpayment to the extent Rs. 157699.87. This amount includes the overpayment on account of the lower final price and the Central Sales Tax paid on the entire consignment.

3.208. Information regarding Western and Central Railways is still being collected. On the Northern Railway, however, there has been no overpayment. On the contrary, Northern Railway has a sum of Rs. 14,019.11 lying with them on the firm's account on the basis of final prices advised by the Iron & Steel Controller.

3.209. The Ministry have added that the concerned Railways have been asked to file suits against the firm as the limitation period would expire on 31st December, 1970.

3.210. The Committee observe that an overpayment of Rs. 1.08 lakhs was made by the Eastern Railway to a supplier of imported pig iron. Similar overpayments to this firm occurred on Southern, South-Eastern North-Eastern, Western and Central Railways. The amount of such overpayment in the Southern Railway is stated to be Rs. 1.57 lakhs and on the NE and SE Rlys. Rs. 53.569 in all. No information is available with the Railway Board in regard to the amount of overpayments that occurred in Western and Central Railways.

3.211. The over-payment in these cases occurred because the supplier was paid provisionally at a certain price fixed by the Iron & Steel Controller in 1957 which turned out subsequently to be higher than the prices actually admissible. The overpayment on the Eastern Railway was noticed when final prices were intimated by the Iron & Steel Controller in 1962 and confirmed in 1965. On the North-Eastern Railway, it was noticed in 1965, while on Southern, Western and South Eastern Railways it came to light in 1968 (information regarding Central Railway is still awaited) when final prices were intimated by the Iron & Steel Controller.

3.212. The Committee were informed that the provisional price was fixed by the Iron & Steel Controller in the absence of the relevant shipping documents. This does not, however, explain the delay in fixing the final price, much less the reasons for advising the Railways to make provisional payments to the supplier at 100 per cent of the provisional rate. The Ministry of Steel and Heavy Engineer-

ing have stated that the available records in Iron and Steel Controller's office do not indicate why the Railways were advised to make 100 per cent payment and that the officer who issued the necessary authorisation has since been dismissed from service.

3.213. The Committee consider this case as indicative of a very sorry state of affairs in the Iron and Steel Controller's Organisation. The fact that it took five years in the case of the Eastern Railway and eight to eleven years in the case of the other Railways to intimate and confirm the final prices payable by the Railway would seem to suggest a serious lacuna in the working of that organisation. The Committee would like the Ministry of Steel and Heavy Engineering to promptly investigate the matter to ascertain all the facts of the case and in particular the reasons for the extraordinary delay that occurred in fixing the final prices payable by the Railway administrations. It should also be ascertained whether this was due to any collusion with the supplier.

3.214. The Committee would also like the Railway Board to examine from their side why the Zonal Railways did not pursue with the Iron & Steel Controller the question of fixation of prices and to fix responsibility therefor.

3.215. The Committee note that the Railway administrations which have not yet instituted legal proceedings against the supplier, have been asked by the Railway Board to do so before the expiry of the limitation period viz. 31st December, 1970. The Committee regret that it took such a long time for the Railway Board to issue this instruction. The Committee would like to be informed of the outcome of these cases in due course.

3.216. The Committee have not been informed whether the payment of Rs. 14019.11 due to the firm from the Northern Railway has been stopped pending refund of overpayments made to the firm. If it has not been done so far necessary orders should be issued and result intimated to the Committee.

Excessive procurement and non-utilisation of Double Line Block Instruments

Audit Paragraph

3.217. Pursuant to a decision taken in 1958, to install lock and block working on the double line sections of the Central Railway, the Ministry of Railways (Railway Board) invited global tenders in 1959-60 and arranged for the procurement of three types of double line block instruments. Two of them, the SGE type and the Syks type were already in use on Indian Railways. However, keeping in view the need for standardisation of instruments incorporating all the basic good features of the available block instru-

ment and also improving the essential features of safety and their eventual manufacture in the country, an order for an advanced type of Block instrument known as the Diado type, was also placed under the above global tender in February, 1961 for supply of 316 sets at a cost of Rs. 12.16 lakhs. 260 Nos. were allotted to the Central Railway and 56 Nos. to Northern Railway. The supplier was asked to assemble 66 Nos. in India, with a view to developing indigenous capacity, and was paid Rs. 37 thousand extra for the purpose.

3.218. A series of modifications were found necessary as a result of testing the sample instrument in October, 1961 subsequent to the placement of order which were carried out partly by the supplier and partly in Railway Workshops. The Northern Railway received the instruments by January, 1965 and the Central Railway between November, 1964 and September, 1965.

3.219. On the Northern Railway, these instruments are yet to be commissioned (January, 1969). When the instruments were commissioned on the Central Railway, on their receipts, there were a large number of failures of instruments in the field. Further, since the instruments were not suited to sections where A.C. electric traction was introduced, some of them were shifted to other double line sections.

3.220. The supplier was advised as early as March, 1965, in reply to their enquiry regarding further production of instruments of this type, that the same were not likely to be in demand for some time. Subsequent orders for double line block instruments were only for the SGE type, as the indigenous manufacture had been fully developed, though these machines do not incorporate some of the improved safety features and involve more operational cost.

[Paragraph No. 23—Audit Report (Railways), 1969]

3.221. The Committee desired to know the considerations on which it was decided to import the Diado type of double line block instruments. The Railway Board have stated in a note that the instruments were procured mainly for the Central Railway for the purpose of "providing lock and Block working on the double line sections. At the time of procurement, there was no single accepted standard of double line block instruments for use on the Indian Railways. A number of different types of double line block instruments were in use on the various Railways like Tyers, Sykes, SGE and Carson. The procurement of double line block instruments had, therefore, to take into account all the basic good features of the available instruments and at the same time meet the specifications as framed by the individual Railways to meet their local requirements. While deciding the tenders, it was observed that against the Central Railway's specification No. 79/58, there was only one acceptable quotation viz. the Diado type of block instruments and the order was accordingly placed on this firm."

3.222. Asked to explain the reasons for the delay in procurement of the instruments, the representative of the Board stated in evidence that global tenders for three types of double line block instruments were invited in 1959-60 viz., Sykes, SGE and Diado. These were not being manufactured in the country at that time although the first two types were in use. The Diado type of instruments were in production and use in Japan and the firm which submitted the tender also submitted a sample. This was tested by the Central Railway who found that certain modifications were required. The tender was, therefore, accepted in February, 1961 subject to those modifications being carried out. The firm was required to submit another sample after carrying out the modifications and it had to be approved by them before the firm started production. The revised sample was received in September, 1961 whereupon it was placed before a special Committee of CSTES (Signal Standards Committee) consisting of officers of the RDSO and the heads of Departments of the Railways. This Committee carried out further trials and suggested some more changes for which reason the firm was given extension in delivery upto 31st December, 1962.

"The special Committee of CSTES met again in 1962 to examine the acceptability of the instruments, modified by the firm, in view of the fact that some of the earlier recommendations of the Signal Standards Committee were not complied with by these instruments. The Committee reviewed all the modifications to the instruments in regard to their compliance with the specifications and submitted a list of consolidated modifications and recommended in December, 1962, that the instruments could be accepted with these modifications, after the firm agreed in April, 1963 to effect all the modifications without extra cost. Since the firm had agreed to undertake the manufacture of instruments to meet our requirements and subsequent modifications at no extra cost, the delivery date was extended upto September, 1965, by which date all the supplies had been completed."

3.223. The Committee enquired about the reasons for delay in installation of the instruments. The representative of the Board stated in evidence that out of 316 instruments, 260 instruments ordered for the Central Railway were received between November, 1964 and March, 1965 and installed almost immediately. The remaining 56 instruments meant for Northern Railway were received by January, 1965. In this case, there was some delay in installation mainly because certain other materials were in short supply and also because the technical and operating staff had to be trained. All the instruments had since been installed and brought into commission except 14 which had yet to be commissioned. It was expected that the remaining instruments would be brought into use by the end of the year.

3.224. The Committee enquired why these instruments which were known to be unsuitable for AC traction were installed on a section where they were going to have AC traction. The Board have stated in a note that "the suitability of the block instruments for AC traction was not one of the considerations at the time of procurement of these block instruments for the reason that the bulk of the instruments were required for sections having no future plan or programme for electrification. Even in regard to Igatpuri-Bhusawal section, which was planned to be electrified subsequently, the criterion was the suitability of the block instruments for use of the then existing single overhead P. & T. line wire, as otherwise two additional overhead line wires would have had to be run by P & T Department for the whole section and immediately thereafter, these wires, not being suitable for AC traction would have had to be dismantled and substituted by P & T underground cabling in order to permit AC traction". The representative of the Board added during evidence that they would have had to pay compensation to the P. & T. Department for removal of these overhead wires.

3.225. The Committee enquired about the comparative performance of the SGE and Diado types of instruments in the field. The Board have replied in a note that from a study of performance of the Diado type of Block Instruments and the SGE type of instruments on the Central Railway, it has been observed that the Diado type has been functioning satisfactorily on that Railway. The following comparative figures of failures of the block instruments due to instrument fault on the Jhansi Division of the Central Railway have been given by the Board:—

<u>Diado Instruments</u>	<u>SGE Instruments</u>
Mathura-Fariyabad Section (13 Block Sections)	Bhopal—Agra Section (12 Block Sections)
Instrument fault :	Instrument fault :
June — 1	June — Nil
July — 1	July — 2
August — 2	August — Nil

3.226. The Committee asked for data about the comparative cost of the SGE, Sykes and Diado type of instruments and enquired whether the feasibility of standardising the various types had been

considered. The Railway Board have furnished the following information in this regard:—

“The cost of the three different instruments as per the order placed in 1960-61 is as under:—

Type	Cost
1. SGE	Rs. 2005 -
2. Sykes	Rs. 3495 -
3. Diado	{ Rs. 3733 (Export) Rs. 4295 (Assembled)

.....The feasibility of standardisation has been considered, and as a result of the development of indigenous capacity for SGE block instruments, it has been decided that the SGE type instruments should be standardised. Detailed circuit diagrams and component drawings for the standardised instruments are under preparation in Research, Designs and Standards Organisation, Lucknow and will be issued to the Railways shortly.”

3.227. During evidence, the Committee enquired in what respects the Diado type of instruments were superior to the SGE type and whether there was any plan to manufacture them within the country. The representative of the Board stated that the Diado type of instruments were a little more sophisticated than the SGE type. Their requirements of the SGE instruments were being met since 1959-60 from indigenous sources. The Diado instrument needed sophisticated relays and had certain advantages over the SGE viz. (i) it requires one line wire as against three line wire required for SGE, (ii) it is immune to the effects of external current and (iii) the indication of train on line is received as soon as the train starts. The relays were under development by the electronics industry. As soon as production of the relays was established, they would be able to take up manufacture of the Diado instruments.

3.228. The Committee observe that the Railways have spent time and money on adapting the Diado block line instrument for their requirements. 316 of these instruments have been purchased at a cost of Rs. 12.16 lakhs after extensive modifications carried out over a period of two years to make them suitable for local conditions. The firm which supplied the instruments was also given an inducement to assemble part of the supply indigenously. These instruments which are reported to be in use in Japan, are also stated to be functioning satisfactorily in Northern and Central Railways where they have been installed. They also apparently have certain operational advantages over the types now in use, though they involve some extra initial investment. In the light of these factors the Committee would like the Railway Board to examine whether

it would not be worthwhile to develop these instruments for more extensive use.

3.229. The Committee observe that 56 of the instruments installed in Northern Railway are yet to be commissioned. As these instruments were received as far back as in 1965 the Committee feel that the delay in commissioning them has been inordinate. The delay has been attributed to short supply of certain other materials and paucity of trained technical and operative staff. The Committee regret this failure of the Railways and consider that both these difficulties could have been overcome with a little advance planning.

Northern Railway—Non-recovery of cost of deficient signalling stores supplied by a firm.

Audit Paragraph

3.230. 44 two doll signal posts were ordered on a Calcutta firm through D.G.S.&D. at a cost of Rs. 92 thousand. They were received between May, 1962 and October, 1962, but a large number of components were found to be deficient. The matter was reported between June, 1962 and November, 1962 to the D.G.S.& D., who carried out the inspection. After protracted correspondence with the firm the D.G.S.& D. asked the Railway Administration, in February, 1966, to start the process of recovery, the firm having refused to make good the deficiencies. The data was furnished in March, 1966. However the cost of deficient stores estimated at Rs. 44 thousand is still to be recovered from the firm to whom 90 per cent payment of Rs. 83 thousand had been made. Meanwhile, as the doubling project for which the stores were indented brooked no delay, the work was completed by utilising released material available with the Railway.

[Paragraph No. 24—Audit Report (Railway), 1969.]

3.231. The Committee are informed by Audit that the DGS&D have observed as under in this case:—

“The 44 signal posts were covered by the following contracts:—

1. A T. No. WP2 24109-M C 2135, dated 12-5-61 for supply of 12 Nos. costing Rs. 22,531 to be consigned to the Signal Inspector, Allahabad.
2. A T. No. WP 24198-M C 2156 dated 20-6-1961 for supply of 8 Nos. to Signal Inspector, Tundla.
3. Supply of order No. WP2/24290-N C 2913 dated 26-7-1962 for supply of Tundla (cost Rs. 44,699).

In respect of S. No. 1 and 2 above the consignment were asked by the DGS&D on 25-4-1963 and 30-7-1963 respectively to confirm full receipt of stores and incurrance of loss and no replies were received

and payment against the contracts were finalised. In the case of S. No. 3 the consignee (Signal Inspector, Tundla) has reported deficiency in response to DGS&D's letter dated 24-2-1966 asking for details of components received short and a notice has been served by the DGS&D on the firm for recovery of Rs. 24,000. The firm was removed from the approved list of contractors with effect from 5-5-1965 and business dealings with them have been suspended with effect from 30-11-1965." It is also understood from Audit that all the three cases have been referred to arbitration.

3.232. The Committee enquired whether all items for which orders were placed, were presented for inspection by the DGS&D and found in order and in conformity with specifications. The Ministry of Supply have stated as follows in their reply to the Ministry of Railways:—

"The inspection notes available on the files reveal that the stores were put up by the firm in accordance with the specifications, as given in the contracts and the same having been released without any qualifying remarks, the stores are deemed to have been offered, by the firm, in conformity with the specifications."

3.233. The Committee note that a sum of Rs. 24,000 is awaiting recovery from a firm due to deficiencies in supplies of certain Signal posts made by it under one of the contracts to the Railway. The matter is stated to have been referred to arbitration in respect of this as well as other two similar contracts. The Committee would like the outstanding amount to be recovered expeditiously.

3.234. The Committee also observe that the deficiencies in supplies by the firm were made good by the Railways by utilising released material from other works. This indicates the need for proper forecasting of second-hand usable material likely to be released for further use, in the interests of economising on fresh purchases.

Northeast Frontier Railway—Loss due to acceptance of overdue supplies at higher rates

Audit Paragraph

3.235. Consequent on the failure to take timely procurement action in 1966-67, the stock position of hose pipes (22" x 2") came down to a very low level in July, 1967. The Administration, therefore, invited telegraphic tenders to meet the immediate requirements. The lowest rate obtained was Rs. 7.82 each but as the delivery period of six weeks was not considered suitable, an order for 19,500 Nos. of hose pipes was placed on the next higher tenderer in August, 1967, at the rate of Rs. 8.08 each. For the balance requirement of 55,627 Nos. (for the contract period till April, 1968) an ex-

press indent was placed on the D.G.S. & D. in August, 1967 for delivery by October, 1967. Although the lowest rate obtained in response to the telegraphic tenders was lower than the rate of Rs. 8.08 each under the D.G.S.&D. rate contract, neither the D.G.S.&D. nor the Railway Board was informed of the position. The extent rules also required such an action.

3.236. The indent placed by the Railway Administration was covered by the D.G.S. & D. by a supply order placed in August, 1967 against their running contract with 31st October, 1967 as the delivery date. The material was, however, not received from the suppliers on the scheduled date and the Railway Administration anticipating delay, purchased, again through telegraphic tenders, 5,000 hose pipes in October, 1967 at the rate of Rs. 8.08 each (on grounds of early delivery) and 39,500 Nos. in October and December, 1967 at the rate of Rs. 6.95 each. No action was, however, taken to cancel an equivalent quantity of hose pipes not supplied by the D.G.S.&D. supplier although in December, 1967 the Tender Committee had specifically recommended that order for 20,000 Nos. should be cancelled. The overdue supplies to the extent of 44,950 Nos. received by the Railway Administration against the D.G.S. & D. contract after the scheduled dates at the higher rates resulted in avoidable expenditure of Rs. 51 thousand.

[Paragraph No. 26—Audit Report (Railways), 1969.]

3.237. The Committee enquired when the balance quantity of 44,950 hose pipes were received from the supplier on whom orders were placed through D.G.S.&D. and whether any penalty was imposed for failure to supply within the stipulated period. From the information furnished by the Railway Board, the Committee note that the outstanding supplies were received between 4th November, 1967 and 6th February, 1968. As regards the question of imposition of penalty, the Department of Supply have stated as follows:

“No penalty has yet been levied for failure if any, on the part of the firm to supply the stores within the stipulated period. Extension of time for deliveries beyond 31-10-67 has been granted with the usual denial clauses and with reservation of rights to levy liquidated damages. The question as to whether any liquidated damages can be imposed will be considered at the time of finalisation of contract in terms of the provisions of the contract and sub-para 2 of para 167 of the DGS&D Manual, 1968 edition, in consultation with the Ministry of Law.”

3.238. Asked whether the DGS&D consulted the Railway Administration before extending the delivery period, the Department of

Supply have stated that "The Railway Administration was not consulted before extending the delivery period, as the indenter had expressed the urgency of his requirements *vide* his D.O. letter dated 3/4-11-67 and supply from alternative sources was not expected to materialise earlier."

3.239. The Committee enquired why action was not taken by the Railway Administration to cancel the balance of supplies after expiry of the delivery period i.e. 31st October, 1967 or at least in December, 1967 when the Tender Committee had specifically recommended cancellation of 20,000 Nos. which were still outstanding. In a note, the Railway Board have stated that the stock position both in October and December, 1967 was precarious and consumption was rising as shown below:

Month	Consumption during the month	Stock at the end of the month
August, 67	3,659	3,727
September, 67	9,763	5,504
October, 67	8,567	10,240
November, 67	7,346	4,000
December, 67	9,094	9,633
January, 68	14,447	6,249
February, 68	12,427	17,912

"Supplies were urgently required and cancellation of the outstanding quantity against DGS&D contract, even if it had been possible, would have meant stoppage of supplies and the Railway having to make direct purchase of an equivalent quantity. A fresh direct purchase would have meant delay involved in invitation of tenders, time to be allowed for tenders to quote, consideration of offers, placement of order, and subsequent materialisation of supply. In view of the critical stock position of a vital safety item like Vacuum Hoses, such a step would not have been prudent and might have resulted in serious repercussions on train operations.

"Cancellation (of orders in December, 1967) may not have been possible without financial repercussions as the delivery date had already been extended by the DGS&D on 6-12-67 i.e. prior to the recommendation of the Tender

Committee on 27-12-67 and the extended delivery date was valid upto 31-1-68.

“Provisioning for stores is a continuous process taking into account stocks, consumption and due on orders, and where quantities directly purchased are not cancelled, the same are adjusted in the quantities for which provision has to be made for a subsequent period. Accordingly the direct purchase quantity was set off against a subsequent indent placed on DGS&D in August, 1968.”

3.240. In reply to another question, the Railway Board have furnished the following figures of total consumption during 1966-67 to 1968-69:

1966-67	. . . . .	72,479
1967-68	. . . . .	85,232
1968-69	. . . . .	83,284

3.241. The Committee enquired why no intimation was given to the DGS&D about the direct purchase rates being lower than the DGS&D's rates in August, 1967 as per extant rules. The Ministry have stated that “Direct emergency purchases are made by the Railways against competitive tenders on the basis of lowest acceptable quotation with due regard to quality, delivery offered, and reliability of the supplier, when stock position warrants such direct purchases. It may happen that some such purchases may turn out to be at prices lower or higher than DGS&D prices.

“Periodical meetings, usually twice a year, are held between the Controllers of Stores of Railways with the DGS&D to discuss various issues relating to procurement of Railway stores through DGS&D. The question of the Railways being able to get lower prices in some cases as compared to DGS&D prices had been discussed in the 36th periodical meeting held in December, 1965. The DGS&D's comments on that occasion were as under :—

“The rates quoted by the firms depend on many factors. Comparison of one rate with the other without consideration of the circumstances under which rates have been quoted would not be correct.

“It may happen that a firm who have failed to compete against DGS&D contract may offer lower business or may be to

dispose of their stocks. If such offers are encouraged, the sanctity of the tenders would be vitiated."

"It was in this background that no intimation was sent to the DGS&D about the lower direct purchase rates in August, 1967. It may be mentioned that the same views were expressed by the DGS&D even subsequently in August, 1968 when the subject was discussed with particular reference to vacuum Brake Hose Pipes."

3.242. The Board have added that instructions have since been issued to all Railways Production units on 23rd October, 1969 to inform the DGS&D whenever they make a direct purchase at prices lower than the prevailing DGS&D rate/running contract prices.

3.243. The Committee observe that the Railway Administration procured hose pipes through direct purchase at rates lower than those accepted by the DGS&D for similar stores but did not inform either the Railway Board or the DGS&D of this fact even though they are required to do so under the rules. Further, when the supplier on whom DGS & D had placed orders failed to deliver the goods within the stipulated time and the Railways resorted to direct purchases, action to cancel the 20,000 numbers of outstanding supplies against the DGS&D contract was not taken, despite a specific recommendation of the Tender Committee to that effect. It has been stated that cancellation in this case 'may' have had financial repercussions, as the date of delivery had been extended by the DGS&D before the Tender Committee met. If this is so, the Tender Committee should have considered this aspect before giving its recommendation.

3.244. The Committee note that instructions have since been issued asking the Railway Administrations to inform the Railway Board and the DGS&D about all cases where direct purchases are made at rates lower than those of the DGS&D. They hope that the extant rules will be strictly complied with in future.

Northern Railway—Loss due to leakage of kerosene oil in transits

Audit Paragraph

3.245. Shortages occurred in kerosene oil purchase from M/s. Indian Oil Corporation in sealed tins each containing 18.5 litres. Out of a total of 4,391 kilolitres of oil purchased by the Northern Railway Administration during the three years 1963-64 to 1965-66, a quantity of 139 kilolitres that is about 3.2 per cent, was received short by the consignees due to leakage in transit by rail. It is understood that in the case of supplies from two other oil companies the loss was about 1 per cent. The value of kerosene oil lost was Rs. 48

thousand. The Corporation repudiated the claims preferred by the Administration since they were using tins of acceptable quality. The loss was attributed by the Corporation to rough shunting and handling.

3.246. The Administration stated (January, 1969) that they were pursuing the question of compensating the Railway for the abnormal loss with the Corporation.

3.247. On the other Railways too the leakage was about 3 per cent., though prior to 1965 it was generally below 2 per cent.

[Paragraph No. 27—Audit (Railways), 1969.]

3.248. The Committee enquired about the reasons for the large scale leakage in respect of consignments booked by the IOC and whether any safeguards existed in the conditions of contract with the supplier against such losses. The Railway Board have stated that a Sub-Committee nominated by the DGS&D in the 40th periodical meeting of the Controllers of Stores with DGS&D held on 16th and 17th June, 1968 went into the question of large scale leakage and came to the conclusion that this was due to—

- (i) Single capping of the kerosene tins and no soldering of the cap.
- (ii) Top and bottom are joined to the body by single end screw joint.
- (iii) Embossing design to impart stiffness to the sides, top and bottom not being deep and clear enough.
- (iv) Absence of mechanical means of testing filled kerosene tins for leakage in the filling depot of IOC at Shakurbasti.
- (v) Lack of quality control in the manufacture of Tin Factory, Fatehpur; and
- (vi) Sufficient care not being taken in providing adequate and satisfactory dunnage when kerosene tins are loaded in wagons.

3.249. As regards safeguards against such losses, the Board have stated that "while certain stipulations with regard to packing are provided in the DGS&D rate contract, Clause 5 of the Special Conditions stipulates that the Indian Oil Company will not be responsible for breakages or loss in transit and that their responsibility will cease as soon as the goods are put on rail or delivered to the indentor at main installation/depot/site. In view of this, the DGS&D indicated that the supplier cannot be held responsible for any loss, leakage or shortage during transit and it would be advisable to insure the goods before despatch at buyer's cost. On further examination it was found by the DGS&D that the cost of insurance would be

almost the same as the reported leakage in this case. "Taking the overall position there appears to have been no loss for, had the stores been insured, almost the same amount would have to be spent as insurance charges".

3.250. The Committee called for a statement showing the quantum of leakage of Kerosene oil purchased from M/s. IOC during 1965-66 to 1968-69. The data furnished is reproduced below:

atement showing quantity of K. Oil purchased from M/s. I.O.C. during 1965-66 to 1968-69, quantity of Oil lost in transit due to leakage and its percentage to the quantity purchased

(Figures in litres)

Railways	1965-66			1966-67			1967-68			1968-69		
	1	2	3	1	2	3	1	2	3	1	2	3
Central	—	—	—	—	—	—	—	—	—	—	—	—
Eastern	2255675	3085	0.1	1892022	1035	0.05	2717419	3157	0.10	1848535	18785	1.01
Northern	—	—	—	—	—	—	—	—	—	—	—	—
N. Eastern*	1146799	13003	1.13	989953	23432	2.36	1095737	52115	4.75	514600	23244	4.51
N.F. Rly**	1500000	3770	0.25	2100000	841	0.04	2500000	924	0.04	2400000	528	0.02
Southern	1880125	Nil	0.00	1923185	Nil	0.00	1734413	Nil	0.00	1511948	Nil	0.00
S. Eastern	743576	7520	1.01	763575	9281	1.20	825016	12037	1.40	702439	11527	1.60
S. Central	1377692	670	1.004	1227550	18971	1.54	2058311	15631	0.75	761240	2202	0.28
Western	2954316	23936	0.81	2437658	13342	0.54	3103429	27005	0.87	1242712	14040	1.13

(1) Quantity of K. Oil purchased during the year.

(2) Quantity of K. Oil lost due to the leakage in transit.

(3) Percentage of leakage to quantity purchased.

— Information not available.

* Information given is only in respect of Samastipur & Gorakhpur depots.

** Firm-wise details not furnished by the Railway. Figures furnished by the Railway have been presumed to be purchased from M/s. I.O.C. only.

3.251. The Board have stated that the percentage of leakage has been within reasonable limits i.e. less than 2 per cent except in the case of N.E. Railway where it is about 4.5 per cent which is apparently due to the tins having to be transhipped from BG to MG in transit. They have added that "it appears that the reasons for the higher incidence of leakage in respect of consignments booked by the Indian Oil Company as compared to other firms is that the Indian Oil Company being new comers in the field of supply of kerosene oil at that time did not have adequate experience in regard to packing and loading of tins as compared to other oil companies".

3.252. The Committee enquired about the outcome of the Railway Administration's efforts to get the loss recouped by the IOC. The Ministry have stated that "The DGS&D have been pursuing with M/s. IOC the question of acceptance of the claim of Rs. 48,000 preferred by Northern Railways. Discussions were held in this connection by the DGS&D with M/s. IOS on 16-9-1969 at Bombay when the Railway representative was also present. During the discussions M/s. IOC were pressed to accept the claim and were also informed that if the case is not settled by IOC early, the matter will be referred to arbitration.....The matter is being pursued by the DGS&D".

3.253. In this connection Audit have observed as under:

"Under the general conditions of the contract clause 3(d), the Corporation were responsible for seeing that the containers were perfectly sound and suitable with their stopper plugs, hungs etc. tightened securely and these were loaded into the wagons in such a way as to withstand the effect of severe shunting. The Corporation had failed to comply with the condition regarding packing and loading to avoid leakage in transit.

The extent of leakage under similar conditions of transit was very much less in the case of other firms. It, therefore, needs to be examined by the Railway whether the loss due to leakage of oil in transit should not be passed on to the firm in terms of clause 3(d) notwithstanding the provision under clause 5 of the special conditions of contract".

3.254. Asked to state the steps being taken to prevent such losses in transit in future, the Ministry have stated that the Sub-Committee appointed by the DGS&D have "recommended the following steps to reduce leakage of kerosene oil to reasonable limits:

- (i) That the Director of Inspection or his representative should carry out random checks on the quality of packing as pro-

vided in para 11 of the special conditions attached to the Rate contract.

- (ii) That Director of Inspection or his representative exercise powers given to them under para 12(vi) of the general conditions of contract which, provides that the inspecting officer's decision in regard to packing would be final and binding on the contractor.
- (iii) That double capping and soldering of tins is carried out by the IOC.
- (iv) That the top and bottom are joined to the body by double and end seam joint.
- (v) That solder used in the fabrication of kerosene tins shall conform to IS-193 of 1956.
- (vi) That the embossing design to impart stiffness to sides, top and bottom is deep and clear.
- (vii) That kerosene tins are manufactured according to IS specification No. 916 of 1966; and
- (viii) That sufficient and adequate dunnage is provided by IOC when despatching kerosene tins in wagons.

The implementation of the recommendations of the Committee is under consideration of the DGS&D".

3.255. The Committee notice that shortages detected in kerosene oil supplies made to the Railways by the Indian Oil Corporation have been higher than in the case of supplies made by the other oil companies. The Railway Board have stated that the Corporation are newcomers in the field, lacking adequate experience in regard to packing and loading of this commodity. However, the information furnished to the Committee shows that while on other Railways the losses are within reasonable limits, the losses on N.E. Railway are rather high. Figures of losses for Central Railway and Northern Railway (which is the subject matter of the audit paragraph) have also not yet been furnished.

3.256. The Committee suggest that the causes for these losses, particularly on the North Eastern and Northern Railways may be further investigated with a view to ascertaining how far these could be due to short supply, rough shunting and handling and pilferage, particularly at transshipment points, and necessary steps taken to minimise such losses. The Indian Oil Corporation on its part should be asked to improve the quality of packing in consultation with the D.G.S.&D.

IV WORKS EXPENDITURE

Western Railway—Extra expenditure in the procurement of ballast

Audit Paragraph

4.01. The specifications for the procurement of ballast on the Railway specify the quality and size but do not specify whether it should be hand broken or machine crushed. The general practice was also to accept supplies conforming specifications with no price preference for machine crushed ballast. In May, 1962, a proposal to obtain machine crushed ballast at higher rates in Bhavnagar Division was approved by the Administration but neither a policy decision to that effect taken nor the specifications amended. When a similar proposal was approved on the Rajkot Division in September, 1964, the Divisional Accounts Officer objected to the practice (in November 1964) and the matter was referred to the Administration for the issue of a directive to procure only machine crushed ballast. The latter, however, decided in February, 1965 that it would not be correct to issue such orders especially when hand broken ballast was available at much lower rates. Nevertheless, machine crushed ballast continued to be procured in Bhavnagar Division, as also in Rajkot Division, till April, 1967, when instructions were issued to procure ballast as per specifications, that is, without specifying the mode of breaking.

4.02. A total of 1.86 lakh cubic metres of machine crushed ballast was procured in these two Divisions at higher rates, of which 0.77 lakhs cubic metres was after November, 1964. The extra expenditure in respect of 0.49 lakh cubic metres, for which comparable rates are available, works out to Rs. 1.60 lakhs.

[Paragraph No. 29—Audit Report (Railways), 1969.]

4.3. The Committee enquired whether while allowing a higher price for machine crushed ballast in the Bhavnagar Division, the financial implications were taken into account. The Railway Board have stated that tenders for machine crushed ballast had only been invited. Therefore, the rates of hand broken ballast were not obtained. In reply to a question whether facilities for machine crushing were available on a sufficiently large scale to make prices for their supply competitive, the Board have stated that 14 contracts were in force in 1963 in that Division for supply of machine crushed ballast and "as such facilities for obtaining competitive rates were available in the region." To a further question whether the Railway Administration had occasion to compare the relative rates in the same place

prior to 1962, the Board have stated that there had been no instances when tenders for both machine crushed and hand broken ballast were obtained at the same place.

4.4. In reply to a further question the Board have informed the Committee that the difference in the rates for hand crushed and machine crushed ballast for the four stations of the Rajkot Division where it was proposed to obtain machine crushed ballast was "somewhat on the high side" while on Bhavnagar Division, the difference was much less. For this reason issue of a general directive to procure only machine crushed ballast could not be given.

4.5. The Committee enquired why machine crushed ballast continued to be obtained till April, 1967 and the circumstances in which orders were then issued to procure ballast as per specifications without specifying the mode of breaking. From the note furnished by the Ministry on this point, the Committee observe that the Western Railway advised the Divisions in October, 1965 that it would be better to obtain machine crushed ballast from contractors at places where the practice of machine crushing was not in vogue previously provided good hard stone was available there. It was felt that, though the rates obtained in the first instance may be high, in course of time, due to competition among the contractors, they would come down. No limits for price preference were laid down because of the consideration that in areas where rubble could be obtained only by deep and selective quarrying, the price preference in favour of machine crushed ballast may be quite high. In December, 1965, revised instructions were issued by the Western Railway that whenever tenders for machine crushed ballast were invited, alternative quotations should also be obtained for hand broken ballast. On reconsideration in April, 1967, it was decided that it would be desirable to invite tenders for ballast without specifying either machine crushed or hand broken ballast and the two circulars issued in October and December, 1965 were cancelled. The Board have added that this was done "with a view to giving the contractors an opportunity to quote for either hand broken or machine crushed ballast at the most competitive rates.....The policy to be followed thenceforth was to accept ballast strictly conforming to specifications and at the most favourable rates obtaining in the market."

4.6. The Committee enquired whether any price preference was actually given at any station where crushed ballast it still being obtained. The Ministry have stated that at Timba Road on Baroda Division, no hand broken ballast is available. Hence, only machine crushed ballast is being procured. At Udvada and Virar stations on Bombay Division, the Railway takes both machine crushed and hand broken ballast from the contractors at the same rates, according to Railway's needs and the capacity of the contractor to produce either type of ballast. No price preference has been given in all the three cases.

4.7. The Committee observe that 1.86 lakh cubic metres of machine crushed ballast was procured in Bhavnagar and Rajkot Divisions of the Western Railway between 1962 and 1967 when hand-broken ballast was available at lower rates. The extra expenditure incurred on 0.49 lakh cubic metres of machine crushed ballast so procured was Rs. 1.6 lakhs. Comparable rates in regard to the remaining quantities are not available.

4.8. No valid explanation has been furnished by the Railway Administration as to why machine crushed ballast was preferred, though it was costlier than hand-crushed ballast. Even after this practice was objected to by the Division Accounts Officer in November, 1964, the Railway continued to procure machine crushed ballast for more than two years till in April, 1967, instructions were issued that tenders for supply of ballast should be called without specifying either hand crushing or machine crushing.

4.9. The Committee would like to be informed why it took over two years after the Divisional Accounts Officer had objected to the payment of higher rates for machine crushed ballast for the Railway Administration to rectify the position.

Central Railway—Extra expenditure due to manufacture of R.C.C. Slabs

Audit Paragraph:

4.10. The work of construction of a Defence Siding at Ambazari (Nagpur) included construction of bridges and culverts requiring R.C.C. slabs. A part of the requirement (8000 cft.) of the R.C.C. slabs was met by manufacturing slabs at a Railway concrete depot during 1965-66 and the balance (5,347 cft.) was met by casting the slabs to the Railway's specifications through the agency of contractors at the site of the work, under a contract placed in January, 1967. The cost of the slabs manufactured at the Railway concrete depot (including transport and handling charges) worked out to Rs. 21 per cft. whereas the cost of the slabs manufactured through the agency of the contractor at the site of the work worked out to Rs. 8 per cft.

4.11. The Railway Administration stated (December, 1968) that manufacture in the concrete depot was resorted to, in preference to casting at the site, in order to ensure uniformity of standard and quality control. The manufacture of slabs inside the factory premises was light and slow. It may be mentioned that in a similar work for another Defence factory the entire requirement of R.C.C. slabs, for use both inside and outside the factory premises, was met by casting the slabs at site.

4.12. The avoidable extra expenditure in obtaining the slabs from the Railway concrete depot was Rs. 1.04 lakhs.

[Paragraph No. 30—Audit Report (Railways), 1969.]

4.13. The Committee desired to know whether the economics of departmental manufacture *vis-a-vis* manufacture through contractor was considered before it was decided to manufacture the bulk of the slabs departmentally and whether the Railway Board have issued any policy directions in this regard. The Board have stated that the manufacture of RCC slabs departmentally in the concrete depot at Lonavala was strictly in accordance with the policy obtaining on the railway. There are no policy directions issued by the Board. The work of Ambazari siding was done in two phase as under:

Phase I.—The work in this phase took place outside the factory area. The work commenced in November, 1964.

Phase II.—The work was done inside the factory area. The work commenced in January, 1967 after alignment inside the factory had been finalised in consultation with the Defence Department.

4.14. In accordance with the general policy for using RCC slabs cast in the railways' depot, the slabs required for the portion outside the factory area in the 1st Phase were obtained from the concrete depot, Lonavala.

4.15. In the meantime, when the work on Ambazari siding was in progress, another siding for a Defence factory was sanctioned in October, 1965 and the RCC slabs required therefor were cast at site through the agency of contractors. "Using this as precedent, though no recorded reasons exist, the RCC slabs required for the work inside the factory area at Ambazari in second phase were also cast at site through the agency of contractor."

4.16. The Committee enquired whether the specifications for the work were the same for departmental and contractual manufacture and the reasons for wide variations in cost between the two. The Board have replied that the "RCC slabs manufactured departmentally in the depot were of high grade concrete cast under controlled conditions. The slabs cast at site through the agency of contractor, on the other hand, were made out of ordinary grade concrete. The permissible stresses etc. being less in the case of ordinary grade concrete, normally thicker slabs and more steel are required in case of ordinary grade concrete when compared to high grade concrete for the same span of the slab."

"The analysis of the concrete used in case of departmental manufacture in the depot and that at site through the agency of contractor for a given size of slab shows that the cast at site slabs required

about 20 to 25 per cent more concrete for a given span. The results of sample comparisons are given below:

Span	Pre cast slabs		Cast-in-situ	
	Concrete in cft.	Steel in tonnes	Concrete in cft.	Steel in tonnes
6 ft.	109	356	136	.578
8 ft.	162	609	195	.762
15 ft.	407	1.9	538	2.367

The approximate break-up of the cost of slabs per cft. of concrete cast in the concrete depot at Lonavala was as follows:—

(i) Cement	1 35
(ii) Stone chips	0.40
(iii) Sand	0.10
(iv) Steel	3.64
(v) Labour	2.53
(vi) Overall overhead charges including shop overheads etc. @ 1.50% on labour charges	3.80
TOTAL	11.82

As against this, the cost of concrete per cft. produced by the contractors at site is Rs. 7.94.”

“It will be observed that for a given span, the total cost of manufacture departmentally in the depot compares favourably with the cost of slabs cast at site, taking into account overheads in the case of depot slabs and extra materials due to lower specifications in the case of cast at site slabs. Moreover, all contractors are not competent to do this work. Only experienced and resourceful contractors can be entrusted with this work.”

4.17. The Board have added that the depot slabs proved expensive in this particular case on account of loading, unloading and transportation charges. The break-up of the transport and handling charges is as under:—

	Rs.
(i) Transport charges at public tariff rate	39,427.00
(ii) Loading charges at Lonavala	5,107.00

(iii) Unloading charges at Ajni	26,857.00
(iv) Labour charges for moving the slabs from Ajni to the site of work	10,500.00
TOTAL	<u>81,891.00</u>

(Rs. 9|- per cft. approx.)

The charges for transportation and handling were high because of the fact that the carriage charges are based on public tariff rate as the work was done for Ministry of Defence. Further, as per the commercial practice, assumed haulage charges for the movement of crane from Bombay to Nagpur have also been booked even though actually this movement did not take place. In fact, the unloading work was done by making use of a loco crane available at Nagpur. Booked charges on this account are about Rs. 20,000|-.”

4.18. To a question what measures were proposed to be taken to bring down the expenditure on departmental manufacture, the Railway Board have replied that “in view of the fact that the transport over long distances of the precast slabs (manufacture departmentally in the concrete depot at Lonavala) and the crane handling, make them costlier than the slabs cast *in situ*, the Railway is considering that in future bridge slabs manufactured at Lonavala should be used only in the nearby Bombay and Bhusaval Divisions and in the other 3 Divisions *viz.* Nagpur, Jabalpur and Jhansi, the slabs cast at site should be used provided proper contractors could be found.”

4.19. The Committee feel that the cost of the work was needlessly inflated by Rs. 1.04 lakhs by casting R.C.C. slabs required for the work departmentally, when the contractor could have been asked to cast them. The cost of the slabs departmentally cast, was Rs. 21 per cft. against Rs. 8 per cft. at which the contractor cast them at the site of work. The slabs were meant for a work at Ambazari and the Railways cast them at Lonavala and carried them all the way to Ambazari incurring transportation costs which along amounted to Rs. 9 per cft. The Railway Board have stated that the disparity between the costs was due to departmental specifications having been richer, but there was no reason to have gone in for richer specifications when the slabs cast by the contractor were of acceptable quality.

4.20. The case shows in the Committee's opinion that the authorities who executed the work lacked cost consciousness. It did not even occur to them that departmentally cast slabs had to be transported over a long distance and that this consideration alone should have precluded their use in the work.

4.21. The Committee would also like the Railway Board to examine the reason for the high cost of casting slabs at Lonavala and take steps to bring it down.

V

PLANT AND MACHINERY

Under-utilisation of imported "On track tie tampers and Ballast cleaners"

Audit Paragraph

5.1 In pursuance of the recommendations of the Railway Accidents Enquiry Committee (1962) that mechanical tamping should be introduced on Indian Railways, the Ministry of Railways (Railway Board) decided to procure "On track ballast cleaners" for removing the dirt from the ballast and "On track tampers" for tamping the cleaned ballast. Only two manufacturers from Switzerland and Austria could supply these highly sophisticated machines. Five "On track tie tamping machines" and one "On track ballast cleaner" alongwith spares required for 3 years, were procured from these two foreign firms at a cost of Rs. 21 lakhs (FOB) through orders placed in May, 1962, and August, October and November, 1964. These were received and commissioned between October, 1963 and December, 1966.

5.2. The tampers were expected to tamp 160 track Kms. per annum of normal track and 100 Kms. of freshly relaid track. The tamping actually done during 1966 and 1967 was less than 80 track Kms. per machine on an average. The poor utilisation was partly as a result of the machines going out of order and partly due to non-availability of adequate line block for working the machines (the average line block made available per day ranging from 50 minutes on Central Railway to about 2 to 3 hours on Eastern and South Eastern Railways against the optimum of 4 to 5 hours required) which reduced the overall availability of the machines to about 50 per cent.

5.3. Similarly, the ballast cleaning machine was expected to clean track ballast at the rate of 7,000 linear metres per month, but the actual performance was only 923 linear metres per month in 1967 and 379 linear metres per month in 1968. The poor performance of this machine was also due to non-availability of adequate block period on Central Railway.

5.4. There was also no saving by way of reduction in permanent gang strength as expected, except some expenditure on casual labour when the machines were used after track relaying. On the other hand, expenditure was incurred on the operation and maintenance of the machines. The net additional expenditure after giving credit

to the work performed by the machines was about Rs. 4.54 lakhs for the year 1967.

5.5. The Ministry of Railways (Railway Board) explained (December 1968) that the tamping machines were completely imported machines of a highly sophisticated type consisting normally of about 12,000 parts and it was not possible to keep all types of spare parts to cater for break down.

5.6. Though the machines already imported were not being fully utilised, further orders were placed in March, 1966 for 12 Nos. of bigger and more versatile tamping machines, from the Austrian firm at cost of £3.80 lakhs (Rs. 68.38 lakhs). 9 machines have been delivered so far (December, 1968). Imported spare parts worth Rs. 3.04 lakhs were also ordered in September, 1967 for the existing machines. There are, however, no prospects of developing the indigenous capacity either for the manufacture of or for repairing these machines.

[Paragraph No. 33—Audit Report (Railways), 1969]

5.7. The Committee called for data about the actual utilisation of the five tie tampers and a ballast cleaner which were imported between May, 1962 and November, 1964. Information furnished by the Railway Board is reproduced below :—

Statement showing the Actual utilisation of completely imported 'On-TRACK' tie tampers from 1966 to September, 1969.

Railways	Type & No. of Machines	Year	No. of Days	Availability of Machines (days)	No. of days Machines Actually worked	Average Block per day	No. of Kms. Tamped.	
Eastern	Mastisa (B-60) No. 3271	1966	365	198	185	4-01	91.77	
		1967	365	72	69	4-28	44.58	
		1968	366	345	291	3-30	136.51	
		*1969	273	116	93	3-00	40.37	
	TOTAL :			1369	731	638	3-45	31.3
	Plassermatic (VKR-05-E) No. 473	1966	342	293	242	4-34	118.76	
		1967	365	264	248	4-29	128.50	
		1968	366	216	178	2-55	70.00	
		*1969	273	215	168	3-09	71.98	
		TOTAL			1346	988	836	3-48	389.24

South-Eastern	Matisa	1966	334	310	217	3-21	82.50
	(BN-60)	1967	365	283	218	3-18	87.94
	No.3377	1968	325	192	139	3-18	60.73
Eastern		*1969	259	238	184	3-04	68.3
TOTAL			1283	1023	758	3-15	299.53
South-Eastern	Matisa	1966	334	311	218	3-20	86.80
	(BN-60)	1967	365	293	220	3-15	80.95
	No.3378	1968	325	285	191	3-31	85.41
Eastern		*1969	168	154	115	3-14	42.99
TOTAL			1192	1043	744	3-20	296.15
Central	Matisa	1966	365	85	72	2-33	28.20
	(BN-60)	1967	365	135	92	2-03	19.07
	No.3272	1968	121	97	58	1-38	12.66
Eastern		*1969	203	151	114	3-14	39.00
TOTAL			1054	468	336	2-22	98.93

September, 1969)

Statement showing the actual utilization of completely imported Ballast cleaner from 1967 to September, 1969

Type & No. of Machine	Year	No. of days	Availability of Machine (days)	No. of days Machine Actually worked	Average Block per day	Length of Track screened	Remarks
Central Matisa Ballast Cleaner (10-CB5) No.2598	1967	304	278	84	1—52	5569	Commissioned on 1-3-1967.
	1968	335	193	69	0—27	834	
Eastern	*1969	214	201	96	2—31	7250	Commissioned on 27-2-1969.

(*Upto September, 1969)

5.8. The Committee enquired about the reasons for importing 12 more versatile and bigger tamping machines when the ones earlier imported had not been fully utilised. The representative of the Railway Board stated that all the 12 machines were delivered and commissioned between November, 1968 and August, 1969. Their import was resorted to not as a measure of economy but because certain sections could not be maintained manually any more due to their heavy traffic density. This applied to suburban sections also in Calcutta and Bombay, where the frequency of trains was so high that there was no time at all to maintain the track manually. Another reason was that concrete sleepers which were now being used in larger numbers, cannot be maintained by manual methods. He added that countries such as the U.K., U.S.A., Japan, France and Germany etc. where tracks were used as intensively as in India in certain sections, had switched over to mechanical maintenance. Therefore, the machines were in his view 'inevitable' if the tracks were to be used intensively.

5.9. The Committee thereupon drew the attention of the representative of the Ministry to the following note dated 21.2.1964 recorded in one of the files furnished to Audit:

"The Chairman, Railway Board after his recent visit to Europe informed me that the sections of the heaviest traffic density in Europe both U.K. and France, depend on manual packing, because they consider that it will be impossible for them to provide the necessary long blocks. We cannot take it for granted that our future lies wholly in greater and greater mechanical tamping."

5.10. The witness stated that this was a note by the then Financial Commissioner, Railways and that he (the witness) was not in a position to say how the impression was created at that time that other countries had opted for manual packing. From the information since gathered, particularly about U.K., he could say that "they have since changed to machines completely". The representative further stated that these track tampers were essentially development items. The machines were first put on the Delhi-Agra section where unfortunately, they could not get the line block. Besides the men were new to the machines and they did not have the requisite number of spare parts. From the technical literature obtained about these machines, they had assumed that they could do certain Kilometres per year which, after practical experience, they could not get.

5.11. The Committee asked for data about the performance of the 12 new machines which the Railway Board have indicated as under:

(Utilization upto September 1969)

Railways	Type & Numbers of Machines	No. of day since Commissioned	Availability of Machines (days)	No. of days Machine worked	Average Block per day	No. of KMs. Tamped	Remarks	
South-Eastern	Plasermatic (06-16SLC) No : 620	273	187	103	3-06	49.84	Commissioned 23-11-1968	on
	No : 621	273	253	183	3-27	112.73	Commissioned 23-11-1968	on
	No : 622	259	231	163	3-24	98.28	Commissioned 13-1-1961	on
	No : 623	214	176	110	3-27	58.92	Commissioned 3-2-1969	on
	No : 624	259	215	152	3-38	85.04	Commissioned 13-1-1969	on
	No : 625	242	185	134	3-47	106.20	Commissioned 30-1-1969	on
Eastern	No : 626	275	145	105	3-07	37.78	Commissioned 9-4-1969	on
Northern	No : 627	149	136	106	2-50	36.60	Commissioned 5-5-1969	on
	No : 628	148	130	100	3-40	37.56	Commissioned 6-5-1969	on
	No : 629	120	103	79	2-55	36.74	Commissioned 3-6-1969	on
	No : 630	120	108	83	2-50	33.38	Commissioned 3-6-1969	on
	No : 631	35	35	22	3-16	8.71	Comissioned 27-8-1969	on

5.12. To a question if any norms had been laid down in this regard, the witness replied that "...according to our calculations, if they do 80 Kms, we should consider that they have done very well." He added that they hoped that as their men gained more experience and line blocks were arranged in a proper manner, they would be able to achieve the same kilometrage as other countries had been able to do.

5.13. The Committee asked for comparative data about the performance of the tamping machines on Indian Railways with these obtained in some European countries. The Railway Board have in a note stated as follows:

"The average Kms. tamped on the Indian Railways has been steadily increasing as given below:—

1966	1967	1968	1969
85	72	88	102

"On the Indian Railways, the tamping is still carried out by double insertion as the machines have been introduced recently for the first time and the track structure is still not to the same standard as obtaining in European countries. In European countries, the tamping is carried out normally by single insertion only and hence the performances are not strictly comparable till the figures of performance by single insertion, which will be introduced in the future, are available. "The results of machine working in European countries, as taken from published figures in IRCA March, 1966, are as follows:

Country	No. of tampers	Kms. Programmed	Kms, per machine	Track block	Average out put
Germany . . .	77	6960	90	2 hrs	135m/hr
Switzerland . . .	8	960	120	4 hrs	200m/hr
Austria . . .	15	3000	200	2½ hrs	..
Belgium . . .	8	1360	170	3 hrs	185m/hr
Portugal . . .	1	100	100	4 hrs	..

"In U.K. a progress of 4 Kms. per week is obtained which works out to 160 to 180 Kms. a year at the rate of 40 to 45 working weeks per year. Figures of USA and Japan are not, however, available. It may be seen that progress on the Indian Railways compares favourably with

**Annual average output per machine for 1969 based on 9 months performance of 17 machines.

the average progress in the European continent taking into consideration that double insertion is carried out in India in the beginning stages against single insertion in European countries.

"The figures of performance of Ballast cleaner in other countries are not readily available. However, the figures from Indian Railways are as follows:—

	1967	1968	1969
			March to Sept.
Linear metres cleaned	5569	884	7250
No. of days worked	84	69	96*
	*Includes monsoon period."		

5.14. The Committee enquired how it was being ensured that line blocks on the requisite scale were created to ensure full utilisation of the machines. The representative of the Railways Board stated that they had asked the Railways to plan adequate line capacity works, the capacity of the lines being such that they could give four hours block on a single line and 2 hours block on the double line. He added, "I do admit that in our country, where we have the same time-table for seven days of the week, there will be difficulties, but we will have to overcome these difficulties."

5.15. The representative of the Railway Board further stated that it was true that these machines definitely required a long block. It had been impressed upon the General Managers that they must arrange for the line blocks and even if it meant additional line capacity works, it must be arranged on a programmed basis.

5.16. The Committee enquired whether there had been any fall in earnings as a result of introduction of line blocks. The representative of the Railway Board stated that on the Grand Chord line, trains might have had to be diverted *via* Patna. He added that the question of earnings did not arise because the track had got to be in a fit condition to carry the traffic.

5.17. To a further question whether introduction of these machines would not result in unemployment among gangmen, the representative of the Railway Board replied that nobody would be retrenched. However, the vacancies that might occur may not be filled up fully. He added "You have to compare employment potential loss with certain inescapabilities. Where a higher standard of technical efficiency is required, for faster trains, for progressive utilisation of the track etc., if that standard is not possible by manual methods, we have got to employ sophisticated methods...."

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Employment potential as gangmen may be reduced, but the potential as mechanics, maintainers and other classes of workers would increase."

5.18. Asked about the position with regard to availability of spare parts for these machines, the representative of the Board stated that the observation in the audit para that "these machines were of a highly sophisticated type consisting normally of about 12,000 parts and it was not possible to keep all types of spare parts to cater for break-downs," referred to two Matissa machines imported in the first instance in 1963. Not being satisfied with these machines, they placed order for another type of machines viz. Plasser and Theurer in 1966.

5.19. The witness added that the Matissa machines had been bought only for trial purposes. They had been able to get a number of spare parts indigenously either from Railway workshops or from the private sector. There were still some spare parts which they had not been able to get indigenously. These would continue to be imported so long as it was economical to maintain the machines. The last contract of 12 machines placed on M/s. Plasser and Theurer was completed with 55 per cent indigenously content and 45 per cent imported content. Spares to the extent of 70 per cent were now available for the imported tampers.

5.20. Asked how he could reconcile this statement with the information given to Audit that "there was no capacity either for manufacture or for repair of these machines" he stated, "It escaped the people who dealt with the draft Audit paragraph when it was presented by Audit. They failed to check it. They were under the impression that this dealt with conditions obtaining in 1967 and not the present one. I admit that they should have corrected the Audit and given better facts. To that extent we accept responsibility."

5.21. On its being pointed out that although spares required for 3 years had been imported alongwith the machines, difficulties were still experienced during that period to keep the machines in working order, the representative of the Railway Board stated that this was because they had no experience of these machines. In this matter, therefore, they had to go by the advice of the manufacturers and only those spare parts were imported which the manufacturers said would wear out. The failure of these machines could also be probably attributed to the operators being new and inexperienced.

5.22. The Committee enquired about the cost of spares imported against orders placed in September, 1967 and the quantity since utilised. The Ministry have stated that "the details of the spares

imported against contract No. 66|WCS|TK|11, dated 12-9-1967 for imported tampers are as under:—

(i) Ex-works price	(Sw.Fr.) 1,52,931.75
(ii) Packing	2,310.00
(iii) Inland freight to sea port	1,990.00
	<hr/>
(iv) Total F.O.B. value (Sw. Fr.)	1,57,231.75
	<hr/>

The foreign exchange released for importing these spares was Rs. 3.04 lakhs. All the spare parts have been received and kept in the Engineering Workshop at Mughalsarai for maintenance and repairs of Matisa 'on-track' tie tampers, which are at present working on the Eastern Railway. The actual quantity of spares utilised is approximately 70 per cent of those received."

5.23. Asked whether he was in a position to assure the Committee that these sophisticated machines, which were purchased at considerable expense would be utilised to the fullest extent possible, the representative of the Ministry stated, "We are trying to see that as much line block as possible is available so that these machines run a certain number of hours every day. We are able to maintain 100 kilometres of track with one machine. We do have enough spare parts to maintain the machines in proper order so that they are able to give us good service. It is not our intention that all the 100,000 kilometres of track should be maintained by machines; in that case we will require a very large number of machines. We are getting new machines only when it is becoming inevitable. You have our assurance that these things are being tied up and we are seeing to it that these machines given full service."

5.24. In a further note the Ministry have stated that the following steps are being taken to ensure better utilisation of the imported on-track tie tampers and Ballast cleaner:

- (i) 17-on track tampers and one Ballast cleaner working on the Indian Railways have been grouped into squadrons of 5 to 6 machines on 3 Railways for organising maintenance on regular sections.
- (ii) Special organisations on the 3 Railways have been set up as follows:
 - (a) Track cell in HQs to coordinate and plan the operation:
 - (b) Workshop facilities for undertaking repairs and overhauls at Mughalsarai, Sini and Lucknow.

5.25. At present traffic blocks on the 3 Railways vary from 2½ hrs. to 4 hrs. Special instructions have been issued to organise operation of these machines with a minimum of 4 hrs. block. The line capacity works at sections where machines are to be operated

are being taken up to ensure a block of 4 hrs. every day or 2 blocks of 2 hrs. each on double line sections."

5.26. In reply to a further question about the efforts being made to manufacture these machines entirely from indigenous components, the Ministry have stated that the machines obtained earlier were manufactured by M/s. Plasser and Theurer in their workshop at Faridabad. Tenders have been invited for another 12 machines. "Due consideration will be given while considering these tenders that these machines should be developed from indigenous components to the maximum possible extent."

5.27. While the Committee recognise that mechanical methods of maintenance of track may become inevitable on trunk routes using concrete and CST-9 sleepers, they would like to point out that the results achieved so far in this regard have not been comparable with those obtained elsewhere in the world. The track tampers used in the country have over the last four years been able to cover on an average at best 100 kilometres of track per machine as against 170 Kms to 200 Kms covered in countries like Austria and Belgium where density of traffic is no less than it is in India. As the Railways are stated to be new to this experiment, the Committee hope that progressively better results would be obtained from these machines.

5.28. A first pre-requisite for obtaining maximum service from these machines is adequate lineblocks which should be ensured by careful operational planning. Further the tamping performance would have to be improved by carrying it out through single insertion instead of double insertion as done hitherto. No. less essential is the need to keep adequate spares handy, as difficulties in getting spares have stood in the way of optimum utilisation of the machines in the past. The Committee note that some of these spares are now being imported. It may not be beyond the resources of the Railway Workshops to fabricate these items. It appears that this aspect of the matter has engaged the attention of the Ministry rather belatedly. They trust that with the steps now contemplated, the performance of the machines would improve and come up to European standards.

5.29. The Committee would also like to point out that in other countries where mechanical maintenance has been resorted to, considerable economies are reported* to have been achieved apart from improved track conditions. The Committee would, therefore, like the concerned Zonal Railways to work out norms for each machine under their charge in accordance with local conditions prevailing and ensure that once the requisite line-blocks are available, these norms are strictly adhered to.

*Report of the Study Team of ARC on Railways.

5.30. One aspect of the matter which needs careful consideration is the likely effect of the switch-over to mechanised maintenance of track on the employment of track maintenance staff. The Committee would like the Railways to ensure that such of the gangmen as become surplus are absorbed by being trained as mechanics, maintainers etc. The Committee have been assured that this will be fully borne in mind and that there will be no retrenchment of gangmen.

Loss due to defective supplies of plant and machinery

Audit Paragraph:

531. Plant and machinery purchased at a total cost of Rs. 37 lakhs on three Zonal Railways and a Production Unit could not be utilised due to the receipt of defective supplies or with certain deficient parts.

(a) Northern and South Eastern Railways:—

5.32. Three imported wheel turning lathes were purchased at a total cost of Rs. 16.80 lakhs for turning the wheels of diesel and electric locomotives stationed at Waltair, Mughalsarai and Kanpur. Although they were received in March/April, 1966, the foundation for installation was completed only in January/February, 1967 and the installation was completed in March, 1967, that is after a delay of nearly one year.

5.33. During the trial of the lathe installed at Mughalsarai some defects were noticed by the firm's engineers in the electric circuit. Two valves were also damaged. The defects and the damaged parts have not been set right so far. It is stated to be under trial and adjustment by the service engineer of the firm (December, 1968).

5.34. Meanwhile, the loco wheels are being sent for turning to other workshops involving extra expenditure. The Administration stated that the question of recovering the extra expenditure on this account from the firm is under their examination.

5.35. The other two lathes have been working since August, 1968 but the electronic device of one of them is still to be commissioned.

(b) Chittaranjan Locomotive Works:—

(i) 5.36. Based on open tenders, orders for the supply of 26 electric ovens costing Rs. 3.54 lakhs were placed in June, 1965 on an indigenous firm. The proto-type oven as developed by the suppliers were tested by the Administration in the firm's premises and certain improvements found necessary for satisfactory performance were got incorporated. Although all the ovens were received between September, 1966 and January, 1967, only 19 ovens have been commissioned so far (December, 1968) which also showed certain defects after some periods of continuous operation. The remaining

7 ovens were cannibalised to keep the ovens already commissioned to give continuous service. The Administration stated that further improvements were also carried out on 11 ovens out of 19 in service and the results were satisfactory. The defects were pointed out to the suppliers for rectification but without any response so far (December, 1968). A sum of Rs. 3.16 lakhs had already been paid to the firm.

(ii) 5.37. Two welding machines valued at Rs. 4.43 lakhs were received in January, 1964 and July, 1964 respectively. The machines have not given satisfactory performance so far in spite of certain modifications made in the electronic circuits and provision of water cooling arrangements. The work in the electric locomotive project is, therefore, being carried out by manual welding.

(iii) 5.38. One Milling Machine costing Rs. 11.80 lakhs purchased in March, 1965 and installed in June-July, 1965 has not given satisfactory performance due to certain defects in its clutches. Though the firm has replaced the two clutches, one of them is still to be fitted (December, 1968).

(c) *Central Railway:—*

5.39. Twelve concrete immersion vibrators valued at Rs. 28,200/- were purchased through D.G.S.&D. in January, 1962 for use in a construction project. The supplies were rejected by the Administration as they were found to be defective and the supplier agreed in June, 1962 to replace the defective vibrators. The new ones received in March and June, 1965 were also found defective. These are not working despite repeated repairs carried out by the suppliers. Five of these were handed over to the firm in August, 1968 for carrying out further repairs. The Administration could not attribute the defects to defective design or defective manufacturing process. The firm had already been paid a sum of Rs. 25,560/-.

[Paragraph No. 34—Audit Report (Railway), 1969.]

(a) *Northern and South Eastern Railways*

5.40. The Committee enquired about the reasons for delay in putting up the foundations for the three imported wheel lathes. The Railway Board have replied that "the lathes were received in March/April, 1966. The foundation and temporary shed at Waltair was completed in July, 1966 and the foundations at Mughalsarai and Kanpur in January, 1967 and February, 1967 respectively. The foundation drawings supplied by the firm were received in December, 1965 at Kanpur, Waltair and Mughalsarai in spite of the firm having been asked to send them as early as 1964. The time taken by the Railways to complete these foundations after receipt of foundation drawings was therefore 1½ to 2 years which was not excessive, considering that this was the first time such complicated foundations were constructed involving very deep excavation.

Covered sheds also were to be provided which could not be constructed before completing the work in deep pits. Construction of these, therefore, not only required large amount of work but also detailed planning. The delay can, therefore, be attributed to late receipt of foundation drawings from the firm and not to the execution of the work."

5.41. Audit have, however, stated that even after receipt of the drawings from the suppliers, "delay did occur in (i) taking decision about the location of the site and, (ii) preparation of detailed foundation drawings. In fact the visit of the Makers Engineers to India for commissioning of the these lathes on Northern and South Eastern Railways, had to be deferred till June, 1967 due to these delays".

5.42. In reply to another question, the Railway Board have stated that the firm has "replaced the damaged parts of the lathe installed at Mughalsarai mentioned in the Audit paragraph and has rectified the defects. The wheel lathe at Mughalsarai was commissioned on 17th December, 1969 and is now giving reasonably trouble free service".

5.43. The Committee enquired whether the electronic device of one of the other two lathes had been since commissioned and whether the output of the lathes was commensurate with their capacity. The Board have replied that "output of the lathes is commensurate with their capacity. The electronic unit and roller boxes of the wheel lathe at Kanpur, however, have not been commissioned by the firm so far".

5.44. The Committee regret that there was delay on the part of Northern and South Eastern Railways in commissioning certain lathes purchased from a firm. The delay was due to the inordinate time spent (1½ to 2 years) in preparing foundations for the installation of the lathes. The explanation that the foundation work was complicated does not appear very valid, as another Railway which also purchased this type of lathe, was able to prepare the foundation within about 7 months after it received the foundation drawings from the supplier.

5.45. The Committee would like the Railway Board to impress on the Zonal Railways the need to ensure that expensive equipment purchased by them are commissioned without delay. In this case the electronic device of one of the lathes is stated to be out of order. This should be speedily put right.

5.46. The Committee would also like to be informed about recovery of extra expenditure incurred in sending loco wheels to other workshops owing to defects in the electric circuit of the lathe installed at Mughalsarai.

(b) *Chittaranjan Locomotive Works*

5.47. The Committee desired to know why payment to the firm was made in respect of the ovens without ensuring satisfactory performance and whether the Administration had taken any steps to recover the cost of defective supplies or to get the defects rectified. In a note, the Ministry have stated that "Out of a total cost of Rs. 3.54 lakhs, payment was made to the extent of Rs. 3.16 lakhs according to the conditions of contract which stipulated the following:

'Payment—80 per cent payment against proof of despatch and Inspection certificate, 10 per cent payment when erection is over and balance 10 per cent payment after satisfactory working of the oven'.

These ovens were despatched by the firm and received at Chittaranjan Locomotive Works, the inspection certificate having been given based on the test carried out at the manufacturers' works. Payment was made as stipulated in the contract. During inspections it is only possible to check certain basic requirements and performance required in respect of size, voltage supply, temperature rise, temperature reached, air circulation, etc. The detailed design, however, can be proved only during continuous service.

These ovens were erected on receipt and as such further payment was made to the extent (10 per cent) stipulated in the contract.

"Pending satisfactory commissioning of these ovens, Chittaranjan Locomotive Works Administration has held back payment of Rs. 0.38 lakhs to the firm. Since the firm did not rectify the defecets were after repeated requests and since production in the Locomotive Works required use of these ovens, Chittaranjan Locomotive Works has undertaken to modify and commission these ovens. All the 26 ovens have been satisfactorily commissioned."

5.48. In regard to the welding machines mentioned in the Audit paragraph, the Committee enquired whether they were now working and whether any action had been taken against the suppliers for supplying machines with electronic circuits that required to be modified. The Railway Board have informed the Committee that "both the welding machines are still not working continuously. The spot welding machine has been put in commission but has to be tried out in continuous service to prove its working upto its rated capacity. To do this, correct quality electrodes are required as the electrodes obtained with the machine have been used up during earlier trials and in attempts at commissioning the machine. The electrodes obtained from ICF have proved to be too soft for continuous working. Since the firm has expressed inability to obtain these electrodes, Chittaranjan Locomotive Works has taken action for import of these and the required quantity of electrodes will be received shortly, after which the machine will be tried out fully".

5.49. Regarding the other welding machine i.e. ribbon welding machine, the Railway Board have stated that it is being tried out again by the firm after having replaced certain parts.

5.50. Pending satisfactory commissioning of these machines inclusive of any modifications to be carried out, payment of Rs. 0.45 lakhs has been withheld by Chittaranjan Locomotive Works. Action is also being taken to explore possibility of deducting the loss due to delay in commissioning from this amount of Rs. 0.45 lakhs.

5.51. In reply to a further question about the performance of the milling machine, the Board have stated that it is working satisfactorily except "that the microfeed arrangement is not functioning. This, however, is a separate unit and when put into commission would further improve the performance of the machine. Payment to the extent of Rs. 1.25 lakhs approximately has been withheld, even though the microfeed arrangement separately costs only Rs. 0.68 lakhs approximately. The firm (M/s.————) has indicated that a visit of an expert engineer is being arranged from abroad to rectify 5th defective unit. Previous efforts of the firm to rectify this have failed so far which included replacement of certain parts".

5.52. The Committee note that two welding machines costing Rs. 4.43 lakhs and a milling machine costing Rs. 11.8 lakhs purchased by the Chittaranjan Locomotive Works five to six years ago are still not giving satisfactory service. Replacements of necessary parts should be obtained if the suppliers are not able to rectify the defects immediately. Legal opinion should also be obtained for claiming compensation from the firm.

(c) *Central Railway*

5.53. The Committee enquired about the present condition and performance of the vibrators. It has been stated by the Board that "Out of 12 concrete immersion vibrators obtained by the DGS&D, 1 has been accepted by the Railway and 11 Nos. are yet to be rectified. Five more vibrators had been supplied by the firm in replacement in accordance with their undertaking to remove the vibrators in batches and replace them after modification. These five were also found defective and were removed by the firm for rectification on 19-8-1968. They were delivered to the Railway after rectification on or about 9-10-1969, but the vibrators did not give satisfactory service.

"The Director of Supplies and Disposals, Bombay, of the DGS&D convened a meeting on 5-12-1969 with the supplier, Director of Inspection, Bombay, and the Railway to settle the question of rectification of the vibrators... The firm has removed four vibrators on 29-12-1969 in addition to one removed earlier for rectification. The Central Railway is following up the rectification of the vibrators.

"The DGS&D have also taken up with the supplier the question of replacement by new machines or refund of the amount already received by them in the event of the firm not being able to rectify the vibrators".

5.54. The Committee enquired why an amount of Rs. 25,560 was paid to the firm before the vibrators were tried out. The Ministry have replied that the "Vibrators were inspected and accepted by the Director of Inspection of the DGS&D and the firm thereafter despatched the Vibrators to the consignee. The Pay and Accounts Officer of the Ministry of Supply made 90 per cent payment to the supplier on proof of inspection and despatch in terms of the payment conditions in the DGS&D contract.

"The balance 10 per cent payment is payable to the firm on receipt and acceptance of stores by the consignee. In respect of the balance 10 per cent payment, the Railway has not certified acceptance of the vibrators which have been found defective".

5.55. The Committee observe that 11 out of 12 vibrators purchased by the Central Railway at a cost of Rs. 28,260 in 1962 have not been put to use due to defects which the firms have not been able to remove. As even replacements supplied by the firm in respect of some of the vibrators proved defective, the matter should be brought to the notice of DGS&D, who should examine whether there is any design defect in the equipment and then take suitable action.

5.56. The Committee would also like an enquiry to be made into the basis on which the Director of Inspection of the DGS&D approved defective concrete immersion vibrators and the result to be communicated to them.

Central Railway Non-utilisation of a timber impregnation plant *Audit Paragraph*

5.57. A timber impregnation plant costing Rs. 59 thousand was procured in June, 1960 for treatment of non-durable hard wood at the Matunga workshops. A further expenditure of Rs. 35 thousand was incurred on ancillary works. The operation of the plant needed a regular supply of wood preservative solution. Though the firm from whom the plant was procured offered to supply this solution at the time of the placement of order in November, 1959, the Administration decided to prepare it departmentally by mixing the chemicals as the same was considered much cheaper than the rate quoted by the firm for the solution. Action to procure the chemicals through Director General, Supplies and Disposals was initiated in May, 1961. Copper sulphate which was available under Rate Contract was procured in June, 1963 at a cost of about Rs. 19 thousand. Another chemical, Potassium Dichromate, was procured in March, 1964 at a cost of Rs. 45,587. The third chemical, Arsenic Pentoxide could not, however, be procured as it involved foreign exchange.

5.58. The plant worked in 1965 for some time with the limited quantity of solution received from the firm. The plant was again put into commission in September, 1968 with a substitute chemical. Boric acid, but worked for only 16 days in September, 1968, 7 days in October, 1968, 3 days in November, 1968 and 1 day in December, 1968. Thus, the plant procured and installed at a cost of Rs. 94 thousand about 8 years ago is yet to be fully utilized (January, 1969).

[Paragraph No. 35—Audit Report (Railways), 1969.]

5.59. The Committee enquired why action was not taken to procure the required quantity of the solution from the firm which had supplied the plant so as to keep the plant going till the Railways made their own arrangements. While admitting the delay, the representative of the Ministry stated that this was one of the cases where their efforts to find import substitution landed them in difficulty. Though the easiest thing for them would have been to import the solution when the plant was erected, they were informed by the Standards Organisation that it was not a patent and could be manufactured at a cheaper cost. It was, therefore decided to procure the ingredients locally and mix them. Unfortunately, the thing misfired as one of the ingredients viz. arsenic pentoxide could not be procured indigenously. In April, 1968, it was decided to use boric pentoxide as a substitute. When the trials were carried out, it was found that it was not a good substitute as it was washed out when put into water. The supplier firm which wanted to import the entire solution previously had since agreed to import the third ingredient only and the plant had started working.

5.60. Asked if any action was taken against the officer responsible in this case, the representative stated "That is a question of error of judgement. . . . No action has been taken because in matters of import substitution we would like to give a chance."

5.61. The Committee enquired about the present output of the plant vis-a-vis its capacity and whether, with the change-over to steel bodied coaches, it would be possible to utilise the plant to its full capacity. The Railway Board have stated in their notes on these points that the present output of the plant is 30 tons per month, as against a capacity of 75 tons per month to meet the total requirements at present. Present requirements are less due to shortage of hardwood and non-durable timber. Every effort is being made to fully load the plant by obtaining additional stocks of timber.

5.62. As to scope for its continued utilisation to full capacity in future in view of the change-over to steel bodied coaches, the Board have stated that timber is still being used in steel bodied coaches for flooring, seats, fastening cleats in partitions and roofs, and the requirements of timber for maintenance of such coaches will not reduce substantially in the immediate future. Timber is

also required for the maintenance of wooden-bodied coaches, a large number of which will remain in service on the Central Railway for some time to come and for the construction/conversion of certain types of wooden-bodied coaches, which is being undertaken in Matunga Shops.

In view of the above, it will be possible to utilise the timber impregnation plant to full capacity.

5.63. The Committee observe that a Timber Impregnation Plant installed in 1960 at a cost of Rs. 94,000 has remained either idle or underutilised, as a wood preservative solution needed for operating the plant is not available indigenously. The efforts of the Railways to find an indigenous substitute for one of the ingredients of this solution have not been successful so far and the Railways have therefore had to import it.

Failure to put a plant to full use in 9 years shows lack of proper efforts on the part of officers concerned. The Committee hope there will be no repetition of this.

5.64. The Committee would like the Railway Board to pursue, if necessary in collaboration with the CSIR, their efforts to find an indigenous substitute for this and allied products like creosote (used for treatment of wooden sleepers) which are at present not available in the country.

Northern and South Eastern Railways—Loss due to premature condemnation of Air Compressors

Audit Paragraph

5.65. In the following cases Air Compressors of a foreign make valued at Rs. 3.86 lakhs were declared unserviceable resulting in their premature condemnation due to non-availability of spare parts from indigenous sources:—

Northern Railway:

5.66. The Railway Administration imported 12 mobile Air Compressors at a cost of Rs. 2.75 lakhs through an Indian Firm for use on a construction project, after inspection by an Officer of the D.G.S. & D. Initial trials were taken in June, 1960 and 95 per cent payment was made to the firm. It was, however, noticed that 4 out of the 24 batteries supplied with the compressors started giving trouble within three months of their receipt. Soon after, the engine and the electrical system of the Air Compressor also developed defects which were rectified by the Administration. Four of the Air Compressors, however, stopped working during the period, from September, 1961 to February, 1963. Since the firm refused to attend to these machines

on the ground that the agency had passed to another firm, the Railway Administration forfeited the balance payment of 5 per cent amounting to Rs. 13,776.

5.67. The repair and maintenance of these Air-Compressors presented difficulties due to non-availability of spare parts in the country. The Railway Administration, therefore, cannibalised 4 of the defective Air Compressors to keep the others in service and sold them in auction for Rs. 8,000 each in January, 1967. The performance of other eight Air Compressors has also been unsatisfactory and six of them have not been put to much use for long periods ranging upto 8 years. The Administration, however, stated that they are usable.

South Eastern Railway:

5.68. Fourteen Air Compressors were imported by the Railway Administration through two Indian Firms during the period from 1959 to 1960 at a total cost of Rs. 3.49 lakhs. Twelve of the Air Compressors, while in use on construction projects, developed defects in their engine/fuel system and were ultimately sent to a workshop for repairs during July, 1965 to January, 1967. It was estimated that the cost of spares required for repairs would be Rs. 2.27 lakhs involving foreign exchange of Rs. 1.68 lakhs. In view of uneconomical nature of repairs, the Railway Administration, condemned these Air Compressors, 9 in July and October, 1965 and 3 in June, 1967.

[Paragraph 36—Audit Report (Railways), 1969.]

5.69. The Committee enquired whether the Railways had any previous experience of these air compressors and what the reasons were for importing them. It has been stated by the Board in reply "that they had no previous experience of these compressors. They were purchased in 1959-60 through advertised tenders at a time when the indigenous manufacture of air compressors had still not developed. These air compressors which had been offered by the suppliers did not involve release of foreign exchange and were also found to be technically suitable and acceptable for the work for which they were intended."

5.70. The Committee enquired whether the troubles with the compressors were noticed during the warranty period and if so, why the suppliers were not asked to replace the machines. The Ministry have replied that the "air compressors did not break down.....Only the maintenance presented difficulties because of non-availability of spares from indigenous sources. So far as the compressors procured for the Northern Railway were concerned, under the conditions of supply 95 per cent payment was to be made to the firm on acceptance of the supply. Payment of balance 5 per

cent was to be arranged on satisfactory performance for one year thereafter. The firm was also to supply spares for one year's normal use. While the spares for one year's normal use were supplied by the firm alongwith the compressors they failed to render the after sales services. The balance payment of 5 per cent was, therefore, forfeited. On the South Eastern Railway they worked satisfactorily by and large. The question of replacement of the machines did not arise."

5.71. To a question why adequate spares were not ordered alongwith the compressors and what their anticipated life was, as claimed by the manufacturers, the Board have replied that "the necessity of spares parts for these compressors was visualised by the Railway Administration and the rates received were inclusive of spares for one year's normal use. These spares were supplied by the firm alongwith the compressors. As for their anticipated life, no mention was made in this regard by the supplying firms in their tenders."

5.72. The Committee feel that air compressors were purchased in this case without adequate performance data. Apparently even enquiries about the anticipated life of these compressors were not made before the decision was taken to purchase them. The Committee consider that, since the Railways had no previous experience of the compressors, they should have insisted on proper performance tests being carried out by the manufacturer. One or two compressors should have been initially purchased and further purchases deferred pending evaluation of the performance of the initial lot in the field.

5.73. The Committee would like the Railway Board to issue instructions to ensure that purchases of costly equipment are made only after adequate use of prototype or performance tests, particularly when the equipment proposed to be purchased is of a new kind.

Northern Railway—Non-utilisation of imported power hammer *Audit Paragraph*

5.74. A 3 ton pneumatic power hammer imported from a foreign firm by February, 1967 at a cost of Rs. 2.19 lakhs for the Charbagh workshops has hardly been put to any use so far. The hammer received in 8 packages was installed in July, 1961, 4 years and 5 months after the receipt of the machine and 3 years and 8 months after the receipt of the packing list in November, 1957. This delay was attributed to "reorganisation of Mill-wright shop involving the shifting of crane repair shop to a new site", and non-receipt of complete foundation drawings (which were not received even subsequently).

5.75. On installation, the trial working was not found satisfactory due to frequent tripping of the electric circuit and difficulties in the operation of the valve gear. However, neither the foreign suppliers nor their Indian agents (the agency having changed hands) had rendered any assistance in putting the hammer in order despite the matter having taken with the foreign firm.

5.76. In July, 1964 the stuffing box and the cylinder on the operator's side of the hammer got cracked. This was attributed to certain manufacturing defects

5.77. The agreement with the firm provided for 80 per cent payment on proof of despatch and balance 20 per cent on receipt by consignee in good condition, the final inspection note being due for issue after final inspection at site after installation. However, the 20 per cent payment was released by the D.G.S. & D. in two instalments in October, 1958 and October, 1960, subject to the condition that the full cost of the plant should be refunded if the consignee rejected the same as being not in accordance with the terms and conditions of the contract.

5.78. The hammer is yet to be recommissioned (January, 1969). Meanwhile, the couplings and connecting rods which were to be manufactured by the hammer are being obtained from other Railway workshops and Ordnance Factories.

[Paragraph No. 37—Audit Report (Railways), 1969]

5.79. The Committee enquired why the procurement of the power hammer was considered essential and whether the Railway Administration examined the possibility of the work being got done through other agencies. The Railway Board have stated that "The procurement of this hammer was considered essential to cope with the increased work load in Blacksmith Shop due to augmentation of repair capacity at Charbagh Workshops. The hammer was required for forging heavy loco components needed for repair of locomotives in these Workshops.

"Experience in the past had indicated that whenever forgings are procured from outside agencies, there is generally delay in their supply to the schedule required. Besides, rigid quality control is essential for locomotive components to avoid failures/accidents etc. If these heavy forgings are not received at the time of repair, it would lead to heavy loss by way of detention of these locomotives in the workshops. The question of entrusting this work to an outside agency, was therefore, not favoured and it was decided to develop adequate capacity in Charbagh Shops itself."

5.80. The Committee enquired why the procurement of the machine could not be arranged to fit in with the scheme of re-organisation of the mill-wright shop so as to avoid delay in installation.

The Board have in a note on this point stated that the "procurement of the hammer was planned so as to synchronise with the re-organisation of mill-wright shop which became necessary for increasing the overall repair capacity of the workshop. This plan envisaged the shifting of crane repair section to a new site. At the time the hammer arrived in November, 1957, arrangements to shift the crane repair section to the new site were already under way. A turn-table of 35' diameter was required to be installed at the site of new crane repair section. Originally it was proposed to procure a new turn-table for this purpose. It was, however, later found that a released turn-table could be used after necessary modification which would reduce expenditure both locally and in foreign exchange. The new turn-table was estimated to cost Rs. 60,000 whereas the modification and repairs to the released one would cost only Rs. 8,214 resulting in a saving of Rs. 41,786."

"At the time of taking this decision a preliminary examination showed that the old turn-table, was not expected to require heavy repairs. On dismantling it, however, it was found that major overhaul was required and a large number of vital parts had to be replaced. The modification, repair and overhaul of the old turn-table, therefore, took some time and this resulted in delay in its installation which in turn delayed the shifting of the crane repair section to the new site. The installation of the hammer which had to be carried out at this released site was also consequently delayed. The delay was unavoidable under the circumstances."

5.81. In reply to a question whether the defects in working came to light within the stipulated warranty period, the Ministry have stated that "in terms of clause 7 of the A.T., the suppliers were responsible for the defects that might develop out faulty workmanship, material or design etc." This guarantee was operative for a period of 12 calendar months from the date of taking over the hammer and the taking over also included satisfactory putting into operation.

"The hammer was received (complete in all respects) in November, 1957 and a certificate to that effect was issued in December, 1957. It was installed in July, 1961 and given trial runs. During this trial run the electric circuit tripped frequently indicating defects in its valve gear. This defect was brought to the notice of the firm who were urged to rectify the same. The DGS&D were also kept apprised. The firm, however, disowned responsibility for putting the hammer in order and refused to cooperate, possibly because they had received the final payment and also because their agency with the manufacturers had been terminated. Even the manufacturers did not agree to rectify the defects free of cost. The hammer was eventually put into commission in February, 1962 by the Railway themselves. In July, 1964, cracks developed in the cylinder and stuffing box. While the stuffing box was manufactured

in the Railway Workshop, the repairs to the cylinder being a specialised job, were got done from outside agency on payment of Rs. 15,500."

5.82. The Committee enquired why 20 per cent payment was made even before the machine was installed notwithstanding the fact that as per agreement this payment was to be made only after final inspection at site after installation and what precautions were taken to cover the possibility of defects developing and coming to notice after full payment. The Board have, on the basis of information furnished to them by the Ministry of Supply, stated that "in terms of Clause 17 (e) of A.T., the balance 20 per cent became due to the firm on production of consignee's receipt certificate in respect of the power hammer and not after final inspection at site after installation."

"Clause 24 of the Conditions of Contract specifies that in cases where the erection or final inspection and test of the plant at site is delayed for any reasons for which the purchaser is responsible, 10 per cent of the contract price of the plant shall become payable after the expiry of 4 months from the date of arrival of the last consignment at site, the remaining 10 per cent being payable after erection and test and acceptance of the plant by the Inspector. The power hammer was received (complete in all respects) in November, 1957 and a certificate to that effect was issued in December, 1957 by the consignee. Accordingly, the DGS&D released 10 per cent payment in October, 1958.

"In view of the various representations from the Trade that the balance 10 per cent was being held up unnecessarily due to delay in erection of the stores by the consignee for long periods, the DGS&D decided in May, 1958 that in cases where the erection of the stores had been delayed for more than 8 months from the date of arrival of the last consignment at site and in case no defects, proved or unproved, had been noticed, the final 10 per cent payment may also be authorised to the firm, if so asked for, subject to the condition that if consignee rejects plant or part thereof in accordance with terms and conditions of the contract, the full or part amount would be refunded by the firm. Accordingly, the DGS&D released the balance 10 per cent to the firm in this case in October, 1960."

5.83. The Railway Board have further stated that "the prerequisites of the plant having been erected and finally inspected was not insisted upon while releasing the last 10 per cent, as according to DGS&D, in cases of long delays taking place in the installation|erection, such a course was permissible under their administrative instructions. . . Further under Clause 18 of Conditions of Contract—WSB 134-A, for a period of 12 calendar months after the plant has been taken over, the contractor remains responsible for any defect that may develop under the conditions provided for by the contract and under proper use, arising from faulty materials, designs:

or workmanship in the plant and shall remedy such defects at his own cost when called upon to do so by the Purchaser who shall state in writing in what respect the portion is faulty."

"The question of rejecting the hammer did not arise as it was found to be in accordance with the terms and conditions of the contract and there were only minor defects in the working of the hammer."

5.84. The Committee enquired whether the defects were brought to the notice of the DGS&D. They were informed that "defects in valve gear noticed during the trial run which led to tripping of electric circuit were brought to the notice of DGS & D during July/August, 1961 and reiterated in September/October, 1961, pointing out that no response was forthcoming from the firm for rectifying these defects. The DGS&D is, however, unable to verify this in the absence of the purchase file relating to the subject contract which was destroyed in September, 1966 as time expired".

5.85. In reply to a further question the Ministry have stated that legal opinion in this regard was not obtained.

5.86. Asked to state if the hammer had since been re-commissioned and if so, whether it was giving the expected out-put, the Ministry have replied that "The banning Hammer was recommissioned on 28-1-1969 and has been in use since then. Recently it underwent some repairs because of the breakage of compressor piston skirting and connecting rod bolts. It was again put into commission on 29-9-1969.

It is confirmed that the hammer is giving the expected output."

5.87. The Committee deprecate the unconscionable delay of over four years that occurred in the Northern Railway in installing a power hammer that was purchased at a cost of Rs. 2.19 lakhs. The Railway Board have stated that this delay was "unavoidable", in view of certain difficulties that arose in the reorganisation of the workshop, where the hammer had to be installed, but it is evident that the authorities concerned showed no sense of urgency or of priorities in programming the work. For the sake of effecting a saving of Rs. 51,786, which was also apparently not realised, the reorganisation of the workshop was delayed and the equipment remained uninstalled. The result of this delay was that the Railways lost their hold on the supplier to whom residual payment, normally due after installation, had to be made even before such installation, as it could not be indefinitely delayed. When defects in the equipment came to notice after it was installed, the Railways were obliged to rectify them at their cost.

5.88. As the equipment is now stated to be working satisfactorily, the Committee do not wish to pursue this case further. The Committee however trust that the Railway Board would take adequate steps to ensure that cases of disjointed and uncoordinated planning of this type will not recur. The question whether adverse notice should not be taken of the suppliers' performance in this case should also be examined in consultation with the DGS&D.

Central Railway—Injudicious purchase of a press brake machine
Audit Paragraph

5.89. A press brake machine of 80-ton capacity costing Rs. 68 thousand was purchased in August, 1965 for use in the manufacture of wagons in Matunga Workshops. The purchase was processed in pursuance of a decision to manufacture 4-wheeler wagons in the Railway workshops taken in June, 1961 and develop capacity for manufacturing 5 wagons per day. As the 150-ton capacity press brake machine already available for revenue maintenance work was not considered sufficient to meet the additional requirements, the proposal for the purchase of 80-ton capacity machine was initiated in March, 1963. Although the actual orders for the manufacture of wagons placed on this workshop were progressively reduced from 5 wagons to 2.4 and 2.2 wagons per day in August, 1963 and October, 1964 respectively, the indent for the new press brake machine was placed in February, 1965 followed by the order in May, 1965. The machine received in August, 1965 was installed in the fitting shop in October, 1966 at an additional expenditure of Rs. 11 thousand when the wagon manufacturing programme was further reduced to 1.3 wagons per day.

5.90. As the 150-ton capacity machine already available was found adequate to cope up with the overall requirements of both the construction and repair work, the new machine was treated as surplus stock in March, 1968 and was offered to other departments in July, 1968.

5.91. The Administration stated (December, 1968) that the estimated load at the workshop was adequate for keeping both the machines occupied on single shift basis and one machine occupied for 2 shifts. The Matunga workshops normally work in 2 shifts.

[Paragraph No. 38—Audit Report (Railways), 1969.]

5.92. The Committee enquired when the proposal for purchasing the additional press brake machine was first mooted and what was the justification given. The Board have stated that the purchase was first mooted in 1963 when a provision was proposed in 1964-65 Machinery & Plant Programme. The indent was placed on 10th

February, 1965. The following justification for the purchase was given in the indent:

“JUSTIFICATION—This Press Brake has been adopted for punching the holes on the wagon panel plates. When we manufacture 5 wagons per day, this press brake will be completely utilised for wagon building work and there will be no capacity available for normal revenue work. Normal revenue work consists of bending plates to form channels, angles and other structural members for the construction of steel-cum-timber bodied coaches, bending of angle mouldings and other work of bending of sheets upto 1/8" capacity for manufacture of items like mouldings required for replacement purposes. An additional press brake is very urgently required.”

5.93. The Committee called for statistics of orders placed on Matunga Workshops before and after the submission of indent for the machine (i.e. 10th February, 1965). The Board have furnished the following information about year-wise orders placed:

Year	Orders placed	Actual Production	Load outstanding for next year	Load outstanding per day
1961-62	1500	1	1499	4 Nos.
1962-63	..	199	1300	4.33 Nos.
1963-64	730	757	1273	4.25 Nos.
1964-65	720	512	1481	5 Nos.
1965-66	..	592	889	3 Nos.
1966-67	..	343	546	2 Nos.
1967-68	..	271	276	1 No.
1968-69	..	292	..	..

5.94. The Committee enquired about the circumstances in which the press brake was declared surplus and whether it had since been disposed of. The Board have stated that “at the time of installation of the machine in August, 1965 and at its time of commissioning in October 1966, the actual workload in terms of wagon out-turn amounted to more than 2 wagons per day. The Railway attempted to transfer the machine to other Departments in 1967 when it was felt that the machine would be rendered surplus due to tapering down of wagon construction activity. The Railways had at this time made a conservative estimate of load in 1966, as manufacture of

through floors of EMU and ICF coaches was not taken into account. When they found that they would have to make these themselves, Matunga Shops increased the manufacture of through floors making use of the press brake capacity available with them. For the additional load of corrosion repairs on ICF and BEML coaches this machine was essential as the 10 year old press brake was not even adequate to tackle the normal load. Non-availability of adequate capacity in the press brake section would have had serious repercussions and repair to ICF coaches would have suffered. It was therefore necessary to retain the machine which is now being utilised to manufacture ICF & BEML coach components to tackle heavy corrosion repairs and other peak loads."

5.95. The Committee further called for data regarding utilisation of the two machines from April, 1968 onwards. The Board have stated that both the press brakes are treated as a single group and loaded accordingly. Hence data about individual loading of the machines is not available. For the period April to December, 1968 records of actual machine loading for both the press brakes are also stated not to be available. From the records of actual items of work machine hours have, however, been worked out backward as under:—

April to June, 1968.....	921 Machine hrs.
July to September, 1968.....	807 Machine hrs.
October to December, 1968.....	958 Machine hrs.

The relevant figures from January to June, 1969 are as below:—

"January, 1969	425.4 hrs.
February	296 hrs.
March	383 hrs.
April	383 hrs.
May	206 hrs.
June	477 hrs."

(NOTE: "The low utilisation of brake presses in February and May was due to less requirements of trough flooring because of receipt of supplies of trough flooring from ICF.")

5.96. The Committee note that a press brake machine (cost Rs. 68,000) was purchased for installation in the Matunga Workshop on the calculation that the Workshop would turn out 5 wagons per day. After the machine was installed (August, 1965), wagon production in the Workshop has almost progressively declined. The number of wagons produced, which was 592 in 1965-66, came down

to 292 in 1968-69. The machine, which at one stage was declared surplus is, however, stated to be utilised for certain items of work which was expected to be done by ICF and BEML.

5.97. The Committee would like an assessment to be made to ascertain whether the machine is being at present put to the best possible use. Steps should be taken for its transfer to any other workshop, if the machine is capable of being better used there.

South Eastern Railway and Northeast Frontier Railway—Non-utilisation of diamond core drilling machines

Audit Paragraph

5.98. Two Diamond core drilling machines were ordered on a firm in April, 1963 by the D.B.K. Railway Project Administration for investigating the underground strata for designing the foundation of the bridges on certain doubling works. The cost of the two machines was Rs. 1.02 lakhs including foreign exchange of Rs. 29 thousand. Though the machines were to be supplied in the same month, they were received in June, 1963 without the full complement of accessories. The firm completed the supply of all accessories only about 3 years later in May, 1966.

5.99. Due to late receipt of the machines they could not be utilised on the works for which they were obtained. While one of the machines was put to use on South Eastern Railway in connection with some other works, the remaining machine was transferred to Northeast Frontier Railway in December, 1966.

5.100. The Northeast Frontier Railway Administration acquired this machine, as well as one other machine from D.B.K. Railway Project at a cost of Rs. 68 thousand, against a provision made in an estimate for permanent restoration of the Lumding-Badarpur hill section badly affected with heavy slips by the rains in 1966. The relevant estimate amounting to Rs. 1.22 crores submitted to the Railway Board in October, 1966 was, however, not sanctioned and the two machines are, therefore, idle.

[Paragraph No. 39—Audit Report (Railways), 1969.]

5.101. The Committee enquired about the reasons for delay on the part of the firm in supplying the machines and accessories. The Board have stated that extension of delivery date for the machines upto 13th May, 1963 was asked for by the firm. The machines were actually despatched and received by the consignee in June, 1963 with 16 and 14 Nos. of accessories respectively. By the end of that month, however, 92 out of 142 accessories were received. Extensions were granted from time to time in respect of the remaining accessories, one of the reasons advanced by the firm being the delay in production in their factory in London.

5.102. In March, 1964, the firm intimated that a lot of drilling accessories against the Purchase Order were cleared from the docks and were lying in the Company's Godown at Kidderpore, and requested for inspection to be done at Calcutta instead of Bombay as stipulated in Purchase Order. The Director of Inspection, Calcutta was, therefore, addressed to arrange inspection of the items. Continuous correspondence thereafter took place with the Supplier as well as the Director of Inspection, Calcutta in order to get the materials inspected and get supplies made as early as possible reserving the railway's right to levy the liquidated damages for the delay in supply.

5.103. The D.O.I., Calcutta finally inspected the materials on 13th May, 1966. The firm despatched the materials to the consignees on 15th May, 1966. Both the machines were tested and commissioned in July, 1966.

5.104. The Board have added that "so far, an amount of Rs. 85,347.38 paise has been paid to the firm as against Rs. 1.02 lakhs being the total cost of the two machines with all accessories. However, final decision on the amount to be recovered as liquidated damages for delay in supply has not yet been taken."

5.105. The Committee enquired whether, in view of the fact that the investigations for which the machines were intended were eventually carried out without them, their procurement was not avoidable. The Board have stated that "the two machines were required in connection with the work on Jagannathapur-Bhusandpur Survey, Palasa-Vizianagaram survey and Nergundi-Khurda Road doubling. "The procurement of these machines could not be considered as 'avoidable' as, in the absence of supply of these machines, part of the work was managed by carrying out wash borings manually which is not as efficient and the remaining work was done through the agency of contractor at a cost of about Rs. 23,200|-. These machines are useful assets and are used for major construction projects or special jobs. It is not always possible to find continuous use for such equipment but the scope for sufficient use is always there. Further due to difficulties in procurement of such equipment at short notice, it is desirable to have such equipment stocked centrally or with one or two Zonal Plant Depots. The assets of this nature, though procured against a particular project, are generally made use of for a number of projects in succession. On South-Eastern Railway, one of these machines was usefully utilised on the following works:—

- (i) Exploratory boring in Champa-Korba extension;
- (ii) Exploratory borings of Hasdeo River;
- (iii) Exploratory borings in Garga River in connection with Bokaro marshalling Yard Schemes; and

- (iv) Exploratory borings in the Bokaro Marshalling Yard area for finding out the soil classification.

"The Second machine being surplus on South-Eastern Railway was transferred to Northeast Frontier Railway who happened to be in need for the same at that time. However, the machine could not be made use of on Northeast Frontier Railway on account of reduction in the scope of the work".

5.106. The Committee enquired whether before placing orders for these machines, enquiries were made from other Railways or organisations like the ONGC to ascertain if they could spare their drilling machines for the project. The Board have stated that considering the quantum of work of boring operations involved at the time of indenting the first machine, no such enquiries were made. At the time of indenting the second machine, however, the possibility of diverting one machine from Rourkela region of D.B.K. was explored but it was found not feasible.

5.107. The Committee observe that there was a delay of more than 3 years on the part of a firm completing supply of two diamond core drilling machines (cost Rs. 1.02 lakhs) ordered for a project. By the time the supply was completed, the work for which the machines were intended was over and it became necessary to divert the machines elsewhere.

5.108. The Committee note that the question of recovering liquidated damages from the firm for the delay in supply is under investigation. The Committee would like to be apprised of the decision in this regard. There would also appear to have been some delay in completing inspection of certain lots of supply made by the firm. It should be examined why this delay occurred.

VI OPERATION

Western Railway—Loss of revenue due to non-weighment of consignments.

Audit Paragraph

6.1. The extent rules provide that consignments of full load wagons should be weighed at the first weigh-bridge station en route, if no weigh-bridge is available at the forwarding station. Alternatively, loading heights are required to be prescribed and load lines marked.

6.2. Loose and stone wagons loaded at Makansar for a Cement Company at Sika could not be weighed at either of the stations due to want of weigh-bridge and hence were marked for weighment en route, at Wankaner Jn. A test check of consignments booked during the period from February to October, 1967 indicated that only 7 per cent of the wagons had been weighed at Wankaner. Of the 148 wagons weighed, as many as 127 or 86 per cent. were found to be carrying excess weights. Computed on the basis of these excess weights detected in wagons weighed at Wankaner, loss of revenue in respect of 93 per cent wagons not weighed *en route*, was estimated at Rs. 59 thousand for this period.

6.3. Loose cement clinker is booked in wagon loads by the same Cement Company, from Sika to Sabarmati stations on Western Railway. There is no Railway weighbridge provided at either Sika or Sabarmati. (The Company's weighbridge at Sika located on their inward working line, is not open to inspection by Railway staff). Although there are 5 weigh bridge stations *en route*, the wagons loaded at Sika, are marked for weighment at the destination station, where there is no weighbridge, with the remarks "Loaded in private siding. Not supervised by Railway staff. Destination to re-weigh and collect all charges." As a result, wagons are delivered at Sabarmati without any weighment, after collecting freight on the basis of carrying capacity of the wagon instead of the actual weight carried. Test checks conducted at Jamnagar weighbridge station on 4th, 11th and 12th May, 1968 revealed that in respect of nineteen wagons, 13 wagons indicated excess weights. Computed on the basis of these excess weights, the loss of revenue was estimated at Rs. 44 thousand, on the total number of wagons booked for the Company during, 1967.

6.4. The Administration explained (January, 1969) that in respect of wagons loaded at Makansar, the test checks were conducted

on wagons detained after visual check for overloading. The Administration further explained that it was not considered practicable to provide load lines and that weightment *en route* results in detention to wagons.

6.5. It was further stated that instead of an earlier (April, 1968) proposal of installing a weighbridge at Makansar, it was proposed (January, 1969) to install a weighbridge at Sika which would deal with both sand stone traffic from Makansar and cement clinker traffic to Sabarmati.

[Paragraph No. 47—Audit Report (Railways), 1969.]

6.6. The Committee enquired as to when movement of wagon loads of sand stone from Makansar to Sika and of cement clinker from Sika to Sabarmati started and what the volume of this traffic was during each of the years 1966 to 1968. The Board have stated that the movement of sand-stone from Makansar to Sika started in August, 1948 and of cement clinker from Sika to Sabarmati in September, 1966. The number of loaded wagons that moved between Makansar and Sika and Sika and Sabarmati during 1966 to 1968 are given below:

Loose sand stone traffic Ex-Makansar to Sika.

Year	No. of wagons booked in terms of 4-wheelers
1966	3603
1967	2994
1968	3314

Loose Cement Clinker traffic Ex-Sika to Sabarmati

1966	1004
1967	1633
1968	4014

6.7. The Committee about the reasons for not weighing the sand-stone wagons at the first weigh bridge station as per extent rules. The Board have replied that due to operational difficulties involved in undertaking weightment of all such wagons instructions were issued in 1958 authorising the practice already in force to conduct only test weightments of wagons loaded with commodities chargeable on carrying capacity of wagons. The Railway issued instructions that only 10 per cent of such wagons need be weighed. In the case of sand stone booked from Makansar to Sika, the Railway had instructions only to test check such wagons as appeared to be over-loaded on visual inspection and the staff carried out such test checks. Audit have, however, stated that no written instructions in this regard were produced by the Railways to them at any stage.

6.8. To a further question why the station staff at Sika were marking the clinker wagons for weighment at Sabarmati where there was no overbridge, the Board have replied that this was done 'erroneously.' Even test weighments were not done. "This was a case of neglect on the part of the staff.....The staff responsible are being taken up."

6.9. To a question why a weigh bridge was not installed at Sika, the Board have stated that it was considered that the system of test weighments at an intermediate weigh-bridge would meet the situation. However, a decision has now been taken to install a weigh-bridge at Sika and the installation is in progress.

6.10. The Committee regret to observe that wagons loaded by a company with clinker and sent from Sika without weighment were being marked "erroneously" by the Railway staff for weighment at the destination, viz. Sabarmati, where actually there was no weigh-bridge. Even test weighments at any of the weighbridge stations en-rout were not done "due to neglect on the part of the staff". The Committee would like suitable disciplinary action to be taken against the staff found negligent.

6.11. The Committee note that wagons containing loose sand stone sent to the same company have been found in very many cases to have been overloaded, when test weighment was conducted en-route. The Railway concerned should exercise vigilance at the loading point to ensure that there is no repetition of such instances of overloading.

Western Railway—Non-recovery of siding charges.

Audit Paragraph

6.12. An assisted siding was constructed for the use of a Cement Company at Sevalia, in April, 1950. The rules provide for recovery of interest and maintenance charges on the basis of the capital cost borne by the Railway, and in addition, haulage charges to cover the cost of placement and removal of wagons. The Company, however, requested the Railway Administration to place wagons in the assisted siding and take away returned wagons therefrom, without any extra charge, as they would be giving the Railway plenty of inward and outward traffic from their Sevalia Works. This was not agreed to and the Chief Traffic Manager advised the General Manager of the B.B. & C.I. Railway in June, 1950 that extra shunting was involved in placing and removing wagons into and from the siding, and the time taken for these operations was 40 minutes. The siding charges on this basis worked out to Rs. 8 per placement at the rate of Rs. 12 per shunting engine hour. But no formal notification regarding recovery of siding charges was issued by the Railway Administration. Instead, a remark was given in the Tariff that 'shunting of wagons is done by Company's own engine'. However, in actual operation, all wagons meant for

the company are initially placed on the siding by railway engine, and thereafter the company's engine hauls these wagons over the private siding inside the factory premises where these are loaded, unloaded and are placed back on the assisted siding. These wagons are thereafter hauled by railway engine over the assisted siding, and taken to the yard for onward despatch to destinations. Thus, a specific service is rendered by the Railway in placing wagons at and removing wagons from the point at which interchange with the company's engine takes place, but no charges on this account are being recovered from the Company.

6.13. The siding charges recoverable from the Company on account of haulage by railway engine to and from the siding, for the period 1-4-1950 to 30-6-1968, on the basis of placement time assessed in 1950, work out to Rs. 1.38 lakhs.

[Paragraph No. 48—Audit Report (Railways), 1969.]

6. 14. The Committee enquired what the stipulations in the rules were regarding recovery of haulage charges of wagons over assisted sidings and whether the agreement with the company provided for recovery of such charges. The Railway Board have stated that para 1805 of the Indian Railway Code for the Traffic Department (Commercial) reads as follows:—

“1805. Siding Charges—The user of the siding should pay a siding charge, to be fixed by the Railway Administration, for every wagon, whether loaded or empty, hauled over the siding in each direction, to cover the cost of working the siding. The amount of the siding charge should be specified in the agreement, the Railway Administration having the power, on giving not less than six months' notice to modify the rate for the haulage of wagons over the sidings”.

An Extract of para 15(a) of the agreement executed with the Company in 1964 has also been furnished to the Committee and is reproduced below:

“Freight for all classes of goods will be charged upto and from the service Railway station. Railway Receipts and invoices will be issued to and from the station only in accordance with the rates from time to time published in the Goods Tariff Books of the Administration and rates circulars. In addition to such freight a siding charge as may be fixed from time to time shall be levied by the Administration on the basis of the time taken in placement by engine either for placing a wagon in the siding or for removing a wagon therefrom to be computed from the centre of the goods shed or station or a nominated place in the station yard or base station or shed from which the engine is required to be brought to the point fixed in the Licensee's premises.”

6.15. The Committee enquired about the length of the assisted siding and the private siding in this case and the extent of service rendered by the Railway for haulage of wagons over the assisted siding. The Board have intimated that "the total track length of all the lines (including the crossover points) comprising the assisted siding is 1.99 Kms. Length of the private siding is 5.64 kms. The Railway only places and withdraws the wagons into and from the assisted siding". In reply to a question if any remodelling work was carried out after, 1950, the Board have stated that some remodelling of the yard was done in 1954 but this did not result in any change in the length of the assisted siding portion.

6.16. The Committee enquired why no formal notification regarding recovery of siding charges was issued by the Railway Administration in 1950. The Board have stated in a note that "The wagons for the cement factory would have to be placed for dealing in the Goods shed if there was no Assisted Siding and this would involve a quantum of shunting for which no charge over and about the freight is levied. It was felt, taking into account the location of the Assisted Siding in this case, that in placing the wagons in the Assisted Siding the quantum of shunting would be almost the same as placing them in the goods shed. Hence on grounds of equity the levy of any shunting charge was decided against. Therefore these shunting charges were not notified".

6.17. Audit have observed as follows on the foregoing:—

"It has been stated that since in placing the wagons in the Assisted siding the quantum of shunting would be almost the same as in placing them in the goods shed, on grounds of equity, the levy of any shunting charges was decided against. In this connection it may be mentioned that since the wagons are being hauled to the assisted siding, the Railway Administration is rendering a definite service to the private party from which the private party clearly benefits as otherwise the party would have to arrange for movement of goods delivered at the goods shed). In view of this, charges as laid down in para 1805 of the Indian Railway Code for the Traffic Department are recoverable. The siding charges could also have been recovered from the firm as per para 15(a) of the agreement executed with them. The quantum of shunting involved in placing the wagon in the goods shed or in the Assisted siding has no bearing on the question of recovery of siding charges".

6.18. In reply to a further question how the remarks "shunting of the wagons is done by Company's own engine" came to be included in the tariff when this was not actually the position, the

Railway Board have stated that the remarks are in respect of the shunting from the Assisted Siding to the Private Siding and this conforms to the actual position.

6.19 Asked whether the Railway Administration have been recovering maintenance and interest charges from the company in respect of this siding, the Board have stated that the Railway Administration was recovering these charges.

6.20. The Committee observe that no siding charges have been recovered from the party in this case, on the ground that the shunting involved in placing the wagons in the siding is the same as that necessary for placing the wagons in the goods shed (which the Railway would have done in the absence of the siding). The Committee, however, feel that the recovery of the charges being regulated by an agreement has to be made in terms of that agreement. The agreement with the party in this case provides for recovery of siding charges for placing|removing wagons in and from the assisted siding. The Committee would, therefore, like the Railway Board to review the case and take necessary steps for effecting speedy recovery of the dues outstanding since April, 1950.

Northeast Frontier Railway-Non-recovery of the cost of construction of a Sugar Mill Siding.

Audit Paragraph

6.21. At the request of the Secretary, Assam Co-operative Sugar Mill, a siding for their Sugar Mill to be established at Barua Bamangaon, was sanctioned and the party deposited their estimated share of cost amounting to Rs 71,362 in April, 1957. The siding was completed and opened to traffic in August, 1957.

6.22 In July, 1958 the party asked for certain additional works which were completed by the Railway Administration on a priority basis. Neither the estimate was revised nor the party was asked to deposit additional share of the cost, though the extent rules also required such action. The estimate was finalised in October, 1960 for an amount of Rs 2.29 lakhs out of which party's share worked out to Rs. 1.81 lakhs. The party has failed to deposit the balance amount of Rs. 1.10 lakhs so far, that is, even after 11 years of the date of opening of the siding. The Administration is, however, continuing the placement of wagons in the siding on payment of siding charges.

[Paragraph No. 49 - Audit Report (Railways), 1969.]

6.23. Committee enquired why the estimate for the additional works was not prepared in this case and the party asked to deposit its share of cost before starting the work or at least a lump sum

amount taken as deposit on a provisional basis pending preparation of the detailed estimate. The Board have in a note on these points stated as follows:—

“The sugar mill authorities requested for execution of additional works on top priority. They also advised the railway that any extra cost required on account of modification of the siding will be borne by them. The revision of the estimate, therefore, became necessary on account of the additional facilities required by the sugar mill authorities, the signalling arrangements necessary on account of additional facilities and finally because of higher tender rates and increase in cost of P-way materials. As the additional facilities were required on top priority basis to enable them to use the crushing season, it was not possible to prepare an estimate before the commencement of the work.

“Assam Cooperative Sugar Mill Ltd. happened to be the only sugar mill working on cooperative basis in the State of Assam. The State Government, by virtue of its ownership of more than 60 per cent shares of this limited cooperative venture, had also vital interest in this undertaking. The Railway was never sceptical about the payment that was to be made by the cooperative Mill for the additional facilities required by them. In fact for the work carried out in the first phase, the Mill Authorities deposited their share of cost quite promptly. For carrying out work in second phase on priority, they also undertook to pay the additional cost.”

6.24. The Committee enquired as to when the additional works were completed and what the reasons were for delay in preparation of estimates therefor. The Board have replied that the additional facilities were provided by about the end of November, 1968. The District Engineer Dibrugarh submitted the revised estimate to headquarters in March, 1959. The estimate was returned for correction which was re-submitted by District Engineer in June, 1959. Thereafter, it was dealt with in the Engineering, Operation and Finance Branches in the Headquarters' office and finally vetted by the Finance on 18th October, 1960. The revised estimate was sent to mill authorities on 27th October, 1960.

6.25. The Committee enquired as to the action proposed to be taken by the Board in the event of continued non-payment of dues by the party and the financial consequences to Railways of such action. The Board have stated that the amount outstanding as on 31st March, 1969 was Rs. 2,19,636. No payment has been received against this outstanding so far. Notice for closure of the siding with effect from midnight of 19th/20th January, 1970 has already been

given by the Railways. However, it may be mentioned that the Railway has earned the under-mentioned amounts from the sugar mill so far:—

Year	Total quantum in quintals	Amount of freight	Amount of siding charges
		carried	
		Rs.	Rs.
1961-62	71,58,594	2,20,580	Not available
1962-63	95,21,086	1,83,120	2,4643 5
1963-64	13,80,968	1,53,818	3,292 40
1964-65	16,37,425	1,28,793	5,823 24
1965-66	20,60,231	1,69,356	6,924 40
1966-67	31,575	93,529	2,580. 50
1967-68	19,675	69,197	1,089. 80
1968-69	9,670	54,754	105. 80
			(Upto Jan., '69)

Note the records for the period prior to 1961-62 are not available now.

6.26. The Committee regret to observe that the Railway Administration failed to secure adequate deposit or a readily enforceable guarantee from the Assam Cooperative Sugar Mill to cover the cost of additional works on a Railway siding which they were asked to carry out on top priority basis. It took more than 2 years for the Railway Board to finalise the estimates of cost of the additional works.

6.27. The Committee note that a sum of Rs. 2,19,636 - is outstanding against the mill as on 31st March, 1969 and that notice for closure of the siding has been served for non-payment of the charges. It is strange that the Railway Administration took no action over a period of 11 years to realise the amount due. The Committee would like the question of recovery of the outstanding dues to be pursued with the Mill. The good offices of the State Government who are reported to own 60 per cent of its shares may also be sought at a high level. It should also be investigated why there was a failure to take prior deposit from the party and to follow up the question of recovery. Adequate action against the officials found negligent or lax should thereafter be taken.

6.28. The Committee further suggest that instructions may be issued by the Railway Board to ensure that in all such cases suitable advance is obtained as deposit to cover the estimated cost so that Railways' interests are not jeopardised.

South Eastern Railway—Non-recovery of interest and maintenance charges in respect of assisted sidings

Audit Paragraph

6.29. The Public Accounts Committee (Second Lok Sabha), in para 45 of their 40th Report submitted to the Parliament in January, 1962, commented on the unsatisfactory position in regard to the recovery of interest and maintenance charges in respect of assisted sidings and recommended that a uniform formula should be evolved for recovery of such charges and the old agreements should be reviewed to bring them over to the new pattern.

6.30. In December, 1962 Ministry of Railways (Railway Board) issued general orders that in the case of assisted sidings, interest should be recovered at the rate of 4 per cent on the book value of the capital cost of the siding borne by the Railway, and repairs and maintenance charges should be recovered at the rate of 4½ per cent. on the book value of the cost of the siding borne by the Railway or its present day cost, whichever was more. It was also enjoined that a clause to this effect should be introduced in the existing agreements after giving six months' notice to the parties concerned. In May, 1964, these orders were amended to the effect that interest charges should be recovered at the current dividend rate.

6.31. However, these orders have not been implemented on the South Eastern Railway so far. Out of the 177 sidings on this Railway, 71 are governed by old agreements which do not provide for recovery of annual interest and maintenance charges. No agreements have been executed so far in respect of the other 106 sidings. Though interest and maintenance charges are being billed for at 8½ per cent of the capital cost borne by the Railway, the progress of recovery has not been satisfactory. The outstandings due upto the year 1966-67, as at the end of December, 1968, were Rs. 5.40 lakhs including Rs. 2.14 lakhs due from the siding owners governed by the old agreements upto the year 1965-66. These outstandings were assessed on the basis of the rates prevailing prior to the issue of the Railway Board's orders in December, 1962. The outstandings on the basis of orders issued in December, 1962 and May, 1964 would be higher.

[Paragraph No. 50—Audit Report (Railways), 1969.]

6.32. The Committee enquired why the orders of the Railway Board issued in December, 1962 had not yet been implemented by the S.E. Railway Administration and what the present position was with regard to the finalisation of agreements in respect of 106 sidings mentioned in the audit paragraph. The Board have, in a note, stated that "the Railway Board's orders required modification of future as well as existing agreements. As for the implementation of the orders relating to future agreements, the Railway Administration has finalised the new agreement form which provides for interest and maintenance clause as per directives of the Railway Board.

"In so far as the modification of agreements for the existing sidings is concerned, there are two groups of sidings on the South-Eastern Railway—

- (i) 71 sidings governed by the old B.N. Railway agreement form which does not provide for recovery of annual interest and maintenance charges @ 8½ per cent of the cost borne by the Railway. These agreements have no provision for termination by either party by giving notice to the other. The revision of these agreements is legally not possible till an opportunity to revise the existing agreements on account of change of ownership etc. arises. Further, in case of some colliery sidings, free underground support has been provided by the siding holders and notices for termination under Clause 17 of the old agreements on account of unremunerativeness of the sidings involve legal complications. However, the railway has been preferring deficiency bills on the basis of annual reviews and generally speaking these deficiency bills have been honoured by the siding owners. This group of 71 sidings, therefore, cannot be brought over to the new agreement form for the present.
- (ii) 106 other sidings are to be governed by the new agreement forms. New agreement forms have been sent to 104 parties by the railway, most of them having been issued in 1966 and 1967. Earlier, notices for recovery of interest and maintenance charges as per Board's orders had been issued to the siding owners by the railway, most of them having been issued in 1963. In two cases the question of dismantlement of the sidings is under consideration. 65 siding holders have agreed to pay interest and maintenance charges but only 28 have agreed to sign the new agreement form. Among the remaining, some have disagreed, some sought for clarifications, some others remained silent and a few have represented through their associations.

"There has been delay in execution of the new agreements in spite of best efforts made by the Railway. Though the agreement has been finalised on the basis of provisions in the traffic and Engineering Codes and also directives issued by the Railway Board from time to time, the siding holders are of the view that the revision of the agreement form has been done unilaterally without giving them any opportunity to examine and comment on the implications of the clauses of the new agreement form".

6.33. In reply to a question about the present position of recovery of outstanding dues, the Board have furnished the following information:—

"The position of outstanding dues for the period ending 1966-

67 as on 31.3.1969 is indicated below in juxta-position to that indicated at the end of December 1968:—

	At the end of December/1968	At the end of March, /1969
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(Figures in lakhs of rupees)

(a) Outstanding dues from siding owners governed by old agreements	2.14	1.92
(b) Outstanding towards interest & Maintenance charges due from other siding owners	3.26	3.01
Total	5.40	4.93

6.34. The Committee are dissatisfied with the position regarding assessment and realisation of dues from siding holders in the South-Eastern Railway. According to instructions issued by the Railway Board in December, 1962, these siding holders were to be asked to execute revised agreements, so that interest and maintenance charges at certain stipulated rates could be recovered from them. However, the South-Eastern Railway has yet to finalise the agreement with as many as 78 out of 106 siding holders. There was quite a good deal of delay in finalising the new agreement form itself as this was issued to siding holders only in 1966 and 1967. Besides, the amount to be recovered for the period ending 1966-67 on the basis of old rates (as obtaining before December, 1962) was as high as Rs. 4.93 lakhs as on 31st March, 1969. The amount actually due for recovery on the basis of revised orders would be still higher.

6.35. The Committee consider that effective steps need to be taken to realise the outstanding dues. A target date for completing the realisations may be laid down and the Railway Administration asked to make all out efforts to complete the work by that time.

South Eastern, Western and Southern Railways—Outstanding rent for railway land occupied by private sidings.

Audit Paragraph

6.36. In March, 1964, Ministry of Railways (Railway Board) issued general orders that in respect of railway land on which private sidings are constructed, rent may be realised at 6 per cent of the market value of the land. Prior to the issue of those orders, no rent on this account was being recovered except that a nominal rent of Re. 1 was being realised on the Southern Railway. On South Eastern Railway, these orders were implemented from 1st April, 1964 and action was initiated to complete the preliminary formalities such as measurement of the area occupied by sidings, preparation of agreement plans, obtaining acceptance of the parties thereto and fixation of market value of the land. However, out of the total dues amounting to Rs. 9.98 lakhs in respect of 43 sidings, for the period 1st April, 1964 to 31st March, 1968, only Rs. 72 thousand have been recovered so far (January, 1969) and the balance dues

are still to be realised. The rent charges in respect of 20 sidings are yet to be assessed, pending acceptance of agreement plans by the parties.

6.37. On Western Railway, a sum of Rs. 35 thousand is outstanding in respect of 8 sidings; and rent is yet to be fixed in respect of 27 other sidings (August, 1968). On Southern Railway, a sum of Rs. 40 thousand relating to 6 sidings is pending recovery, and in respect of 8 other sidings, the bills are yet to be preferred (January, 1969).

[Paragraph No. 51—Audit Report (Railways), 1969.]

6.38. The Committee enquired about the reasons for the inordinate delay that occurred in the S.E. Railway, Western Railway and Southern Railway in fixing the rental charges for railway land on which private sidings are constructed. The Board have stated that "Board's orders regarding recovery of rent on Railway land under private sidings at 6 per cent of the market value were issued in March, 1964. The 3 railways did initiate expeditious action for implementation of Board's orders. While on South Eastern and Western Railways, action was initiated immediately on receipt of Board's orders. on Southern Railway, orders were given effect to from 1-11-1964 after giving 6 months notice to the siding holders in accordance with the provisions in the agreements pertaining to that Railway".

"However, for effective implementation, the Railway had, in each individual case, to carry out detailed field work for measurement of areas, preparation of agreement plans, obtaining market value of the land from the revenue authorities, fixing of the rent as per Board's directive and finally to obtain the acceptance of the siding holders. Some time was therefore, required for completion of these formalities. In most cases, to avoid any delay in the implementation of the Board's orders, the Railways preferred their bills towards rent of railway land on the basis of the best information available. As a natural consequence to this, a number of siding holders have disputed the basis of the fixation of the rent for the land and some have disputed the area of land shown to have been occupied by the private sidings. These objections are being looked into and siding holders are advised the correct position in each individual case.

6.39. The present position of outstanding dues is stated to be as follows:—

South Eastern Railway

1. Total No of sidings	63
2. No. of sidings in respect of which bills preferred	43
3. Dues as on 31-3-68	Rs. 9,98,099.76
4. Already recovered	Rs. 2,38,902.03

5. Balance to be realised	Rs. 7,59, 197·73
6. No of sidings for which rent is still to be assessed	17
7. No. of sidings where agreement has been signed and action is being taken to prefer bills	2
8. No. of sidings where no rent is actually realisable	1

Western Railway

6.40. In respect of 8 sidings for which bills have been preferred the amount outstanding as in October, 1969 was Rs. 51,431. With regard to assessment of rent in case of 27 sidings it is noticed that in one case rent cannot be recovered as per the existing agreement with the party. Action is being taken by the Railway to revise the agreement for implementation of the Board's orders. With regard to remaining 26 cases, the latest position obtaining on the railway is as under:—

(a) *Cases where rent has been fixed and party asked to pay the rent.*

(i) Total No. of cases	4
(ii) Amount ascertained	4,512
(iii) Amount recovered	Rs. 275

(b) *Cases where provisional rent has been fixed and parties have paid or have been asked to pay the rent.*

(i) Total No. of cases	11
(ii) Amount ascertained	Rs. 77,143·41
(iii) Amount recovered	Rs. 36, 199·41
(iv) Amount to be adjusted from the dues of the siding owners available with the Railway	Rs. 9,984·00

(c) *Cases where notices have been issued to the owners for levy of rent.*

(i) Total no of cases	6
(ii) Amount ascertained	Rs. 11,298·25

(d) No. of cases for which rent could not be finalised
for want of information from revenue authorities

4

(e) No. of cases where the owners have disputed the
rent fixed

1

Southern Railway

6.41. The Railway has preferred bills to the tune of Rs. 39,893 upto 31-3-1968 on 6 siding owners. Out of this, an amount of Rs. 3,712 i.e. pertaining to 2 sidings has been completely recovered.

6.42. As regards cases where rent is still to be assessed, it is found on re-survey that no rent is recoverable in case of 2 sidings as the same are situated outside the railway limits. The Railway has preferred bills and also realised the amounts in respect of 2 other sidings. In regard to the remaining 4 sidings, market value of the land has since been ascertained and fixation of rent is in progress.

6.43. The Committee observe that, though over six years have elapsed since the Railway Board issued instructions for revising the rent of private sidings situated on railway land, (to include rental value of the land which was previously not being recovered), the rental value has not even been finally assessed in respect of 42 sidings in South-Eastern, Western and Southern Railways. Besides, even in cases where siding rents have been revised, a sum of Rs. 8.92 lakhs is awaiting realisation.

6.44. The Committee would like to be informed whether the delay in assessing the revised rents would preclude retrospective revision of rents resulting in loss of revenue to the Railways. Expeditious action should also be taken to assess the revised rent, in all the cases where the work is still pending and to realise the dues in these cases where assessment has been completed but recovery of the rent, has not been made, either in whole or in part. The position in regard to revision of rent on other Railways should also be reviewed by the Board and steps taken to realise all the dues arising out of re-assessment of rental values.

VII

OTHER TOPICS

South Central Railway—Loss due to extension of contracts.

Audit Paragraph

7.1. A contract for sale of coal ashes of the loco shed and workshops at Lallaguda for the period from 12th May, 1961 to 31st March, 1962 was awarded to a contractor for a lump sum payment of Rs. 83,775. After the expiry of this period, the contract was extended, through separate letters, for one or two months each time, till 31st December, 1963, on the same terms and conditions as were stipulated in the original agreement subject to the condition that the contractor would be liable to pay the difference in amount, if any higher rate was subsequently quoted or offered during the extended period.

7.2. The Railway Administration invited tenders in November, 1963 and a fresh contract for the period from 1st January to 31st December, 1964 was awarded to a new contractor for a sum of Rs. 1,46,520. Based on these higher rates, the Railway Administration claimed a sum of Rs. 91 thousand from the former contractor as the difference for the extended period of contract from 1st April, 1962 to 31st December, 1963. The contractor, however, refused to pay this amount on the ground that the claim of the Railway Administration was not legally sustainable. He, however, deposited a sum of Rs. 4,340.23 in January, 1965 towards the difference in sale value for the period from 1-12-1963 to 31-12-1963.

7.3. In a similar case, a contract for sale of coal ashes at Secunderabad station given for a period of one year from 1st April, 1961 to 31st March, 1962 for a sum of Rs. 31,000 was extended from 1st April, 1962 to 30th April, 1963 and re-allotted from 16th to 30th November, 1963 on similar conditions as described above. In this case, out of a sum of Rs. 51 thousand claimed by the Railway after the finalisation of a new contract, a sum of Rs. 34,874 was recovered from the contractor.

7.4. Piecemeal extensions of the contracts without duly safeguarding the legal position of the Administration thus resulted in the non-recovery of a total amount of Rs. 1.03 lakhs.

[Paragraph No. 53—Audit Report (Railways), 1969.]

7.5. The Committee enquired why fresh tenders for the sale of coal ashes were not invited sufficiently in time before the expiry of the old contracts and whether, before extending the old contracts,

legal opinion was obtained to ascertain whether the condition imposed on the contractor by the Railways for making good the difference between the previous rate and the rates elicited through tender enquiries during the extended period of the old contract was legally enforceable. The Railway Board have stated that the contracts for sale of coal ashes were expiring on 31st March, 1962. The Central Railway issued policy instructions on 9th March, 1962 asking the Divisions to discontinue the practice of sale of ashes on running contracts on lumps sum basis with a view to bring uniformity in all divisions of the Zonal Railway. Owing to the non-availability of stacking area and uneconomic recurring expenses in stacking of ashes and picking up of cinders departmentally, the Divisional Superintendent, Secunderabad approached the head office for modifications of the policy instructions. Pending the revision of the directive, the currency of the existing contracts was extended from time to time by the Division so as to avoid accumulation and congestion at the workshop, loco shed and station which would have otherwise resulted in serious hampering of the day-to-day operation and normal running of trains.

7.6. According to the procedure then in vogue in Secunderabad Division, whenever there was delay in finalising the contract, extensions were given for short periods to the previous contractors on specific conditions. These stipulations envisaged that whenever fresh contracts were finalised at higher rates, the previous contractors to whom extension had been given would pay the difference in rate and in the past such recoveries had been affected in every case. On the same basis the contracts for Secunderabad station and Lallaguda workshop were extended for short periods after obtaining a letter of acceptance from the contractors to abide by these specific conditions. In view of the procedure and the prevalent practice which had worked satisfactorily, it was considered reasonable by the Division to adopt the same method. No legal opinion was, therefore, obtained before extending the old contracts.

7.7. The Committee enquired what action had been taken to realise the sum of Rs. 1.03 lakhs stated in the Audit paragraph to be due from the contractors. The Railway Board have stated that the sum of Rs. 1.03 lakhs has been assessed on "hypothetical basis" assuming that the rate obtained for the calendar year 1964 would be applicable for the period beyond 31st March, 1962. As soon as the contracts for the period from 1st January, 1964 were settled, the original contractors were asked to pay the difference in rates. The contractor for Lallaguda Loco Shed and Workshop repudiated the claim of the Railway. The matter was, therefore, referred to the Law Officer of the Railway who agreed with the views expressed by the contractor. It was, therefore, decided by the Administration to recover the difference in costs amounting to Rs. 4340.23 covering the last period of extension as per the legal advice obtained. The settlement of the contract was, accordingly made after

affecting the necessary recoveries amounting to Rs. 4340.23 from the contractor.

7.8. In the case of Secunderabad Station, the difference of Rs. 16,301.25 was to be recovered from the coal ash contractor. This contractor also repudiated the claim of the Railway stating that 'his case should be considered at par with that of the contractor for Lallaguda Loco Shed and Workshop. A sum of Rs. 17,752|- is available with the Railway which has been withheld by the Administration. The matter regarding the recovery of this amount is under consideration of the Administration and will be decided after consulting the Finance and Legal Advisers.

7.9. Audit have furnished the following comments on the foregoing.

"The amount of Rs. 1.03 lakhs was actually claimed by the Administration from the contractors but the same could not be recovered because piecemeal extensions were given to the contractors without examining the legal aspect and safeguarding the position of the Railway."

7.10. The Committee feel that the contracts for the sale of coal ashes at Lallaguda and Secunderabad on a lumpsum basis should not have been extended without ascertaining whether the Railways could have got better rates for sale of the coal ashes from other contractors. The contracts were no doubt extended on the condition that the original contractors should pay to the Railways the difference between the old rates and any higher rates that might be offered during the extended term of the contracts, but it took nearly two years to ascertain the market rates through tender enquiries. The result was that the Railways could not press their claim against the old contractors for the difference between the rates for the period prior to the date on which the tenders were called.

7.11. As the case relates to an old period and the amount of loss sustained is not capable of being determined, the Committee do not wish to pursue this case. The Committee hope, however, that instances of this kind will not be repeated.

7.12. Legal advice should also be taken before incorporating in the contracts stipulations of the type included in the present case.

Southern and South Central Railways—Non-utilisation of coaling cranes

Audit Paragraph

7.13. With a view to improving the efficiency of engine fuelling, the Ministry of Railways (Railway Board) decided in February, 1961, to install electric-gantry cranes in loco sheds where the daily

rate of loading was 250 tons and above. Accordingly, four cranes were procured for installation at Basin Bridge, Bitragunta, Vijayawada and Rajahmundry. While the crane at Basin bridge was designed, assembled and erected by the Administration in October, 1965, the other three cranes were supplied by a private firm between September and December, 1965. The bunkers for all these cranes were fabricated by a firm to the design furnished by the Administration and were erected departmentally. The design of the bunkers, however, proved defective and had to be modified at a cost of Rs. 45 thousand.

7.14. The crane at Basin bridge was commissioned in June, 1966, after incurring a total expenditure of Rs. 6.33 lakhs. A review of the working of the crane revealed that during the 22 months after commissioning, the crane actually worked for only 419 days. The crane worked on a single shift upto 10th August, 1967 and on double shift thereafter but without any increase in the output. During the days it worked, it handled about 105 tonnes per day on an average against the assessed capacity of 360 tonnes (per three shifts). The quantity handled in any month did not exceed 45 per cent of the installed capacity. Balance of the work was handled by contract labour employed at the sheds. The installation of the cranes was justified on the ground that mechanical handling would be cheaper than manual handling. It was estimated that the cost of engine fuelling by the crane at Basin Bridge would be 88 Paise per tonne (on three-shift basis). The actual cost of handling by the crane worked out to Rs. 1.39 per tonne, as against the contract rate of Rs. 1.20 per tonne.

7.15. The cranes at Vijayawada and Bitragunta were commissioned only in August, 1968 but the average quantity of coal handled by the cranes was less than 90 tonnes per day and bulk of the coal continues to be handled manually. The crane at Rajahmundry was initially commissioned in February, 1967 but was damaged in a gale and was recommissioned only in December, 1968. The expenditure on the cranes at these three places, which are now in South Central Railway, was Rs. 15.33 lakhs.

[Paragraph No. 54—Audit Report (Railways), 1969.]

7.16. The Committee enquired why mechanisation was considered desirable for loading of only 250 tons a day. The Board have stated that the Expert Committee on Coal consumption on Railways (1958) in para 63 of their Report had recommended that mechanical loading should be introduced in all sheds where coal loading exceeds 70 tons per day. The Committee were of the view that mechanisation of coal loading would reduce detentions to locomotives at the coaling stage in sheds and ensure their prompt despatch. In the light of this recommendation, 4 types of mechanical handling equipments were suggested to the Railways for adoption according

to the quantity of coal loading involved in sheds. For sheds loading above 200 tons of coal a day, electrically operated gentry complete with coal bins and loading and unloading tracks were recommended.

7.17. In reply to a question why the Railway Administration decided to fabricate one of the cranes in a Railway Workshop at a higher cost even though cranes were readily available from the trade, the Board have stated that the Southern Railway asked a local firm to indicate whether they could design and fabricate a crane to their requirements but the firm expressed their inability to do so. It was also decided by the Railway Board that advantage should be taken of the available capacity for the manufacture of Gantry Coaling Cranes in the Railway Workshops. In case, however, no capacity was available, the railway were to procure them through trade. One crane was accordingly made for Basin Bridge in Railway Workshops.

7.18. The Committee enquired about the reasons for delay in commissioning the cranes. In a note it has been stated by the Board that the main reasons for delay in commissioning the crane were successive refinements in the design of certain components of the crane to conserve foreign exchange and delay in the delivery of electrical equipment. As regards the delay in commissioning of the three cranes supplied by the firm, the S. C. Railway has taken action to penalise the firm as per the contract.

7.19. The Committee enquired what the design defect of the bunkers was and whether it could not have been avoided by first making a prototype for trial. The Board have replied that the sliding door provided underneath did not function effectively and offered considerable resistance due to the collection of coal dust in the crevices provided for the movement of Cast Iron balls resulting in lack of free movement of the door. This was improved by provision of ball bearings. The basic design incorporating Cast Iron ball, as the friction minimising rolling medium was sound in principle and it was expected that it would work properly. No prototype was, therefore, visualised but quite unexpectedly difficulties were experienced in actual practice, necessitating change-over to the more expensive roller bearings.

7.20. The Committee drew attention to the low output of the cranes and enquired whether it was due to any mechanical defects either in design or in manufacture. The Board have informed them that the low output of the cranes at Basin Bridge (Southern Railway) and Rajahmundry (S.C. Railway) was mainly due to the two successive derailments of the cranes on account of cyclone and wind-storms in 1966 and consequent serious damage to structures. As regards other cranes on S.C. Railway, the main reasons were initial teething troubles with electric motors and other fittings etc.

7.21. The present output of the coaling cranes on the days they worked is stated to be as follows:

(i) Basin Bridge	250 tonnes per day
(ii) Vijayawada	350 tonnes per day
(iii) Rajahmundry	190 tonnes per day
(iv) Bitragunta	200 tonnes per day

7.22. As regards Vijayawada it is stated that the crane works almost to its rated capacity which is 360 tonnes. As regards the Coaling Cranes at Rajahmundry and Bitragunta, the present output is sufficient to meet the daily requirements of these sheds.

7.23. The Committee enquired whether with progressive dieselisation|electrification, the workload of the cranes would not be affected. The Board have replied that there is no likelihood that the workload of these cranes would markedly come down as a result of dieselisation or electrification in the near future. However, if and when such a situation arises, alternative uses of these cranes in transshipment sheds and for handling minerals like iron ore etc., container service or in repair shops will be considered.

7.24. The Committee observe that, except for the coaling crane at Vijayawada, the other three cranes at Bitragunata, Basin Bridge and Rajahmundry are working well below their rated capacity of 360 tonnes. Efforts should be made to improve their performance, as otherwise one of the basic objectives of mechanisation, namely reduction in the cost of handling coal, would be defeated.

Northeast Frontier Railway—Non maintenance of accounts for imported diesel loco spares

Audit Paragraph

7.25. A diesel loco shed was set up at Siliguri Junction in May, 1961. The spare parts for the maintenance of diesel locos imported from two U.S. firms under contracts placed in September, 1961 were received by the shed commencing from January, 1962. But a stores depot was set up only in April, 1963 and the Stores Accounts Office was set up, after a further delay of three and half years, in September, 1966. Debits totalling Rs. 36.34 lakhs representing the value of spares were adjusted by the Administration in the accounts without correlating the payments to the actual receipt of materials. Further, although the spares were meant for the maintenance of locomotives and were, therefore, chargeable to Revenue, debits totalling Rs. 21.47 lakhs were adjusted to the Capital head 'Rolling Stock'.

7.26. The Numerical Ledger Cards at the Depot were opened in 1963-64 with the ground balances of stores found on the shop floor. Attempts made in January|February, 1965 at the physical verification of stocks were not successful for want of proper records. Even the original vouchers like invoices, packing lists were stated to be not available. An account of the spare parts replaced by the firm under warranty clause was also not maintained.

[Paragraph No. 55-Audit Report (Railways), 1969.]

7.27. The Committee enquired why timely action was not taken to set up a Stores Organisation for ensuring correct accountal of stores on their receipt from January, 1962. The Railway Board have explained in a note that "orders for supply of diesel locomotives were placed in April, 1961. An abstract estimate for provision of a diesel loco shed, along with office building and stores godown for handling the materials required for day-to-day repairs at Siliguri Junction was sanctioned in June, 1961. The diesel loco shed commenced functioning from May, 1962. In connection with the setting up of an organisation for the spares, a point arose whether these were to be kept by the Diesel Shed Foreman as 'Charged Off' stores or were to be held as 'Custody Stores' by the Stores Department. After ascertaining the procedure obtaining on Eastern and South Eastern Railways, it was decided in September, 1962 that these were to be held under the Stores Department. For this purpose it was also decided to provide, along with the proposed General Stores Depot at New Jalpaiguri, a Diesel Stores Depot as the existing storage accommodation in the diesel loco shed was considered inadequate. The proposal for providing a Diesel Stores Depot was approved in November, 1962 and the work completed in September, 1963. However, without waiting for the full completion of Diesel Stores Depot, diesel spares were gradually taken over by the Stores Department commencing from 7-7-1963, as soon as the construction of some of the sheds was completed. Summarising, the main reason for the lapse of time in setting up a proper stores organisation was on account of the time required for providing adequate storage accommodation".

7.28. The Committee enquired about the reasons for delay in setting up the Stores Accounts Office. The Board have stated that the fact that the diesel spares, in question, would be taken over by the Stores Department came to the notice of the Accounts Department in a meeting held in April, 1963. The decision that these items of stores were to be held as 'Custody Stores' under the Stores Department, as decided upon in September, 1962 was not brought to notice in the above meeting, with the result that correspondence ensued between the Stores and Accounts Departments in regard to whether the stores were to be kept as 'Custody Stores' with the Stores Department or 'Charged-off' Stores under the Mechanical Department. It was finally clarified in July, 1963 that the stores

would be kept under regular 'Stores Stock Suspense' and not be treated either as 'Custody Stores' or 'Charged-off Stores'. Although the requirement of manpower for the accounts work was finalised in August, 1963, its materialisation got protracted on account of the acute shortage of staff and the existence of a ban on the creation of ministerial posts in general as a measure of economy and in the Accounts Department particularly in view of the progressive mechanisation and simplification of work".

"The relaxation of the ban on the creation of ministerial posts was sought for by the N.F. Railway in April, 1965, and the same was granted in July, 1965. The posts, so created, could not, however, be filled in immediately due to dearth of staff and the Administration had perforce to wait till September, 1966 when only some staff from the construction organisation were released".

7.29. Asked what steps were taken by the Mechanical Department to ensure proper custody of the stores on their receipt, the Board have stated that "the stores were received in packages which also contained the list of contents while the spares were in sub-assembly groups. On receipt, the package were opened, listed and kept locked in godown spare available in diesel loco shed at Siliguri. The spares were checked with the list of contents contained in each packet and items were issued as and when required".

7.30. To a question whether the fact of receipt of stores without any proper stores and accounts organisation was reported by the Mechanical Department to the Stores Department and Accounts Department, the Board have replied that "when the first instalment of Diesel Locomotives was on its way to Siliguri the Mechanical Department advised the Stores Department in January, 1962 that, along with the locomotives, spares were also expected to be received and these spares and equipments should be held as 'Custody Stores' under the Stores Department at Siliguri Junction itself and that necessary accommodation for this purpose had been provided in that shed and stores should arrange for posting of staff to take over the spare parts as and when received."

7.31. The Committee enquired why payments were arranged without verifying the receipt of stores. The Board have explained that "according to the extent procedure in respect of supplies made by foreign firms against contracts placed by the Railway Board, the payments against shipments are arranged by the Accounting officers based abroad after necessary internal check and the amount of transactions requiring to be adjusted in railways books are advised by them. The Railway Board, on receipt of such advices, convert the debits in foreign currency into rupees and send the relevant portion of the statements so received to the F.A. & C.A.O. of the Railway concerned for adjustment. Accordingly the Board, in this case, passed on the debit of Rs. 21,46,691|-

for the cost of spares allotted to that Railway against the Board's bulk order, for inclusion in March, 1963 accounts, which the railway accepted".

7.32. The Committee enquired whether any attempt was made to maintain value records in the Accounts Office when stores records were compiled in 1963-64. The Board have stated that "no value records could be maintained in the Accounts Office in 1963-64 as the Stores Accounts Office was set up in September, 1966. Such records are being maintained from September, 1966 onwards which cover the period from 1963-64".

7.33. Asked what the value of stores as disclosed by the records was when they were eventually compiled, the Railway Board have replied that "37 receipt notes were granted during the years 1963-64, 1964-65 and 1965-66 and the value of stores was adjusted in the financial years 1964-65 and 1965-66 amounting to Rs. 14,49,129."

7.34. To a further question about the value of stores consumed before the date when value accounts were compiled and whether consumption during this period was reasonable, the Board have stated that "the value of initial receipt of spares is not available. These spares were issued as and when required and as the registers where particulars of receipts and issues were noted are not available it was not possible to give any component-wise account. The value of spares, when accounts were compiled after the spares were taken over by Stores, worked out to Rs. 14,49,124.00.

"During the financial years 1962-63 to 1965-66 consumption was adjusted to revenue as under:

1962-63	Rs. 2,09,000
1963-64	Rs. 2,98,000
1964-65	Rs. 7,46,000
1965-66	Rs. 8,81,000
Total	<u>Rs. 21,34,000</u>

"This figure was nearly equal to the amount of debit initially received by the Board towards payments made for these stores and passed on to N.F. Railway.

"Normally in U.S.A. spare parts required to keep a locomotive in service for a period of one year amount roughly to 10 per cent of the initial cost of the locomotive. Since the total value of order for spares was well below 10 per cent it may be accepted that the consumption was reasonable."

7.35. The Committee asked how the debits for maintenance stores came to be wrongly made to Capital instead of Revenue. The Board have replied that "though the amount was to be allocated to Cap. IX. 9500 Stores Suspense, in the absence of full details|proper nomenclature thereof and also because of the non-availability of sufficiently trained staff to identify these spares, the spares also were taken as forming part of locomotives and accordingly the debits were wrongly booked to Cap. V to which the cost of locomotives was booked. This was a mistake due to incorrect appreciation of the position, but this did not, however, result in any loss as such, as even under the extant procedure, dividend would have been paid on the cost of spares held under 'Stores Stock Suspense'.

7.36. Asked to state whether the records had since been brought up-to-date and stock verification carried out, the Board have stated that records in respect of stores of the value of Rs. 14,49,124 have now been brought up-to-date. Stock verifications have been carried out regularly every year and the ground and the book balances have been tallied.

7.37. The Committee enquired how it was ensured that claims under the warranty clause were preferred against the firms in time in all cases in the absence of details of spare parts that became replaceable. The Board have stated that as and when a part failed in service due to bad materials or workmanship, warranty claims were preferred against the firm on the basis of details available from the Diesel Renewal Parts Catalogue.

7.38. The Committee desired to know whether responsibility had been fixed for the various lapses in this case and what steps were being taken to prevent recurrence of such serious lapses in future. The Board have stated as follows:—

"No responsibility has so far been fixed. However, it is considered that a further probe in the matter in greater detail with a view to fixing responsibility for the various failures may not be practicable in the context of the case..... The Railway Administration is being advised to examine various failures with a view to take steps to avoid such situations in future".

7.39. The Committee feel that the Railway Administration was slipshod in dealing with costly imported stores. These stores, valued at Rs. 36.34 lakhs, were meant for use in a diesel loco shed set up in Siliguri in May, 1961. Due to inter-departmental wrangles about relatively minor matters of accounting and delay in providing the requisite staff, an organisation to maintain accounts for these stores was not set up till five years elapsed. In the meanwhile, no systematic accounts of stores received or issued were kept nor any verification of the balances done. The value of stores accounted for as consumed during this period was as much as Rs. 21.34 lakhs.

7.40. The Committee are not convinced by the view expressed by the Railway Board that an investigation into this case at this stage "is not practicable". The Committee would like the Board to investigate why such an unsatisfactory state of affairs as this was allowed to persist for over five years and take, suitable disciplinary action. It should particularly be examined why the higher formations in the Zonal Railway showed a complete lack of awareness of their responsibilities in dealing with valuable Railway property.

Eastern Railway—Loss on account of excessive procurement and delay in disposal of C.I. pipes

Audit Paragraph

7.41. Out of 2,726 number of C.I. Pipes received between October, 1956 and December, 1957 for laying a pipe line at Mughalsarai, 848 numbers costing Rs. 1.60 lakhs became surplus after completion of the work in October, 1958. These were not transferred to the Construction Stores Depot at Patratu but, being bulky and heavy, were kept outside the stores yard of the engineering subordinate at Mughalsarai. In December, 1965, the stocks of pipes were found disturbed and it was decided to shift the material inside a fenced area. When the materials were shifted in January, 1966, 89 pipes were found stolen. A further scrutiny of ledger cards disclosed a fictitious issue of 194 pipes accounted for in September, 1965. The employee held responsible for the fictitious account had already retired from service and the question of recovery of the cost of pipes from his pensionary benefits is stated to be under consideration. Meanwhile an amount of Rs. 7,000 had been withheld from his settlement dues.

7.42. The shortages noticed in December, 1965 were reported to the Railway Board and Audit only in March and April, 1966 respectively although, as per extant rules, such reports were required to be furnished soon after the event. The loss involved in the total shortage of 283 pipes was Rs. 53 thousand.

7.43. The surplus C.I. Pipes have not been completely disposed of so far (January, 1969) even after a period of 10 years.

[Paragraph No. 56—Audit Report (Railways), 1960].

7.44. The Committee enquired how the C.I. pipes were found to be surplus after completion of the work and whether action was taken to find alternative use for the surplus stock. The Railway Board have replied that the "forecast of pipes in December, 1955 for the pipeline work at Mughalsarai was for 32,000 R. ft. (1,777 pipes). The actual consumption of pipes in October, 1958 was 32,904 R. ft. (1,828). Thus the procurement of pipes was not in excess of the actual requirements. The excess stock at Mughalsarai, however, resulted due to the diversions from Belur construction store depot of 949 pipes on account of acute shortage of accommodation and

crane power and heavy congestion following sudden receipt of large number of pipes in the stores depot.

“After completion of the work there had been demand from Deputy Chief Engineer (Construction), Ranchi for 7,000 R. ft. of pipes for Patratu. This could not be despatched as these were stacked near down Banaras line and being very heavy they were required to be handled by cranes for which a traffic block on the track of the Northern Railway was required. There was the possibility that the pipes may be required at Assansol for important pipeline work on the D.vision and despatch of pipes from Patratu was, therefore, deferred. These pipes were, however, not despatched to Assansol because the expectation did not materialise.”

7.45. The Committee asked whether departmental verification of stock was conducted from time to time and if so, why the loss could not be detected earlier. The Board have informed them that stock verifications were undertaken from time to time, viz in March, 1961, December, 1963 and March, 1966. These revealed that there was no shortage of C.I. pipes in March, 1961 and December, 1963. The accounts stock verification conducted in March, 1966 revealed a net shortage of 89 pipes.

7.46 Asked whether the cost of 194 pieces had been recovered from the employee found responsible, the Board have replied that a sum of Rs. 6,655.35 p. being the amount of D.C.R.G. sanctioned in favour of a retired IOW has been withheld pending finalisation of the case. Out of the calculated pension of Rs. 187/- per month, provisional sanction of Rs. 15'0- per month has only been made pending finalisation of disciplinary enquiry against the staff.

7.47. To a question why the shortages were not reported to the Railway Board and Audit immediately after they were noticed, the Board have replied that the submission of report of loss to the Railway Board and Audit was delayed by the Railway Administration as the papers were being processed for the 'write off' of the loss and hence the urgency of reporting the loss in accordance with the codal provisions was lost sight of.

7.48. To a further question about the present balance of C.I. pipes still lying unused and the action proposed to be taken for their disposal, the Board have replied that “ the present balance of pipes is 213. Since pipes of 12” dia. are not readily available in the market, it is considered essential to keep sufficient quantity in stock to meet the normal requirement of maintenance and emergency such as burst pipeline etc. In the absence of adequate stock, it would be difficult to maintain an uninterrupted supply of water to locos, yard and colony at an important station like Mukhalsarai, where failure to maintain such supply might result in serious repercussion in the

train operation on the vital trunk route. It was, therefore, considered necessary to retain the present stock of 213 pipes with IOW, Mughalsarai for the aforesaid purposes. The pipes could also be used for meeting the normal maintenance requirements at Madhupur and Jamalpur, where 12" dia. pipelines are existing as water mains."

7.49. In this connection Audit have stated as follows:

"During the period from October, 1960 to September, 1965 only on four occasions 15 pipes were issued for repair work and on the basis of this trend of consumption, the holding of such a large number of pipes for maintenance purpose would not appear to be justified."

7.50. The Committee observe that one of the Railways continued to retain stocks of C.I. pipes valued at Rs. 1.6 lakhs left over after completion of a work in October, 1958. During this period of protracted storage pipes valued at Rs. 53,000 got lost or misappropriated. Disciplinary proceedings against the official held responsible for the shortages are stated to be in progress. The Committee would like them to be expeditiously finalised.

7.51. The Committee notice that there was a delay of over three years in reporting the shortages to Audit. The Board should issue instructions to ensure that these delays do not recur.

7.52. The Railways are still holding part of the stock of pipes on the ground that they would be necessary for maintenance purposes. The data furnished by Audit, however, raises a doubt whether stocks on the present scale need be kept. The Railways should review the position in this regard and dispose of expeditiously such of the stocks as cannot be reasonably used up in the foreseeable future.

Eastern Railway—Loss of cash from Fairlie Place cash office

Audit Paragraph

7.53. Cash earnings at various stations in Howrah Division of the Eastern Railway are received in sealed bags at the Headquarters cash office, Fairlie Place, Calcutta for shroffing prior to remittance into the Reserve Bank. As the Reserve Bank remained closed for the Pooja Holidays from 8th to 13th October, 1967, the cash shroffed from 7th to 10th of the month amounting to Rs. 29.48 lakhs was kept in one of the vaults inside the cash office strong room. Although the cash office was opened on the 14th (Second Saturday) for receiving cash, no remittance of the shroffed cash was made in to the Reserve Bank. While placing further shroffed cash in the vault of the strong room on the following day, that is, on 15th October, 1967, it was noticed that the seal of the lock on the door of the vault was broken, the bolt of the lock cut by hacksaw and was tied by a sutli (twine). On checking the contents of the

room, it was found that one sealed canvas bag containing Rs. 5 lakhs was missing. The matter was reported to the Police who arrested six Railway employees, including the assistant cashier, who were later released on bail. The Administration later placed them under suspension. The police investigation is stated to be still in progress (December, 1968).

7.54. The report of a Departmental Committee who had enquired into the matter is stated to be under examination by the Administration (December, 1968).

[Paragraph No. 57—Audit Report (Railways), 1969.]

7.55. The Committee enquired whether there were adequate security arrangements on the day of occurrence of the incident. The Railway Board have informed them that "it has not been precisely established on what date the incident actually took place. The lock of Vault No. 2 was found cut in the afternoon of 15-10-1967. During the intervening period from 8-10-1967 to 15-10-1967 the Strong Room was under normal security arrangements which are that a contingent of four armed men including and headed by one N.C.O., guards the strong room round the clock. . . . After this incident it has, however, been arranged that whenever there are consecutive holidays, the strength of cash guards is doubled."

7.56. The Committee enquired why shroffed cash was not remitted on 14-10-1967. The Railway Board have replied that "14-10-1967 was a second Saturday. All second Saturday's are normally treated as holidays and on such holidays, cash was not being sent to the Reserve Bank."

7.57. The Committee understand from Audit that on a previous occasion (14-1-1967), the Reserve Bank did not accept cash as it happened to be a second Saturday. The Committee therefore enquired whether the matter was taken up at higher level with the Reserve Bank. The Railway Board have stated that "it is correct that on a previous occasion the Reserve Bank did not accept cash on second Saturday (14-1-1967) and the Assistant Cashier and Pay Master had to bring back the money amounting to Rs. 18.80 lakhs on that day. There have also been a number of instances when remittances could not be made on a few days (including Saturdays), either due to heavy cash having been tendered or due to later tender of cash (but within the normal banking hours of the Bank). No special reference was, however, previously made regarding acceptance of tender of heavy cash on Saturdays. A reference to the Manager of the local Branch of the Reserve Bank of India was made in December 1968 and the Bank's reply of January, 1969 was unhelpful because of heavy tender on Saturdays and that too due to late tender. In order, however, to get over the complaint of the Reserve Bank on the score of heavy tender on Saturdays, shroffing of cash on Fridays is limited to such sums as are acceptable to the Reserve

Bank and for this purpose contact is maintained with the Bank officials and cash tendered accordingly on second Saturdays.”

7.58. The Committee enquired whether the cash was now being sorted out properly before remittance. The Board have stated that “no complaint has been received from the Reserve Bank regarding cash which is sorted out and shroffed in the cash office and then tendered for lodgement in the Bank. It is in the case of cash received from stations and tendered for lodgement without being shroffed in the cash office under a special procedure in vogue that such complaints are there and for which stations concerned have been repeatedly given instructions to follow the correct method of making up the bundles. Although some improvement has been brought about, it has not been possible so far to eliminate altogether the complaint of the Bank on this score. A gazette notification has also been issued on 1-8-1969 to all concerned to adhere strictly to the correct procedure in this regard.”

7.59. To a question regarding the outcome of the police investigation into this case, the Railway Board have replied saying that the police investigation has been closed with a final report that no clue was found.

7.60. The Committee enquired whether the department Committee found any lacunae in procedure or inadequacy of security arrangements and if so, what action was taken in the matter. The Railway Board have stated that the departmental Committee has not found any special defect in the security arrangements, but has recommended that the Supervisor of the Armed Unit of Guards should be of the rank of a Sub-Inspector and this recommendation has been implemented.

7.61. From a perusal of the note furnished by the Board in this regard, Committee observe that the Inquiry Committee came across a number of lacunae and procedural lapses such as lack of adequate security arrangements, “ineffective supervision over the closing and opening of the strong,” “delegation of important functions to the Head Jamadar and other class IV staff by the Chief Cashier or his assistant”, non-observance of instructions regarding shroffing and remittance of cash etc.

7.62. The following steps have been taken on some of the important recommendations of the Inquiry Committee:—

- (i) A new strong room is under construction at Howrah. The locks have now been replaced by Godrej locks.

- (ii) Every effort is being made to pull up the arrears in shroffing but owing partly to the non-observance of Eastern Railway's procedure order No. Pt. IV by some of the important stations and owing partly to holidays intervening at times, the shroffing work unavoidably falls into arrears. Every endeavour is made to pull up this arrears as quickly as possible.
- (iii) When the Reserve Bank is open, shroffed cash is now deposited with the Bank even on second Saturdays which are closed days for the Railway.
- (iv) Rough cash verification is being done by the Accounts Officer during consecutive holidays when such holidays extend beyond one day.
- (v) The question of direct remittance of station cash is still under examination. The Chief Security Officer of the Railway has, however, discouraged the introduction of this procedure in view of the law and order situation in the State.

7.63. The Committee observe that the Inquiry Committee which was appointed to investigate into a case of loss of Rs. 5 lakhs of cash from the Fairlie Place Calcutta Cash Office in October, 1967 found 'ineffective supervision over the closing and opening of the strong room', 'delegation of important functions to class IV staff by the Chief Cashier' and non-observance of instructions regarding shroffing and remitting of cash as well as of some important security instructions. The Committee note that the Railway Administration have taken a number of steps in pursuance of the findings of the Inquiry Committee. They would like to be informed of the action taken against the officials responsible for ineffective supervision and disregard of instructions relating to shroffing and remittance of cash.

7.64. The Committee trust that the procedure laid down particularly with regard to stroffing of cash will be strictly complied with in future and that arrears will not be allowed to accumulate. The need for strict observance of security instructions by the staff dealing with cash cannot be over-emphasised. Any lapses in this regard should be visited with deterrent punishment.

7.65. The Committee understand that at present Railway cash has to be transported under security guard to and from Zonal Divisional headquarters. As this poses an unnecessary and avoidable risk, the Committee would like the Railway Board to examine the scope for

minimising such movements of cash through suitable arrangements with treasuries/Sub-treasuries for remittance of Railway earnings withdrawals for purpose of disbursements.

Southern Railway—Non-recovery of security deposit from staff entrusted with cash and stores

Audit Paragraph

7.66. The extent rules provide that employees entrusted with the custody of cash and stores should be required to furnish security and the Ministry of Railways (Railway Board) had issued instructions to the Administrations in May, 1955 (further amplified in July, 1959) asking them to specify the categories of staff in each department from whom security deposits should be taken and the amounts thereof.

7.67. There had, however, been long delays on the Southern Railway in determining the categories of staff and fixing the amounts of security deposit. In respect of some departments, the work was completed as late as September, 1967. But the question of taking security deposits from some categories of staff like new drivers of Government vehicles and Stores Head Clerks in the engineering offices on the Construction side is yet to be finally decided (January, 1969).

7.68. Even in respect of the various categories of staff for whom the amount of security deposit has been fixed, the recovery has not been completed, although, the Ministry of Railways (Railway Board) issued detailed instructions to the Administrations in October, 1964. A review conducted by the Southern Railway Administration revealed that in respect of 5,857 employees from whom a total of Rs. 18.90 lakhs was to be recovered as security deposit, an amount of Rs. 11.60 lakhs was still to be recovered from 3,864 employees as on 31st March, 1968.

7.69. The information collected on the Central Railway shows that an amount of Rs. 28.87 lakhs was still to be recovered from 5,611 employees as on 31st March, 1968. On the South Central and Western Railways, amounts of Rs. 16.86 lakhs (approx.) and Rs. 5.97 lakhs are yet to be recovered from 4,238 and 1,825 employees respectively. The particulars in respect of the other Zonal Railways are still awaited (January, 1969).

[Paragraph No. 58—Audit Report (Railways), 1969.]

7.70. The Committee enquired about the reasons for the delay in determining the categories of staff from whom security had to be taken. The Railway Board have stated in a note on this point that "the determination of the specific categories from which security

deposit should be taken requires a close study of the work done by each category of staff and an assessment of the extent of the employees' association with the railway cash and stores and also the element of their direct responsibility for its safe custody. Similarly in fixing the amount of security deposit, various factors have to be allowed for, such as the value of average stock of stores held at any time by the concerned category of staff and the nature and marketability of materials. These assessments have to be made initially at the divisional|depot|workshop level after which the suggested categories of staff and the amounts of security deposits recoverable from them have to be approved by the Heads of Departments in consultation with Finance. This process takes some time in the normal course. On most Railways there has been no abnormal delay in this regard. The quantum of security deposit to be received from major categories of staff in charge of cash and stores on all Railways has already been determined and is in force.

“On the Southern Railway, categories of staff in the several departments were taken up at one time and the issue processed separately for each department. This entailed delay. On the South Central Railway formed in 1966, the need for uniformity over the constituent units (belonging to erstwhile Southern and Central Railways) was felt and the work is now being finalised”.

The Departments where the categories have not been determined are the following :—

- | | |
|-----------------------|--|
| 1. NF Railway. | Engineering, Mechanical and Electrical. |
| 2. SC Railway. | The Railway was formed on 2-10-1966. Recommendations have been received from all Departments and are being finalised to evolve a uniform policy. However the categorisation already determined on Southern Railway and Central Railway, the constituents units, is in force. |
| 3. Southern Railway . | Clerical staff in-charge of store in the Works (Constructions) and Signal and Telecommunications (Works) Branches. |
| 4. D.L.W. | Certain categories of workshop staff.
(Mechanical Department). |

7.71. It would thus be seen that on all Zonal Railways, the categorisation has been determined in most of the Departments and in Diesel Locomotive Works also, the categories in Accounts and Stores Departments have been determined.

7.72. The Committee called for a statement showing the present position with regard to the number of employees from whom security deposit is still to be recovered and the amount involved. The Board have furnished the following information in this regard:—

S. No.	Name of Railway	No. of employees from whom security deposit still to be recovered	Amount of security deposit to be recovered	Effective from
1	Central	5611	28,87,000	Oct. '68
2	Eastern	1726	13,00,000	Jan. '70
3	Northern	3374	10,51,917	31-12-1968
4	North Eastern (Figures not received)		2,41,881	31-12-1968
5	Northeast Frontier	604	1,81,200	Jan. '70
6	Southern	3065	8,06,359	31-8-1969
7	South Central	4238	16,85,625	Oct., '68
8	South Eastern	437	1,30,200	Jan. '70
9	Western	1825	5,96,955	31-12-1968
10	C.L.W.	78	25,000	Jan. 1970
11	D.L.W.	12	7,000	Oct., '68
12	I.C.F.	Nil	Nil	
	Total	20,970	89,13,137	

7.73. The Committee enquired about the reasons for delay in recovery of substantial sums from a large number of employees and the action proposed to be taken to speed up the process of determination of categories of employees in departments where it has not yet been done and for recovery of the amounts payable by them. The Board have stated as follows in a note furnished to the Committee:—

“It has to be appreciated that recovery of any amounts from the staff has to be handled carefully. Organised labour and often many public men have represented against taking security deposits from railway staff. While the need for taking security deposit from those who hold custody of stores and cash cannot be overlooked, the following practical and legal considerations also cannot be brushed aside altogether.

(a) the present economic condition of staff.

(b) in many posts furnishing of security deposit was not initially a condition of service. This explains—though it may not justify—the reluctance of staff who were not

recruited on such a condition of furnishing security, as the requirement of furnishing security deposit was prescribed for their posts subsequent to their appointments.

- (c) often an employee holding a general charge not involving custody of stores or cash (say a time office clerk in a Workshop) is transferred to another charge involving such custody. If he is pressed too much to furnish the security he demands transfer back to a general charge post. This would lead to loss of administrative flexibility in posting the right man in the right place.
- (d) even if the Administration desires to recover the security deposit in instalments from the employees' salary, the provisions of the Payment of Wages Act do not permit it. In view of the above, the Railways have to resort to persuasion in making the staff make the deposit in cash or in any other acceptable form".

The Board have further stated that "the Railways will be asked to process the remaining items expeditiously and to follow rigidly instructions already issued (for recovery of the security deposit). As per instructions of Railway Board, the Railway Administrations are now holding up promotions and instituting disciplinary action against the defaulting employees on the one hand, and accepting security deposit in various forms permitted in lieu of cash on the other hand. It is pertinent to mention here that now security upto Rs. 3,000/- can be furnished entirely in the form of a Fidelity Guarantee Insurance Policy, which involves a very small monthly premium, amounting to a fraction of a rupee per month per Rs. 1,000/-. In addition, the following suggestions are under consideration:—

- (i) To suggest amendment of the Payment of Wages Act to authorise recovery of security deposit from salary.
- (ii) Possibility and desirability of authorising the Railways to take out Fidelity Guarantee Insurance Policy, on their own initiative for staff who fail to deposit the security—the premia being permissible deductions from the salaries, under the Payment of Wages Act."

7.74. The Committee are dissatisfied with the position in regard to recovery of security from Railway employees handling cash and stores. As early as 1955, the Railway Board had issued instructions asking the Zonal Railways to determine the categories of staff from whom security should be taken and the amount of security that should be obtained from them. However, in certain departments in the North-Eastern, Southern and South-Central Railways, as well

as the Diesel Locomotive Works, it has not even been decided which of the categories of staff should furnish security. Besides, sums aggregating Rs. 89.13 lakhs have to be recovered in the various Railways from various employees who have been required to furnish security. The Committee would like a definite time-limit to be laid down by the Railway Board for completion of the work. It should also be ensured that the work is completed strictly in accordance with this time-limit.

Infructuous expenditure in preparing a Project Report for a Steel Foundry at Naini

Audit Paragraph

7.75. As an integral part of the proposal to set up a wagon building factory, the Ministry of Railways (Railway Board) had under consideration the setting up of a foundry for the manufacture of steel castings for wagons with Russian collaboration. The foundry was planned for a capacity of 10,000 tonnes of steel castings per annum. Although at the time of taking the decision to set up the foundry in December, 1962, it was intended that the foundry would be utilised initially for the manufacture of light Centre Buffer Couplers and later to meet the requirement of steel castings for wagons, but further at the time of preparing the list of items to be manufactured in the foundry in August, 1964, couplers for Board Gauge wagons were excluded as the necessary capacity had already been built up in the private sector and it was decided to produce only wagon castings and Metre Gauge wagon couplers. It was also considered that it would be advisable to locate the steel foundry and the wagon building factory in close proximity as the major portion of the output from the steel foundry would be required for use in the wagon building unit.

7.76. Shortly thereafter, the Ministry decided in September, 1964, to defer the setting up of the wagon building plant in view of the non-realisation of the estimated growth of traffic in the closing years of the Third Plan, and the corresponding need for pruning down the Fourth Plan targets. Further, the Ministry had also decided in August, 1964 to taper down the steam locomotive production at Chittaranjan Locomotive Works. Consequently, there was a drop in the availability of load for the steel foundry at Chittaranjan which had been established earlier with a planned capacity of 10,000 tonnes of castings per annum. The load prospects of the Chittaranjan Steel foundry came down to about half the installed capacity as a result of this decision.

7.77. Nevertheless, the Ministry proceeded with the plans for the setting up of the second steel foundry. A contract was finalised with a Soviet Organisation in December, 1964, for rendering technical

assistance in selecting the site for the steel foundry. On the basis of the Siting Report, it was decided in March, 1965 to locate the steel foundry at Naini. Another contract was finalised with the same organisation in October, 1965, for the preparation of a Detailed Project Report for the Steel Foundry.

7.78. The Ministry of Railways (Railway Board) later decided in November, 1966, by which time the Project Report was received, that in view of the slow growth of traffic the requirement of steel castings should be reviewed again in 1967 and 1968 before final decision to go in for the second steel foundry at Naini could be taken. After reviewing the requirements of steel castings again in August, 1967, the Ministry decided that the Naini Steel Foundry would not be required during the Fourth and Fifth Plans and may even be shelved eventually in view of the reduction in the wagon building programme and reduced requirement of steel castings.

7.79. The expenditure on the selection of site and preparation of detailed Project Report was Rs. 21.85 lakhs. In addition, 835 acres of land was acquired at Naini by the Government of Uttar Pradesh, on behalf of the Railways, for the steel foundry and the wagon building factory at an approximate cost of Rs. 29 lakhs. The expenditure on the Project Report for which the agreement was signed as late as October, 1965 may not prove fruitful and the land is not likely to be put to any railway use in the near future.

7.80. The Ministry of Railways (Railway Board) explained (December, 1968), that the technical reports contained valuable information regarding selection of site and details of the project which might be made use of for setting up another steel foundry if necessity arose in the Sixth or subsequent Plans and that the Uttar Pradesh Government was advised on 14th September, 1967 that the land would not be required by the Railways.

[Paragraph No. 59—Audit Report (Railways), 1969]

7.81. The Committee enquired about the circumstances in which the proposal to set up the steel foundry was mooted and asked to what extent indigenous capacity for steel castings was available to meet the Railway requirements. In a note on this point, the Railway Board have stated as follows:

“...Our experience in the 2nd and 3rd Plan periods had shown that the demands for steel castings had always been out-pacing the development of steel foundry capacity in the country. In the past there was considerable difficulty in the availability in adequate quantity of steel castings required by the railways for the manufacture or rolling stock, particularly wagons, and deliveries from existing sources were also protracted. As a result, there was in the

past some dislocation and set-back in the programme of manufacture of wagons and other rolling stock items for the railways. It was also known that the prices of steel castings which were required to be obtained by railways from the private sector were going up and high prices were being charged for the steel castings. With this background it was decided by the Railway Board early in 1963 to set up another steel foundry to make available with the Railways themselves a certain amount of capacity, to ensure timely availability of adequate quantities of steel castings, and at the same time to make prices of steel castings competitive."

7.82. Audit have, however, stated that "the Ministry's explanation that the decision to set up a second steel foundry was taken in the background of considerable difficulties experienced in the past in the availability of adequate quantities of steel castings and the rising trend of prices is not entirely factual. There is no evidence to show that the wagon manufacturing programmes suffered set back at any time for non-availability of steel castings, although relaxations might have been given in a few cases for fabricating the components when castings could not be procured readily."

7.83. The representative of the Board added during evidence that when the decision to set up a steel foundry was taken by the Ministry of Railways, production of steel castings in the country was of the order of 46,640 tonnes whereas anticipated requirements in 1965-66, according to investigations made by the Planning Commission and by the Ministries of Railways and Industries, were assessed to be of the order of 2 lakh tonnes. As there was a gap of nearly 1½ lakh tonnes between production and requirements it was decided by the Planning Commission and the concerned Ministries that additional capacity should be built up. The proposal of the Ministry of Railways to set up a steel foundry was therefore approved by the Planning Commission in January, 1963.

7.84. The Committee enquired about the actual licensed capacity, the installed capacity and the actual production of castings by foundries in the private sector when the project was conceived. The representative of the Ministry of Industrial Development stated that, in 1961, the licensed capacity in the private sector was 1.6 lakhs tonnes while the installed capacity was 43,000 tonnes and the actual production 37,000 tonnes. The production was, more or less, balanced and the castings industry was generally looking up. He added:

"That was a period when there was a general feeling that this industry would grow up very rapidly. The demand from engineering industries was growing and all the estimates of demand both by the user industries and by the castings units were that the demand would pick up very

rapidly. This is reflected by the fact that in the next two years, the licensed applications and the approved capacity were increased substantially to about 2.2 lakh tons in 1962 and it went up to over 3 lakh tons in 1963. The actual installed capacity of course takes a little time to come up and after the licences are issued, it would take one or two years to realise it. By 1964 the installed capacity had gone up to 82,000 tons, but the demand had not picked up to that extent and was only 55,000 tons, or rather the actual production was only 55,000 tons. The position reached its peak when the installed capacity reached 1,22,000 tons in 1965 and a production of 59,000 tons. This was the stage when most of the castings and foundry units could be set up with entirely indigenous machinery. In 1966, seeing the position of the industry, the industry was delicensed. So, the question of following up the licensed applications did not arise because there was enough capacity in our hands, and there was likelihood of any additional capacity that may be required being set up entirely through indigenous machinery."

7.85. The representative of the Department of Industrial Development further stated that during 1966-68, the gap between installed capacity and actual production showed a worsening trend because of the recession. He gave the following figures in this regard:

	Installed capacity	Actual production
1966	1.18 lakhs	53,000
1967	1.30 lakhs	52,000
1968	1.37 lakhs	47,000

7.86. The Committee enquired whether in view of the gap between installed capacity and actual production existing even at that time, the Ministry of Railways consulted the Ministry of Industrial Development so as to ensure that the existing capacity was fully utilised. The representative of the Ministry of Industrial Development stated:

"We have no information on our records to indicate that the Ministry of Industrial Development was consulted, when this project was first conceived."

He, however, added that the assessment to overall requirements made in 1965 was done jointly by the Ministry of Railways and the Ministry of Industrial Development and in that Report it was pointed out that the projected demand for castings justified the Railways setting up their own castings capacity. To that extent the Ministry of

Industrial Development could be said to have been generally associated. Further asked if any specific reference was made regarding this project by the Railways at any time after 1965, he stated "Thereafter I do not find any reference from them..... There was no specific reference from the Railways regarding this project."

7.87. The Committee enquired whether it was not necessary for the Ministry of Railways not only to have consulted but also to have asked for specific clearance from the Ministry of Industrial Development/DGTD for a project of this type where foreign collaboration was sought. The representative stated: "If a particular Ministry has to set-up a unit the utilisation of which will be completely absorbed by the Ministry concerned then, of course, we need not be consulted." The Railway Board have in a note on this point further stated as follows:

"No formal reference was made to the Ministry of Industry and Supply as to the existence of under-utilised foundry capacity in the country. Such consultations were not considered necessary, as the Ministry of Railways had received reports from the Ministry of Industry and Supply in regard to the foundry capacity available in the country and the future requirements of steel castings."

7.88. The Committee enquired whether the Ministry of Industrial Development informed the Ministry of Railways at any stage about the unutilised capacity in this sector. The representative of the Ministry of Industrial Development stated that when revised estimates of castings requirements were prepared in 1967, these were generally announced and intimated. Audit have offered the following comments in this regard—"The assessment of needs for castings by the Railway Board was related to the production of 2,05,900 wagons (in terms of four-wheelers) during the five years from 1966-67 to 1970-71, which matched with an anticipated materialisation of originating traffic of over 350 million tonnes in 1970-71. This anticipation as well as the assessment of the requirements of steel castings were unrealistic in as much as only 191 million tonnes of traffic materialised in 1963-64 and the projections made in December, 1963 and January, 1965 as to the annual targets of 1964-65 and 1965-66, fixed the level of originating traffic at 212 million tonnes and 208 million respectively. It was evidently on the basis of this known fact of non-materialisation of traffic that the wagon building factory was shelved. The position called for a review of requirements of steel castings also on the same basis before entering into commitments for preparation of the siting report and project report especially in the context of surplus capacity developing in Chittaranjan Locomotive Works. It is significant that the estimates of steel casting requirements made by the Railway Board in October, 1966 were much less than what was assessed earlier in October, 1964

and well within the actual production of castings required, i.e., of the order of 59,000 tonnes during 1965-66."

7.89. The Committee enquired whether the question of utilising the surplus capacity at Chittaranjan was considered before taking up the project. The representative of the Railway Board stated that the foundry at Chittaranjan was sanctioned in 1963 with a capacity of 10,000 tonnes. Initially the idea was to produce conventional steel castings. Later, when it was decided to dieselize and electrify, production of conventional castings came down and they had to bring about a change in the product-mix. As they had taken up intricate castings, it was visualised that it would take about 4-6 years from the date of commencement of production to attain the full capacity.

7.90. In a further note on this point the Board have stated as follows:

"As regards utilising the existing foundry capacity at Chittaranjan Locomotive Works, this matter was carefully considered and it was felt that the capacity at Chittaranjan Locomotive Works Steel Foundry would be fully utilised against existing demands of steel castings of Chittaranjan Locomotive Works for steam, electric and diesel locomotive production. As will be seen from the figures given below, the Chittaranjan Steel Foundry has already achieved the optimum production, thereby indicating that there is no surplus capacity left in Chittaranjan Steel Foundry to meet the anticipated requirements of steel castings for cast steel bogies and other castings required for wagon production.

Production of CLW
Steel Foundry

1963-64.	253.00 tonnes
1964-65.	2,900.00 tonnes
1965-66.	5,750.39 tonnes
1966-67.	5,730.92 tonnes
1967-68.	7,717.96 tonnes
1968-69.	8,602.86 tonnes

7.91. The Committee enquired about the requirement of steel castings for diesel and electric locomotives that were being met by the Chittaranjan foundry. The witness stated that the requirements for diesel locomotives were 3,000 tonnes and for electric locomotives

1,500 tonnes. In all, therefore the requirements of highly special castings were of the order of 4,500 tonnes at present as against the total capacity of 10,000 tonnes available at Chittaranjan.

7.92. The Committee enquired when the decision to taper off steam loco-production was taken and how this was expected to affect the load on the foundry. In a note on this subject, the Railway Board have stated as under:—

“Decision to taper off steam loco production in C.L.W. was taken in August, 1964. It was decided to utilise the spare capacity for the indigenous manufacture of electric locomotives, thereby meeting the Railway’s requirements of motive power under Electric Traction. As a result of this decision, the production of steam and electric locomotives in C.L.W. from 1963-64 was as under:—

Year	Steam Locomotives					Electric Locos	
	WR	WP	WT	WL	Total	DC	AC
1963-64	117	55	—	—	172	2	2
1964-65	109	44	—	—	153	—	27
1965-66	36	91	10	—	137	—	32
1966-67	11	63	69	29	112	—	57

The tapering off of steam loco production as from 1963-64 would normally be expected to reduce the load prospects of the CLW Foundry since 50 per cent of the planned capacity was intended for the manufacture of steel castings of steam locomotives. The work in the Foundry was, however, not allowed to be affected by the reduction in steam loco production, and while the Foundry was still developing up to its installed capacity, alternative load was found for it. As a result of this advance planning, out-turn from CLW Foundry has kept increasing steadily.”

7.93. Audit have offered the following comments in this regard:—

“When the Chittaranjan Locomotive Works steel foundry was planned for 10,000 tonnes capacity, the assessment

was that Chittaranjan Locomotive Works should manufacture the following castings:

Castings for steam locos (170)	5,100 tonnes
Castings for other Railways	700 tonnes
Castings for Diesel Locomos	2,850 tonnes
Castings for Electric Locomos (70)	350 tonnes
Manganese Steel castings	1,000 tonnes
	10,000 tonnes

"As a result of the decision of August, 1964 to taper down the steam loco production, the load prospects for this foundry came down to about 5,000 tonnes per annum. The following was the assessment of load prospects made by General Manager Chittaranjan Locomotive Works and reported to the Railway Board on 5-6-1965.

Castings for	1966-67	1967-68	1968-69	1969-70	1970-71
Steam Locomos	1650	1650	1650	1650	1000
Electric Locomos	810	1000	1200	1500	1500
Diesel Locomos	950	1200	1200	1350	1500
Other Rlys.	400	400	400	400	400
Manganese Steel castings	1000	1000	1000	1000	1000
	4810	5250	5450	5900	5400

"It is only by securing alternative loads to the extent possible in the shape of buffer plungers and axle box housings for carriages and wagons, M.G. Bogie side frames and bolsters, magnet frames etc., which were not included in the original plan, that the actual production (which during 1966-67 was only 5730 tonnes) has been built up."

7.94. The Committee enquired to what extent the capacity of the proposed foundry at Naini was meant to be used (i) for the proposed wagon factory, (ii) for other wagon builders in the private sector and (iii) for other users. The Board have furnished the following information in this regard:

"The Naini Steel Foundry was proposed to be set up with the capacity of 10,000 to 11,000 tonnes of steel castings per annum required for wagon construction. Out of this, approximately 9,000 tonnes could be utilised in the proposed Wagon Factory if this was put up. The 10,000 tonnes of steel castings per annum were to consist of—

(a) Cast steel bogie components for BG and MG bogie wagons.	7,300 tonnes
(b) Buffer plungers and castings, draft casting, axle boxes, ABC components etc. for BG 4-wheelers and MG bogie wagons and C.B.C., couplers.	2,700 tonnes
	<hr/>
TOTAL	10,000 tonnes
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The balance 1,000 tonnes capacity was to be utilised for the manufacture of Silico-Manganese spring steel ingots to cover the requirements of spring steel rollers for the manufacture of spring steel rounds required for helical springs to be used alongwith cast steel bogies."

Thus no separate provision was made for different wagon builders and other users in regard to their requirements of steel castings and other wagon components, excepting spring steel rollers.

7.95. To a question why the decision to set up the foundry for manufacturing initially light centre buffer couplers was dropped, the Board have replied that as soon as capacity was located in the private sector, this item was excluded. In a note on this subject, the Ministry of Industrial Development have stated as follows:

"Centre Buffer couplers are not licensable as a separate item as they come under the purview of steel castings. The steel casting industry is delicensed since 1966. There are two firms manufacturing the produce as part of their activities for manufacture of steel castings. M/s. Calcutta were licensed on 20-10-1952 for manufacture of Steel castings. Their scheme for manufacture of centre buffer couplers within the licensed capacity for steel castings in collaboration with a U.S. firm was approved in July, 1959. The annual production is estimated at 5,000 tonnes per annum within the licensed

capacity for steel castings of 12,000 tonnes per annum. M/s....., Bombay were licensed for steel castings on 15-11-1952. They have been manufacturing centre buffer couplers within the licensed capacity for steel casting of 12,000 tonnes per annum. The proposal for collaboration for manufacture of buffer couplers with a U.K. firm was approved in June, 1954."

7.96. The Committee enquired about the circumstances in which it was decided to seek foreign assistance for preparation of a Siting Report and later on for a detailed Project Report. The Railway Board have informed the Committee that in September, 1962, the Ministry of Finance had addressed the other Ministries including the Railway Ministry to suggest any project which they would like to set up with Soviet assistance out of the savings expected under the Soviet Credits. Accordingly, the Planning Commission and the Ministry of Finance were advised in November, 1962 and again in March, 1963 of the Railways' intention of making use of the Soviet Credits in setting up the Steel Foundry at Naini. The protocol with the USSR was signed in December, 1964 and the Siting Report was received in March, 1965. Explaining the circumstances which led to the signing of the second protocol for a detailed Project Report, the representative of the Railway Board stated in evidence that in April, 1965, the Report of the Fourth Plan Planning Group for the Engineering Industry set up by the Ministry of Industry and Supply at the instance of the Planning Commission, was published. The Group made the following observations with regard to the development of foundry capacity in the country *vis-a-vis* the proposal of the Railways to set up a new foundry with a capacity of 10,000 tonnes:—

"The studies made by the NIDC indicate large gap in various kinds of castings. A major portion of existing production of steel castings and a substantial portion of grey iron castings are today consumed to meet Railways' requirements and these will substantially increase in future. To the extent additional capacity has to be created in these fields, there is much to be said for ensuring that at least a portion of this additional capacity is of a kind capable of meeting the specialised requirements of Railways, particularly of standard repetitive items of large volume at economic prices, on the basis of modern and mechanical methods of production. The Group is also in favour of such capacity being under the control of the Railways, to ensure control over the design, quality, prices and deliveries. There are other advantages also. Today, the Railways constitute a substantial source of scrap, which is sold to collecting agents and in turn to foundries and which again sell the same

to the Railways in the shape of castings at possibly excessive prices. The Group would recommend substantial expansion of the existing railway foundries. In addition, the Group recommends that the Railway may establish new foundries with modern equipment, for large scale production of standard items. The Group understands that the Railway have already a proposal to establish a new steel foundry with a capacity of about 10,000 tonnes. The Group would suggest that the possibility of increasing the capacity to about 20,000 tonnes, either initially or by expansion at a later stage, be seriously considered. The Group would also advice that the production programme should be determined not merely to match Railways' own manufacturing facilities but rather on a selection of items used in railway stock, wherever manufactured."

7.97. As the requirements of steel castings were much more than the production it was considered advisable to put up a steel foundry capable of developing upto 20,000 tonnes. A second protocol for a detailed project Report was then signed in October, 1965 and the project Report was received in November, 1966.

7.98. The Committee enquired why the Railway Board concluded the first protocol with USSR in December, 1964 when it had already been decided in September, 1964 to abandon the project for setting up the wagon building factory in the public sector of which the foundry was an integral part. The representative of the Ministry stated that the steel foundry was not meant only for the wagon factory. The idea of having a steel foundry by the side of the wagon factory was pursued from the point of view of administrative convenience. It was visualised that the service and personnel Departments would be common and that the management would be easier with one General Manager, looking after both the projects.

7.99. In a further note on this point, the Railway Board have stated:—

"The proposal to set up a central wagon building factory under this Ministry was mooted to meet the anticipated increase in the requirements of wagons. This project was deferred owing to the traffic growth in the closing year of the 3rd Plan being slower than what was anticipated earlier. Even though it was proposed to locate the wagon building factory and the Steel Foundry in close proximity for administrative convenience and overall economy, the two projects had no direct bearing with each other. Thus even though it was decided in

September, 1964 to postpone the setting up of the wagon building plant, it was still considered desirable to go ahead with the setting up of the Steel Foundry. This was to augment the steel castings production in the country which had not been developing as rapidly as anticipated, to provide adequate steel castings for wagon building activities and to develop the manufacture of cast steel bodies for bogie wagons, an item which had not so far been undertaken in the private sector."

7.100. Audit have offered the following comments on the foregoing:—

"The statement made by the Ministry of Railways that the two projects, wagon building factory and the steel foundry had no direct bearing on each other is not borne out by the records. An extract of para 6 of the note submitted by the Ministry of Railways to the Ministry of Finance on 15-3-1963 is reproduced below:—

In all the circumstances, a steel foundry preferably attached to the proposed wagon building works should be established on a priority basis, so that substantial tonnages of castings are available immediately i.e., by the closing stages of the Third Plan if possible and at any rate in the early stages, of IVth Plan to supplement the indigenous availability of steel castings immediately and as a long term measure to cater, if possible exclusively, to the proposed wagon manufacturing works.

Another extract from a note submitted to the Board on 1.9.1964 by the Technical Director, W.M.P., on which the Board decided to shelve the wagon building factory, is also reproduced below:—

The steel foundry and the wagon building factory will have to be located in close proximity to each other as the major portion of the out-put from the steel foundry will be required for use in the wagon building unit.

In addition to the above, the reply furnished by the Ministry stating that 9,000 out of 10,000 tonnes of steel castings planned for manufacture in the Naini Foundry were meant for the wagon building factory, would make it clear that the wagon building factory and the steel foundry were closely linked with each other."

7.101 Further explaining the circumstances in which the two protocols were signed with the U.S.S.R., the Board have stated that:

“...it was only in December, 1966 that the Planning Commission made a further review of the development programme of steel castings and reduced the original anticipated demand of steel castings for 1970-71 from 4.75 lakh tonnes to 2.25 lakh tonnes. It will be obvious therefore that the review made by the Planning Commission in December, 1966 in which the demand of steel castings in 1970-71 was drastically reduced did not give a chance to the Ministry of Railways to defer the two contracts with the Russians which were entered into much earlier than December, 1966 i.e., on 24-12-1964 and 16-10-1965 respectively.

“Thus even at the time when the first contract was signed in December, 1964 and the second in October, 1965, there was no indication from any quarter that additional capacity would not be required due to recession. Thus the Railways had no other alternative but to process both the contracts in time as the development of Steel Foundry requires a gestation period of 5 to 6 years as has been experienced in the setting up of a similar Steel Foundry at Chittaranjan.

“It will, therefore, be seen that after a decision was taken in September, 1964 by the Ministry of Railways to defer the setting up of the Wagon Building Factory, there was still sufficient indication from the Planning Commission for the Railways to go ahead for setting up a new Steel Foundry at Naini and upto the time the two contracts were signed with the Russians, i.e., December, 1964 and October, 1965 there was no indication whatsoever that at a review to be taken subsequently, i.e., in December, 1966 due to recession in the country the total anticipated demand of steel castings would be curtailed abnormally, requiring the Ministry of Railways to defer the Naini Steel Foundry Project.”

7.102. The Committee enquired whether the Report would not become obsolete because of advancing techniques. The representative of the Board submitted that “the amount spent on its preparation would not be infructuous. It is a very fine Report. Lot of useful material and technical data are available with us. The project had only been deferred and not abandoned. Even though some machines might change, the report will still be of considerable value. In this connection the witness informed the Committee that a large number of steel bogies would be required for the wagon

fleet. Cast steel bogies were much superior in design and more economical, efficient and easier to maintain than the conventional fabricated bogies. The designs in this regard were being developed by the RDSO who were almost ready with them. In that case, the requirements of steel castings would go up by 3 tonnes per wagon. Therefore, there was considerable potential for steel casting capacity and they were seriously considering the question of reviving the proposal to set up the steel foundry.

7.103. To a further question whether these special castings could not be developed in other foundries in the private sector, the representative of the Ministry of Industrial Development stated:

“All that I can say generally is that the castings industry has developed and certain units in the private sector such as... (a firm in Bombay) have improved their technology considerably, but whether they would be able to take up the castings for these wagons and the components and so on that railways want, it is not possible for me to say, because it is only the user Ministry that can judge.” On the same question being put in the representative of the Ministry of Railways, he stated:

“This has not been tried so far. I can only say from the experience we have had. We have had considerable difficulty in developing the capacity for it at Chittaranjan. In fact, we have not yet come out of the woods. Our production rate is not as good as we would like it to be. I suppose that if an exercise like that was carried out by some of the bigger steel foundries, they would probably be able to do it after sometime. It is only a question of developing a particular know-how.”

7.104. In a further note on this point, the Railway Board have stated that “the steel castings required for BG cast steel bogies are very intricate and difficult to manufacture. Only a few of the existing foundries both in the public and private sectors, have been manufacturing castings required for railway wagons.... The experience of the Railways has been that only a very few foundries have the necessary competence to undertake the more difficult castings.” Audit have commented as follows in this regard:—

“Capacity for manufacture of cast steel bogies had already been developed in the private sector with M/s. (a firm in Bombay and a firm in Calcutta) with the collaboration of two foreign firms M/s. English Steel Castings Corporation, U.K., and M/s. Amsted Industries Inc., U.S.A. The Chittaranjan Steel Foundry is also capable of producing cast steel bogies. Request from a third firm, M/s.... for entering into collaboration with M/s. English Steel Castings Corporation for manufacture of cast steel

bogies has been turned down by the Board only recently (4-11-1969) on the ground that there is no need for developing any further capacity for cast steel bogies for the Railway's use. The Railway Board's decision in this regard is reproduced below:—

"Railways do not need any further capacity to be developed for cast steel bogies and as such we cannot sponsor any more collaborations. As far as Russian wagons are concerned, it is upto the State Trading Corporation and Director General, Technical Development to take a view whether the existing capacity in the country is adequate to meet this need or not."

"Cast steel bogies are also being manufacture in the country. M/s. (the firm in Bombay) have already executed an export order for the Korean Railways for high speed cast steel bogies worth about Rs. 3 crores. There are wagon builders like M/s. . . . and M/s. . . . who are manufacturing Metre Gauge bogie wagons with cast steel bogies."

7.105. The Railway Board have in further notes given the following picture of requirements of steel cast bogies during the 4th Plan, the results of proto-type trials carried out in this regard by the RDSO and the likely need for revival of the project:—

"No decision has so far been taken to revive the Naini Project. The matter is under detailed examination and the preliminary examination shows that there may be need to revive the Naini project. . . . the studies made by the Ministry of Industry and Supply at the instance of the Planning Commission had revealed initially a wide gap between the requirements of steel castings in 1970-71 and the installed capacity i.e. 2 lakh tonnes installed capacity in 1965-66 against a requirement of 4.7 lakh tonnes in 1970-71. This assessment was, however, reviewed by the Planning Commission in December 1966 when the anticipated demand of steel castings for 1970-71 was reduced from 4.75 lakh tonnes to 2.25 lakh tonnes. A total production of 60,000 tonnes in the Public Sector and 1,75,000 tonnes in the Private Sector i.e., a total 2,35,000 tonnes production of steel castings has been estimated for 1970-71. These estimates do not include the Railway's requirements of additional steel castings for their bogie wagons to be constructed during the later part of the Fourth Plan and in the Fifth and Sixth Plans and onwards.

As has already been brought out, the recession in the transport industry has caused the Railways to curtail their Rolling Stock Programme temporarily but even with the curtailed Rolling stock requirements already approved

for the 4th Plan, additional steel casting capacity will be required to enable the Railways to change over to cast steel bogies thereby ensuring higher speed potential for the goods trains as well as bringing about economy in the maintenance due to the use of cast steel bogie.

The Research, Designs and Standards Organisation under the Ministry of Railways have conducted trials with 3 imported types of Cast steel bogies viz. Amsted Ride Control, Sumitomo SM-3 and National CI as well as with the one (Casnub) developed by Research, Designs and Standards Organisation themselves, with a view to ascertain their comparative suitability for adoption on the Indian Railways. The initial trials/tests have revealed that while Amsted, National and Casnub bogies give satisfactory performance, the CASNUB bogie of the RDSO has a slight edge over the other two. More service trials are therefore being undertaken to determine their relative superiority and other characteristics."

"The number of BG bogie wagons included in the Rolling stock Programme and the weight of steel Castings required to fit cast steel bogies on these wagons are given below:—

Year	No. of Bogie required		wagons	Approx. weight of steel castings required.
	For Addl. traffic	For Replacement	Total	(In tonnes)
1971-72	2852	319	3171	9012
1972-73	2852	318	3170	9009
1973-74	2851	312	3170	9009

"There is thus a potential of over 9,000 tonnes per year for cast steel bogies as soon as the type is determined under service trials.

"It may be necessary to revive the Naini Steel Foundry to meet the Railways' requirements of cast steel bogies unless the difficult technique of manufacturing them and the necessary capacity can be developed in the foundries in the Private Sector. While the Ministry of Interrial Development will be consulted in regard to the available capacity in the existing units for the manufacture of cast steel bogies, the Ministry of Railways will have to take into

account the capabilities of the Private Sector Foundries to produce the cast steel bogies satisfactorily and at a reasonable cost before deciding the question of setting up Naini Steel Foundry."

7.106. Audit have observed as follows in this regard:—

"It is not clear whether the advantage of higher speed potential for cast steel bogies claimed by the Ministry of Railways has been viewed in the light of what the existing bogie type wagons fitted with fabricated bogie are capable of and the feasibility of attaining higher speeds in the track and bridge conditions and other circumstances prevailing on the Indian Railways. Thus, on the basis of oscillation tests conducted by RDSO even the existing bogie wagons (BOX and BCX which are fitted with conventional fabricated bogies) have been cleared to run at a speed of 96/100 kilometres per hour; but the maximum speed permitted by the Railway Board for goods and Mixed trains on the Board Gauge is only 72 kilometres per hour. In view of this, it must be clarified how the higher speeds of which the cast steel bogie wagons are stated to be capable of would actually be used.

"In 1970-71 Rolling Stock Programme, provision has been made for the procurement of 3046 bogie wagons. Out of these only 90 BOY wagons are to be manufactured with cast steel bogies the total weight of cast steel bogies for these 90 wagons would come to about 260 tonnes only.

"The reply given by the Ministry seems to suggest that all the bogie wagons to be constructed from 1971-72 onwards would be fitted with cast steel bogies. As the Railway Board are yet to take a decision as to how many of the wagons are proposed to be manufactured with cast steel bogies and how many with fabricated bogies, this impression needs to be rectified."

7.107. The Committee then enquired about the position with regard to the land acquired for the project by the U.P. Government at a cost of Rs. 29 lakhs. The Ministry have stated that "the Government of U.P. had acquired land for an Industrial Complex at Naini including the land required for the Railways' two projects between April and August, 1966. The Railways did not take over the land from the U.P. Government and no commitment in this regard had been made by the Railways. No expenditure was incurred on account of land by the Railways. The U.P. Government have already confirmed that no debits will be raised against the Railways on account of the land acquired for the industrial complex at Naini."

The Board have further stated that the U.P. State Government were given an indication on 27.5.1967 that the Railway may not re-

quire the land for the two projects at Naini. On 14.9.1967 the U.P. Government was categorically informed that the land which was earmarked for the Railways' Projects by the U.P. Government was not required."

7.108. Asked if they would face any difficulty if they were to choose a site for the foundry when the project was revived, the representative of the Board stated in evidence that with the data and specifications given in the Project they would be able to pick up another site.

7.109. The Committee observe that the Railways have spent a sum of Rs. 21.85 lakhs on the preparation of a project report for a foundry at Naini which has been shelved. In their Hundred and Fourth Report (Fourth Lok Sabha) the Committee have drawn attention to the haphazard development of foundries in the country which has resulted in the creation of substantial surplus capacity in the foundries in the public as well as private sector. The Committee have in that context referred to the widely divergent estimates of demands for castings and forgings made by Government from time to time and to the need to relate these estimates to firm and realistic assessment of the requirements of end-user industries. The Committee have also emphasising the need for extreme circumspection before embarking on new projects in this field in view of the unhappy experience in utilisation of capacities already established in the public as well as private sector. The Committee would like the Railway Board to take due note of this position before proceeding further with the Naini Project. Any further examination of the proposal that the Railway Board might undertake should be done in consultation with the Ministry of Industrial Development which is seized of the overall position regarding the capacity and utilisation in the foundries set up in the country.

Southern-Railway—Transfer of ferry service

Audit Paragraph

7.110. The Indo-Ceylon ferry service between Dhanushkodi and Ta'aimannar was being operated by the Southern Railway till it was disrupted by the cyclone and tidal waves in December, 1964. The Railway had two vessels acquired in 1929, which were maintained by their Marine Workshops at Mandapam.

7.111. One of the vessels, T.S.S. Goschen, ran aground in the cyclone off the coast of Ceylon and an amount of Rs. 4.45 lakhs was spent in salvage operations and in bringing to Mandapam Workshops where it was berthed from August, 1965. The vessel was, however, not repaired fully, pending a final decision about its future and its repair work was stopped in February, 1966, after incurring an expenditure of Rs. 62 thousand. It was sold to a private party

two years later in May, 1968 for Rs. 1.44 lakhs, rendering an expenditure of Rs. 3.63 lakhs infructuous. The crew of the ship who were engaged on multifarious jobs for these three years are now being utilised, after the sale of ship, in the Marine Workshops, though they are not fully suited for the jobs.

7.112. The other vessel T.S.S. Irwin was transferred in December, 1965 to the Shipping Corporation of India-to whom the ferry service was also handed over. Although the vessel is being run on the ferry service from March, 1966, the price of the vessel is still to be settled (December, 1968.) While the Administration estimated its value at Rs. 10 lakhs, the Corporation asked for transfer free of cost. The services of the staff, except six, are still to be finally transferred to the Corporation.

7.113. The assessed value of the Marine Workshops at Mandapam, inclusive of residential quarters, is Rs. 28.22 lakhs. Efforts made by the Administration to transfer the Workshops to Madras Government or some other agency have not proved successful so far (January, 1969). The workshops are being utilised for repairs to wagons and manufacture of other stores, although the staff, with a salary bill of Rs. 3.05 lakhs per annum, are not fully suited for the jobs. General stores worth Rs. 1.57 lakhs rendered surplus in the Workshops also await disposal.

[Paragraph 60—Audit Report (Railways), 1969]

7.114. The Committee enquired whether before deciding on rescue operations, the condition of T.S.S. Goschen was surveyed with a view to ascertaining whether rescue at Government cost was worthwhile. The Railway Board have stated that the extent of damage was studied and "it was found to be confined to a small section of the vessel only. The damage sustained by the vessel was of a minor nature and the estimated cost of salvaging was Rs. 57,000/- only. As the damage was minor and the cost of rescue operations as estimated was also not substantial, it was considered worthwhile to take rescue operations at Government expense."

7.115. Asked whether the question of selling the ship in its 'as is, where is condition or of abandoning it was considered, the Board has replied that "it was not considered uneconomical to refloat the vessel and bring it back to the Indian waters. However, while deciding to undertake rescue operations, the aspect of selling the vessel in Ceylon waters itself was borne in mind and it was found that it would not be worthwhile to auction it or sell it by any other means. The question of abandoning the vessel did not arise as the rescue operations were not considered uneconomical."

7.116. To a question whether advice was obtained from the Ministry of Transport and Shipping or any other major Indian Shipping Company, the Board have replied that "before undertaking rescue

operations the vessel was got surveyed in consultation with the representative of a firm of shipping experts viz. M/s. Port Cargo Corporation of Ceylon who were undertaking such works. Also, required assistance from Ceylon Government Railways and Royal Ceylon Navy in carrying out salvage operations was assured. Further, the operations had to be carried out before the onset of Monsoon as otherwise the ideal season for salvage operations would have been missed. The Ministry of Transport or Indian Shipping Companies were not, therefore, consulted."

7.117. In regard to the other ship T.S.S. Irwin, the Committee enquired about the reasons for delay in settling its price and the present position in the matter. In a note, the Board have stated that "the vessel was transferred to the Shipping Corporation of India in December, 1965 on the understanding that financial transaction would be effected as mutually agreed between the Ministry of Railways and the Ministry of Transport. When the question of settling the transfer value with the Ministry of Transport was taken up, fundamental differences regarding the basis on which the price should be worked out cropped up. Whereas in terms of the Railway Code Rules, the transfer value worked to Rs. 16.93 lakhs, the Ministry of Transport and Shipping contended that it should be transferred free of cost. Subsequently, taking into account the special circumstances of the case, a reduced price of Rs. 10 lakhs was quoted to the Ministry of Transport, but even this was not accepted by them and they reiterated their earlier stand, adding that the utmost they could do was to pay the scrap value. On account of these basic differences, the matter remained under correspondence with the Ministry of Transport. Ultimately in January, 1969 the ship was got surveyed by M/s. ERICSON & RICHARDS of Bombay who reported that Rs. 6 lakhs was a fair value for the vessel. Based upon this, negotiations were conducted with the Ministry of Transport in a meeting held in July, 1969, wherein the representatives of Shipping Corporation of India pointed out that this figure of Rs. 6 lakhs included a sum of Rs. 3.71 lakhs initially spent by them in making the vessel seaworthy and getting it passed by the Mercantile Marine Department after survey. The details of this expenditure have been furnished by the Ministry of Transport who have recommended a price of Rs. 2.30 lakhs (Rs. 6 lakhs minus Rs. 3.71 lakhs being cost of initial repairs to the vessel). Further reference has been made to the Ministry of Transport and the matter is under consideration in consultation with the Southern Railway."

7.118. The Committee desired to know how the cost of repairs to wagons and manufacture of stores in the Marine Workshops at Mandapam compared with the other Railway Workshops, and whether the out-turn had been satisfactory. The Railway Board have stated that "the lay-out, machinery and plant and equipment of marine workshops is suited for undertaking maintenance of sea going ves-

sels. The lay-out and equipment required for undertaking repairs to wagons are somewhat different. In order, however, to utilise to the maximum extent the facilities already available in the marine workshops and the staff, repairs to wagons had to be undertaken in this workshop even though the workshop was not meant for this work. The productivity of this workshop is, therefore, not comparable with the productivity of a regular wagon repair shop designed to take up this work. The cost of heavy repairs to wagons undertaken in different shops is not comparable, since the nature and extent of repair work varies widely from wagon to wagon and from workshop to workshop. Considering the limited facilities in this workshop and the suitability of the staff for this type of work, the out-turn is considered satisfactory."

7.119. Asked to state the present position regarding disposal of the workshop, the Board have informed the Committee that "since the Tamil Nadu Government have coastal fishing vessels and the Mandapam drydocks had undertaken their repairs, they were approached to take over the facilities available at Mandapam. This matter was actively pursued with the Tamil Nadu Government and a high level meeting was held with the Additional Secretary to the State Government. Based on the decisions of this meeting, a committee of representatives of State Government had recently inspected the facilities available at Marine Workshops and reported to the State Government. This would be pursued with the State Government further."

7.120. The Committee enquired about the reasons for delay in fitting the staff of the workshops into jobs for which they were suitable or otherwise, of training them suitably for other Railway work. It has been stated by the Board that the "staff of Mandapam Workshops were essentially meant for carrying out repairs to Marine vessels. With the stoppage of ferry service between India and Ceylon, this work came to an end. The trades in which these staff were engaged were essentially different from the trades available in other railway workshops and as such the question of re-orienting them on a large-scale basis was beset with basic difficulties i.e. lack of avenues etc. It was in this background that the work of wagon repairs was diverted to Mandapam workshops in order to make best possible use of the staff and other assets available at this workshop. The absorption of the staff is obviously a gradual process depending upon the availability of suitable vacancies. To the extent feasible, the staff have been trained and absorbed in alternative posts. As against 64 skilled, 27 semi-skilled and 22 un-skilled staff on 1st May, 1965, only 15 skilled and 15 un-skilled staff are now engaged in the workshops."

7.121. The Committee observe that an expenditure of Rs. 4.45 lakhs was incurred (in foreign exchange) on salvaging and transporting T.S.S. Goschen, one of the two ships in the Indo-Ceylon ferry service, after it ran aground in a cyclone off the coast of Ceylon

in December, 1964. A further expenditure of Rs. 62,000 was incurred on its repairs before the work was stopped. The vessel was thereafter condemned and sold for Rs. 1.44 lakhs, rendering an expenditure of Rs. 3.63 lakhs infructuous.

7.122. The Committee feel that, as the ship was a very old one, purchased as far back as 1929, a close survey of its condition was called for before salvaging operations were undertaken. The survey was entrusted to a foreign party when it could well have been done by Indian experts. The survey was obviously very perfunctory, as the estimate for salvaging was put at Rs. 57,000, against which the actual expenditure amounted to Rs. 4.45 lakhs. The Committee are not convinced by the explanation that there was no time available to call in Indian agencies for the survey and would like the matter to be further examined by the Railway Board.

7.123. The Committee note that the other vessel, which was operated in the ferry service, was transferred to the Shipping Corporation in December, 1965, but that its price is yet to be settled. The Committee deprecate the delay in this regard and would like the matter to be finalised immediately.

7.124. With the discontinuance of the ferry service, the Railways are facing difficulty in putting the Marine Workshop and the personnel to the best use. A proposal for the transfer of the Workshop to the Tamil Nadu Government is stated to be in the process of negotiation. The Committee would like to be apprised of its outcome. As regards the personnel, efforts should be made to transfer their services to the Shipping Corporation or the State Government, failing which they should be given orientation training for being absorbed in suitable jobs in the Railways.

Western Railway—Avoidable payment of higher rates for power supply

Audit Paragraph

7.125. The Administration takes power for its use at Kota and Jaipur from Rajasthan State Electricity Board. The question of obtaining suitable tariffs for the supply had been under discussion with the Electricity Board and the latter issued provisional tariff schedules effective from 1st July, 1961, containing High Tension tariff suitable for industrial loads and other usual tariffs for low tension supply. Since the loads at the two places were of the mixed type, the matter was pursued with the Electricity Board for providing a suitable tariff schedule. Meanwhile, however, the benefit of the H.T. tariff was availed of at Kota for the wagon repair shop where suitable metering equipment had been installed, while low tension supply continued to be drawn for the Railway colony, offices and hospital.

7.126. The Electricity Board published final tariff schedules, effective from April, 1964, which included a tariff for mixed load of the type, the Administration was able to offer. This tariff could not, however, be availed of at Kota for the Railway colony, offices and Hospital upto February, 1967, since the necessary meters were not installed till then. It may be mentioned that while the estimate for providing necessary installations to draw the H.T. supply for the wagon repair shop sanctioned in June, 1957, provided for installing a H.T. metering equipment, a similar provision was not made in the estimate for providing H.T. distribution system for the Railway colony etc. sanctioned in May, 1960. By not providing the metering equipment for the H.T. supply from April, 1964, the Railway Administration incurred an additional expenditure of Rs. 2.4 lakhs during the intervening period.

7.127. At Jaipur, the Administration had provided a suitable network, including metering equipment for drawing the H.T. supply as early as November, 1962, at a cost of Rs. 1.92 lakhs. But due to delay in finalising a suitable agreement with the Electricity Board, while the loads for loco workshop and running shed were segregated in September, 1963, the balance load continues to be paid at Low Tension rates. The assessed loss for a period of three years from May, 1964, works out to Rs. 25 thousand.

[Paragraph No. 61—Audit Report (Railways), 1969].

7.128. The Committee enquired when metering equipment for H.T. supply was provided in the estimate and procured for wagon repair shop at Kotah and why similar action was not taken with regard to Railway Colony, Hospital etc. The Railway Board have explained that "State Electricity Boards normally insist on providing their own meters for H.T. supply. The Railways, however, usually make provision for a separate meter of their own also in their estimate so as to serve as a check on the amount of current which is being billed for. If a difference above a certain percentage is noticed, the agreement provides for the supply meter of the State Electricity Boards being recalibrated.

There were two types of loads at Kotah, one for the Wagon Repair Shop, which could be deemed to come under 'Industrial' tariff and the other for Railway Station, colony, Hospital, etc., which did not come under this category. The Railway wanted to get a revised tariff for both these loads as it was felt that this would be more economical and pursued this matter with the State Electricity Board. Since a H.T. meter was already included in the estimate for Kotah Wagon Repair Shop, this would have sufficed for the entire load when a suitable mixed tariff was offered. There was, therefore, no need for providing a separate metering equipment in the estimate for the high tension tariff for Station, Railway Colony, Hospital, etc."

7.129. To a question whether the Railway Administration tried to obtain metering equipment from the Electricity Board or from other Divisions/Railways, for temporary use at Kotah, the Board have replied that in May, 1964, the Rajasthan State Electricity Board published a tariff for mixed type of loads and it was found that the Railways would stand to gain if this tariff was accepted only for the Railway Station Colony, Hospital, etc. and the Kotah Workshop were retained on the old industrial tariff. As this arrangement necessitated the provision of two separate H.T. meters, the State Electricity Board was asked to make necessary arrangements. No metering equipment was, however, readily available with them and this could be arranged only in February, 1967. As for procuring the equipment from other Divisions/Railways, it has been stated that there was no spare metering equipment available since these are imported and procured only when required.

7.130. The Committee enquired about the latest position with regard to finalisation of agreement at Jaipur. The Board have replied that the draft agreement for H.T. supply at Jaipur has since been finalised after discussions and forwarded to the Rajasthan State Electricity Board for acceptance.

7.131. The Committee observe that the Railways were not able to take advantage of a composite electricity tariff offered by the Electricity Board in respect of electricity consumed at the Railway colony, offices and hospital at Kotah due to non-provision of metering equipment. It took nearly three years to provide the meters and during this period metering equipment procured for installation at another place (Jaipur) was reportedly lying idle for want of agreement with the State Electricity Board on certain matters. These could well have been installed at Kotah.

7.132. The Committee consider it to be a case of lack of coordination and would like necessary instructions to be issued to avoid recurrence of such cases in future.

NEW DELHI;
April 16, 1970.

Chaitra 26, 1892 (S)

ATAL BIHARI VAJPAYEE,
Chairman,
Public Accounts Committee.

APPENDIX I

(Vide para 1·45)

*Statement showing the sections which have been dies listed together with there
kilometerage & ruling gradients*

<i>Section Broad Gauge.</i>	<i>Distance in Km.</i>	<i>Annexure Ruling gradient</i>
<i>Central Railway.</i>		
Dhond-Nandgaon	260	1/100
Bhusawal-Itarsi	301	1/110
Bhusawal-Badnera	218	1/150
Baddera-Ajni	170	1/150
Wardha-Ballarsha	133	1/150
Junderdeo-Itarsi	199	1/100
Itarsi-Jabalpur	245	8/110
Jabalpur-Satna.	189	Level
Satna-Chheoki	169	Level
New Katni-Bina	264	1/100
Jhansi-Agra Cantt	216	1/150
Agra Cantt-Mathura	54	Level
Mathura-New Delhi	140	Level
Jhansi-Banda	192	1/125
<i>Eastern Railway</i>		
Barwardih-Patratu	137	1 in 182
Sone East Bank-Barwardih	155	1 in 200
Moghalsarai-Sone East Bank	124	Level
Moghalsarai-Jhajha	389	1 in 300
Jhajha-Madhupure	72	1 in 100
Gharahra-Jhajha	109	1 in 200
Asansol-Madhupura	82	1 in 200

(1)	(2)	(3)
Andal-Asansol	26	1 in 200
Burdwan-Andal	80	Level
Tribeni-Burdwan	76	Level
Burdwan-Rampurhat	112	Level
Andal-Rampurhat	110	Level
Rampurhat-Farakka	98	1 in 200
Rampurhat-Saqibganj	134	1 in 181
Sahibganj-Farakka	64	1 in 225
Sahibganj-Jamalpur	128	1 in 150
Howrah-Burdwan	107	Level

Northern Railway

Moradabad-Ghaziabad	140	1/250
Mughalsarai-Varanasi	207	1/300
Moradabad-Kanalamtura		
Kanpur-Tundla		
Rai Bareilly-Lucknow	903	Level
Ludhiana-Amritsar		
Lucknow-Sultanpur-Varanasi		
Mughalsarai Allahabad		
Lucknow-Moradabad	775	Level
Partapgarh-Rai Bareilly		
Ludhiana-Saharanpur		
Allahabad-Kanpur		
Tundla-Ghaziabad	507	Level
Varanasi-Pratapgarh		

Southern Railway

Erode-Jalarpet	179	1/150 upto Salem Salem 1/90 upto Jalar- pet
Jalarpet-Erode	185	1/200
Erode-Olavakot	143	1/110

(1)	(2)	(3)
Olavakkot-Erode	143	1/62 upto P. danur 1/142 upto Erode.
Olavakot-Shoranur	44	1/100
Shoranur-Olavakot	44	1/178
Shoranur-Cochin Harbour Terminus	114	1/80
Shoranur-Calicut	86	1/100
Calicut-Shoanur	86	1/100
Eride-Tiruchchirappalli Goods Yard	141	1/100
Tiruchchirappalli-Erode	141	1/100
Erode-Coimbatore	103	1/110
Coimbatore-Erode	103	1/142
Arkonam-Madras Harbour	71	Level
Madras Harbour-Arkonam	71	1/225
Arkonam-Tondiarpet Marshalling Yard	69	Level
Tondiarpet Marshalling Yard Arkonam	69	1/225
Arkonam-Jalarpct	145	1/180
Jalparpet-Melpakkem	145	1/200
Arkonam-Nandalur	151	1/150-200 upto Renigunta 1/60-132 upto Nandlur.
Nandalur-Arkonam	151	1/127 upto Renigunta 1/200 upto Arkonam
Nandalur-Gooty	195	1/50 upto Cudapah 1/122-164 upto Gooty
Gooty-Nandalur	195	1/168 upto Cudapah 1/90 up to Nandlur
Mooty-Raichur	150	1/104
Raichur-Geoty	150	1/110
Gooty-mospet	144	1/150

(1)	(2)	(3)
Jalarpet-Bangalore City	143	1/68 upto Krishnarajapuram 1/100 upto Bangalore City
Bangalore City-Jalarpet	143	1/100 ex. Bangalore Cant-Jalarpet. 1/73 ex. Bangalore City-Bangalore Cant.
Byappanahalli-Jalarpet	132	1/100
Jalarpet-Byappanahalli	132	1/100
Jalarpet-Renigunta	210	1/200 upto Arkonam 1/150 upto Renigunta
Renigunta-Jalarpet	210	1/200 upto Arkonam 1/180 upto Jalarpet
Jalarpet-Tondiarpet Marshalling Yard	213	Level
Tondiarpet Marsnalling Yard Jalarpet	213	1/225 upto Arko am 1/180 upto Jalarpet
Tondiarpet Marshalling Yard-Bittragunta	203	1/200
<i>South Central Railway</i>		
Wadi-Secunderabad	195	1/150
Secunderabad-Kazipet	131	1/100
Kazipet-Dhornakal	95	1/150
Dhornakal-Vijayawada		1/200
Vijayawada-Dornakal	125	1/100
Belharsha-Bellamanalli	126	1/100
Bellamapalli-Kazipet	109	1/150
Dhond-Sholapur	188	1/150
Sholapur-Dhond	188	1/125
Sholapur-Wadi	150	1/100
Wadi-Raichur	107	1/125

(1)	(2)	(3)
Raichur-Wadi	107	1/100
Gudur Bittragunta	72	1/200
Bittragunta-Gudur	72	1/250
Bittragunta-Vijayawada	221	1/200
Vijayawada-Bittargunta	221	1/250
Vijayawada-Rajamundry	149	1/200
Rajamundry-Waltair	201	1/200
<i>South Eastern Railway</i>		
Waltair-Kharagpur	801	1/150
Waltair-Kirandul	471	1/60
Waltair-Bondamunda	664	1/100
Waltair-Rayagada	185	1/100
Bondamunda-Karampada	94	1/50
Bondamunda-Kargali	310	1/100
Bondamunda-Bhilai	448	1/150
Dhongargarh-Ajni	206	1/150
Bilaspur-Sahdol	192	1/100
Bilai-Waltair	551	1/100
<i>Western Railway</i>		
Surat-Baroda	129	1/100
Baroda-Ahmedabad	100	1/200
Virangam-Ahmedabad	60	Level
Virangam-Kharagoda	36	Level
Baroda-Godhra	74	1/150
Anand-Godhra	79	1/200
Anand-Cambay	52	1/200
Vasad-Kathana	43	Level
Godhra-Nagda	229	1/100
Nagda-Bhopal	239	1/150
Nagda-Kotah	224	1/200
Kotah-Bayana	249	1/200
Bayana-Mathura	76	Level

(1)	(2)	(3)
<i>Metre Gauge</i>		
Katihar-Siliguri Jn.	202	1/150
Siliguri-Alipurduar	163	1/150
Alipurduar-New Gauhati	269	1/100
New Gauhati-Lumding	177	1/160
Lumding-Mariani	177	1/135
Mariani-Finsukia	155	1/150
Lumding-Badarpur	185	1/60 and 1/37
<i>Southern Railway</i>		
Guntakal-Dharmavaram	101	1/100
Dharmavaram-Pakala	227	1/100
Pakala-Velupuram	223	1/100
Tiruchirappalli		
Goods Yard-Virudhunagar	217	1/100
Virudhunagar-Shencottaha	130	1/200
Shencottaha-Quilon	94	1/60
Yeshwanthpur-Dharmavaram	173	1/100
Dharmavaram-Yeshwantpur	173	1/100
Dharmavaram-Yeshwantpur	173	1/89 & 1/100
Yeshwantpur-Arsikere	160	1/100
Arsikere-Ehadravaithi	90	1/100
Yeshwantpur-Mysore	143	1/70
Yeshwantpur-Salem	226	1/100
Salem-Yeshwantpur	226	1/70
<i>South Central Railway</i>		
Secunderabad-Nizamabad	159	1/133
Nizamabad-Purna	140	1/133
Secunderabad-Dronachellam	297	1/100
Tadepalli-Donakonda	145	1/100
Donakonda-Nandyal	142	1/100
Nandyal-Dronachellam	73	1/100
Ghoropuri-Miraj	258	1/100
Miraj-Hubli	279	1/100
Hubli-Hospet	143	1/100

(1)	(2)	(3)
Hospet-Guntakal	144	1/100
Guntakal-Dronachellam	69	1/100
Gadag-Hotgi	278	1/100
Vasco-Collem	58	1/100
Collem-Castle Rock	26	1/40
Caste Rock-Vellam	26	1/100
Castle Rock-Londa	24	1/100
<i>Western-Railway</i>		
Rewari-Bandikui	135	1/150
Agra Fort-Phul'era	298	1/150
Rewari-Phullera	215	1/150
Phullera-Ajmer (Chord)	81	1/150
Rajkot-Jetalsar	78	1/125
Kunkavav-Porbandar	169	1/150
Kanalus-Katkola	67	1/150
Dhasa-Mahuva	126	1/100
Dhola-Dhasa-Kunkava	87	1/200
Palanpur-Gandhi Dham	301	1/150
Gandhi Dham-Bhuj	57	1/100
Gandhi Dham-New Kand'a	12	Level
Palanpur-Sabarmati	127	1/150
Mehsana-Wankaner	204	1/200

APPENDIX II

(Vide para 2·11)

Statement showing detentions to wagons in major marshalling yards during
1966-67 and 1967-68

Annexure I

MARSHALLING YARD STATISTICS.

AVERAGE DETENTION TO ALL WAGONS IN HOURS

Name of Marshalling Yard	Year	Average
New Katni	1966-67	29·4
	1967-68	29·7
Mughalsarai	1966-67	25·4
	1967-68	24·4
Arkonam	1966-67	29·6
	1967-68	31·3
Raichur	1966-67	36·6
	1967-68	30·4
Tondiarpet	1966-67	34·5
	1967-68	34·1
Bhusawal	1966-67	10·9
	1967-68	19·3
Itarsi	1966-67	18·4
	1967-68	15·7
Kalyan	1966-67	16·2
	1967-68	25·6
Asansol	1966-67	22·03
	1967-68	20·7
Chitpur	1966-67	19·8
	1967-68	18·5

Name of Marshalling Yard	Year	Average
Andal	1966—67	20·2
	1967—68	17·4
Khan Alampura	1966—67	16·9
	1967—68	21·4
Kanpur	1966—67	19·9
	1967—68	20·0
Tughalkabad	1966—67	16·8
	1967—68	17·0
Vijayawada	1966—67	25·4
	1967—68	27·5
Bondamunda	1966—67	26·2
	1967—68	21·5
Tatanagar	1966—67	20·5
	1967—68	19·1
Baroda	1966—67	14·7
	1967—68	16·1

ANNEXURE II

Statement showing Average total detention per wagon from arrival to despatch (in hour) at Terminal Goods stations in 1966-67 and 67-68

Name of Terminal Station	Year	Average
Belanganj	1966-67	28.92
	1967-68	28.2
Wadi Bunder	1966-67	69.9
	1967-68	64.2
Chitpur	1966-67	43.4
	1967-68	35.4
Howrah	1966-67	42.2
	1967-68	43.2
Sealdah	1966-67	46.1
	1967-68	48.0
Delhi	1966-67	17.2
	1967-68	17.8
Salt Coraurs	1966-67	72.4
	1967-68	67.6
Shalimar	1966-67	70.3
	1967-68	62.7
Carnac Bridge	1966-67	27.6
	1967-68	27.0
Katihar	1966-67	27.6
	1967-68	23.6

ANNEXURE III

*Statement showing Average detention (in hours) to Broad Gauge stock.
(Overall detention from Arrival to despatch)
at BREAK OF GAUGE TRANSHIPMENT POINTS.*

Broad Gauge to Metre Gauge.

Name of Transhipment point	Year	Average
Ghorpuri	1966—67	48·6
	1967—68	55·8
Delhi Saria Rohilla	1966—67	36·3
	1967—68	23·6
Bhatinda	1966—67	14·1
	1967—68	14·4
Hissar	1966—67	48·7
	1967—68	46·5
Garhara	1966—67	51·9
	1967—68	69·8
Manduadih	1966—67	40·3
	1967—68	37·7
New Jalpaiguri	1966—67	53·2
	1967—68	36·1
Arkonam	1966—67	40·6
	1967—68	44·7
Bayyappanahalli	1966—67	32·8
	1967—68	41·0
Gudtikal	1966—67	129·4
	1967—68	73·1
Trichinopoly	1966—67	58·6
	1967—68	61·0
Hotgi	1966—67	38·6
	1967—68	35·4
Secunderabad	1966—67	41·6
	1967—68	62·1
Tadepalli	1966—67	90·2
	1967—68	106·9
Agra East Bank	1966—67	20·5
	1967—68	21·1
Sabarmati	1966—67	13·2
	1967—68	13·0
Viramgam	1966—67	12·2
	1967—68	15·8

ANNEXURE IV

Statement Showing Detention (in hours) to Box Wagons in Washeries in 1966-67 and 1967-68

Month	Dugda Washery (BOXS)		Kargali Washery (BOXS)		Jamadoba Washery (BOXS)		Santalidih Washery (BOXS)		Patherdih Washery (BOXS)	
	66-67	67-68	66-67	67-68	66-67	67-68	66-67	67-68	66-67	67-68
	April	58.49	48.10	52.05	51.02	43.50	33.20	21.21	38.00	36.00	51.06
May	44.45	48.20	42.09	39.02	49.10	29.30	21.01	29.00	36.00	31.01
June	48.30	37.15	57.02	27.03	39.20	35.40	20.20	37.00	24.01	48.03
July	46.50	38.45	54.08	34.02	43.10	41.38	28.00	30.00	26.00	46.09
August	54.23	56.25	57.05	57.00	42.50	43.10	29.09	58.00	30.00	47.03
September	57.30	69.40	55.05	55.03	39.20	45.28	20.30	88.22	32.05	49.02
October	56.10	60.20	48.00	61.08	42.30	53.36	22.15	40.54	33.00	45.05
November	52.57	67.10	53.06	51.03	41.30	38.54	22.22	42.55	50.07	33.07
December	62.14	52.10	50.02	48.01	21.30	41.49	21.00	35.04	62.06	25.0
January	51.00	35.13	45.06	41.07	41.38	40.56	23.00	35.24	52.02	22.00
February	44.10	31.08	48.07	26.04	43.10	39.23	32.00	24.02	53.04	26.00
March	58.15	43.36	51.07	38.09	35.28	37.49	55.00	34.02	49.04	21.06
AV. for the year	52.58	48.54	51.05	44.04	40.07	40.06	26.20	41.04	40.17	37.04

APPENDIX III

(Vide Para 2.12)

Note explaining reasons for increased detentions to wagons in marshalling yards. Terminals and transshipment points.

New Katni: Deterioration at New Katni had been principally due to heavy incidence of damage to BOX (bogie open) wagon loads which involved welding and consequential detention to the sick loads for clearance after they were repaired. Odd BOX loads with centre buffer copulers forming part of block rakes to specific points posed a problem for clearance as these could be cleared by subsequent block rakes to the same points only according to room available. The position was brought under control towards the later part of 1967-68 by extensive study of the reasons of heavy damaging and organising extensive repairs and welding at some loading and unloading points on South Eastern and Western Railways as well. System of welding BOX loads on the train in the through yard at New Katni was also organised. Detention to loaded wagons at New Katni yard also increased due to heavy incidence of loaded traffic for Katni-Bina-Jhansi-Agra-Tughlakabad section as line capacity works on these sections were not complete. These works are in progress now. Operation in this yard was not appreciably affected by civil disturbances.

Arkonam: Detention in Arkonam yard during 1967-68 was higher than that in 1966-67, mainly due to detentions to wagons during the months May to September, 1967 and January, 1968. Operation in the area during May was affected by the serious accident to Bangalore-Cochin Express on 21.5.67 on Bangalore-Jalarpet section and another serious goods train derailment on Gooty-Nandalur section on 20.7.67 dislocating train running for 36 hours. Detention to B.G. transshipment loads was extremely heavy due to labour shortage and unsatisfactory operation on M. G. for gale and cyclones. Operation in this yard was seriously affected by the strike of firemen in Tiruchchirappalli, Madurai and Olavakot Divisions of Southern Railway during the period 24.7.67 to 5.8.67; food agitation in Kerala from 11.8.67 to 13.8.67; labour strike in Madras Harbour from 1.9.67 to 10.9.67; Kerala Bundh on 11.9.67 and firemen trouble in Madurai Division of Southern Railway from middle of September to middle of October. Deterioration in January, 1968 was the aftermath of the serious dislocation of train services due to anti-Hindi agitation from 19.12.67 to 31.12.67 and Dock labour strike in Madras Port from 11.1.68 to 16.1.68. Position was aggravated due to heavy receipt of loads, number of wagons

dealt with in February, 1968 being 491 per day against 428 in February, 1967.

Tondiarpet: Higher detention to wagons at Tondiarpet yard during 1966-67 was no doubt due to abnormally high detention during November, 1966 for the steel plant agitation in Andhra Pradesh from 28.10.66 to 7.11.66 which completely dislocated the working on South Central Railway and seriously affected clearance of outgoing stock from Tondiarpet yard for South Central Railway and *via*. The performance in the yard could have been still better in 1967-68 but for the heavy detention to stock during the months May to September, 1967 and slight deterioration during January and February, 1968. Deterioration during the period May to September, 1967 and January, 1968 was principally due to the unsatisfactory features mentioned against Arkonam Yard above. During this period about 65,000 tonnes of foodgrains per month were loaded from Madras Harbour to the famine affected areas of Bihar and wagons had to be moved preferentially detaining other loads. Deterioration in February, 1968 was due to heavy receipt of stock for Olavakot Division. Even though clearance beyond Jalarpet was stepped up to 521 wagons per day against 451 per day, loads still overlapped. This yard worked under heavy pressure during 1967-68 due to heavy receipt of traffic, particularly for Olavakot Division, clearance of which was affected by the limited facilities beyond Jalarpet.

Raichur: This is not a marshalling yard but only an interchange point between Southern and South Central Railways where only sectional work trains are formed and powers of steam trains changed. Detention at this yard depends on synchronisation of clearances by Southern and South Central Railways of loads worked by steam powers as steam powers of the two Railways terminate and originate here. Performance in this yard could have been much better but for abnormally high detention during May, 1967 due to heavy accumulation of loads for Central Railway across South-West ghat due to acute electric power position on Central Railway. The overaged electric locos on Bombay Division gave troubles.

Mughalsarai: Though detention in this yard improved, position could have been much better but for the set-back in August, September and December, 1967 and January, 1968. Set-back in August and September, 1967 was due to heavy hold up of foodgrains and fodder wagons for Dinapur Division due to arrivals for famine affected areas outstripping the release capacity and poor clearance of UP stock from the yard by Northern Railway on account of heavy out of commission of electric locomotives. Newly commissioned indigenous electric locos had teething troubles. Train running was also affected in September, 1967 due to heavy rains from 24-9-67 to 26-9-67 causing sinkage of track and failure of communications in Dinapur Division. Frequency of sectional works trains was also curtailed to conserve loco coal for essential services due to less receipt of coal from private

collieries on account of price dispute. Performance in December, 1967 and January, 1968 deteriorated due to lower acceptance by Northern Railway for sluggish movement on account of heavy cold waves and fog and anti-English agitation in U.P. area.

Apart from the detention figures for five marshalling yards mentioned in para 11 Question 18, similar figures for a few more marshalling yards during 1966-67 and 1967-68 are also given in the Annexure. The figures in 1967-68 show improvement in all these yards except Kalyan, Khanalampura, Vijayawada and Baroda.

Kalyan: Detention figures in Kalyan were high during the period April to November, 1967, principally due to difficulties in clearing the wagons from the yard to different points in Bombay Division on account of very unsatisfactory electric power position. The working of the old over-aged DC electric locomotives was unsatisfactory. The position was aggravated due to acute shortage of water in summer followed by heavy rains. Kalyan yard was under water for three days in July, 1967. However, position was brought under control from January, 1968 by posting diesel locomotives to supplement the electric fleet. It was not possible to do it earlier as diesels were required in other critical sections during the summer to get over acute water scarcity.

Chitpur: Performance of this yard was seriously affected in November and December, 1967 due to 'Hartal' in Calcutta for three days (22nd, 23rd and 30th) of November and its aftermath.

Khanalampura: Deterioration in the trend from December, 1967 onwards was principally due to general slowing down of movement on account of bitter winter and fog. Moreover, the yard had to hold a large number of wagons for Ambala and Ludhiana areas due to growing congestions in the above areas for heavy arrivals much in excess of capacity. Remodelling of this yard is on hand.

Vijayawada: Higher detention in April to June, 1967 was due to hold-up of stock via Kazipet yard which was under remodelling and also due to slow clearance of stock for Southern Railway due to heavy traffic offering for Olavakot Division. During August and September, 1967, working of the yard was affected by slow movement due to firemen's strike on Southern Railway. Operation during January to March, 1968 was affected due to heavy arrival of loads, particularly foodgrains, for Secunderabad and Hyderabad, much above the capacity to release. This yard had been suffering under the handicap of traffic for exceeding the capacity. The remodelling of the yard is in progress.

While the Railway operations are severely affected due to these various incidents of civil disturbances like Hartal, Communal riots, lock-outs, strikes, passenger demonstrations, etc., it is not possible to make an assessment of the actual extent of effect of each on deten-

tion in individual marshalling yards, terminals, etc. The effects of these dislocations are not confined to the local areas only nor are they confined to the period of such disturbances as the suspension of services and the consequent hold-ups take days to clear and the effects spread hundreds of K.Ms. beyond the place of occurrence. In many cases, such incidents results in stabling of a large number of loads at convenient points short of the affected area rather than in the form of increase in detention at terminals. Whenever the railway operations are dislocated due to any unusual occurrence, efforts are made to keep the marshalling yards, terminals, etc., fluid by keeping the wagons stabled at convenient points, so that other normal operations in the yards are not impaired.

Some of the important incidents during these years which had marked and pronounced effect on detention to wagons in various yards and terminals are described below:—

- (i) Steel Plant agitation in Andhra Pradesh during October-November, 1966 had serious repercussions not only on the operation of South Central Railway, but also on the adjoining Railways. It not only resulted in stabling of 661 Broad Gauge trains on the South Central Railway, but also resulted in stabling of 48,225 and 1806 trains on Southern, Central and South Eastern Railways respectively. The effects of the agitation were widespread and of long duration. The incidents also resulted in hold-up of wagons at various marshalling yards and terminals on Southern and South Central Railways as can be seen from the figures of detention to wagons at Arkonam and Tondiarpet yards of Southern Railway and all the yards of South Central Railway during November, 1966. The figures of detention to wagons at Salt Cataurs and Hyderabad goods shed and Tadepalli transshipment point also increased considerably during the period for shortage of labour and clearance of goods from the railhead.
- (ii) Lorry Operators' strike in West Bengal from 29.8.66 to 7.9.66 resulted in delayed unloading and removal of goods from various goods terminals in Calcutta area, as is evident from the sudden increase in the figures of wagon detention at Chitpur, Howrah and Sealdah goods sheds during September, 1966.
- (iii) Strike in the Bombay Port Trust from 28.2.67 to 8.3.67 resulted in stabling of 140 and 63 trains on Central and Western Railways respectively. It also resulted in increased detention to wagons in various marshalling yards of the Central Railway where the wagons for Bombay Port Trust are dealt with and had to be detained. This also

caused increased detention to wagons in Bandra marshalling yard and Baroda Yard of Western Railway to the extent of 2 hours each during March, 1967.

- (iv) Firemen's trouble on Southern Railway during August and September, 1967 increased detention to wagons at various terminals and marshalling yards on Southern and South Central Railways. The increase in case of many terminals was marginal when compared to other months, as a large number of trains were regulated and stabled outside the marshalling yards and terminals on Southern and South Central Railways during the period.

The instances referred to above are only illustrations and include those of prolonged nature with direct effect in the performance of yards and terminals in the area. Other incidents also affected the railway operations and contributed to increased detentions to wagons in various terminals and marshalling yards on the Railways. A complete quantitative correlation of each incident with the detention to wagons at each marshalling yard, terminal or transshipment point is, however, not possible in such cases as firstly, the effect of such incidents is widely diffused and secondly, such correlation involves huge work of checking the movement of numerous wagons over a number of Divisions.

Hold-up of wagons in various marshalling yards or terminals also takes place due to other factors such as interruption to through communications on account of breaches, accidents, etc., heavy movement over saturated sections, shortage of labour at terminals and transshipment points and other factors dislocating the normal operations. While a general review is made of the reasons resulting in increased detention to wagons at various yards and terminals from month to month, quantitative assessment of each factor is difficult. It may also be pointed out that satisfactory working of a yard depends on adequate remodelling of the same to provide requisite facilities and eliminate cross movements. Wherever these have been provided like Asansol, Bondamunda, Andal, Tatanagar, etc., detention is coming down. In other yards, only marginal facilities were provided within the funds available and these were of limited use just to handle the traffic somehow. Remodelling of many of these yards is being done progressively and full benefits cannot be expected till the same is completed.

Average detentions to wagons at different important terminals have been given. The figures of 1967-68 generally show improvement over those in 1966-67, except at Howrah and Sealdah, where clearance was affected due to civil disturbances.

Detentions to wagons at different transshipment points have been given in Appendix I (annexure III). Detention increased at Ghorpuri, Garhara, Arkonam, Baiyyappanahalli, Tiruchirappalli, Secunderabad, Tadepalli, Agra East Bank and Viramgam while at others

there was a decrease. Increased detention was mainly due to heavy traffic offering by these routes than what could be handled with the labour available.

In the case of Steel Plants and Washeries, heavy detentions to wagons are caused on account of unsatisfactory performance of the Steel Plants and washeries due to their internal difficulties, such as mechanical breakdown, labour trouble, etc., on which the Railways have very little control. The detailed reasons for the detentions and steps proposed to get over them may be furnished by these plants alone. The Railways are, however, following up the matter with the Steel Plants and the Ministry concerned and have arranged for another time-study of the handling of wagons within each plant by a Railway officer to pinpoint the deficiencies and bring them to the notice of the authorities. A similar study was also made during 1960—62.

APPENDIX IV

(Vide para 2.57)

Statement showing major defects notified in various types of imported and indigenous electric locomotives and action taken to rectify them

Class of locomotive	Major defects or difficulties in maintenance	Action taken to rectify defects in consultation with loco suppliers and producers
WAG/2 (Imported)	(a) Failure of rubber bush of centre pivot assembly	Modification carried out by providing retaining strap, alternative spherical design of centre pivot provided.
	(b) Cracks in gear case frame	Stay plates provided and further modification carried out in gear case frame.
	(c) Gear case suspension and stay bolt failures	Improved locking arrangements, bolts of higher tensile strength and welding of steel flats carried out.
	(d) Tap changer defects	Modifications carried out in Tap changers.
WAM/2 (Imported)	(a) Failures of Aruo converters	Aruo Convertors rewound. Rotor design improved.
	(b) Transformer failures	Transformers rewound.
WAM/2 (Imported)	(a) Inter gear bearing failures	More frequent greasing schedules and improvements in sealing arrangements effected.
	(b) Smoothing reactor failures	Smoothing reactor of improved design fitted.
	(c) Excessive vertical oscillation	Springs of improved design fitted.
WAG/1&4 (Imported)	(a) Excitron failures	Excitrons modified and re-repaired.
	(b) Failures of back-fire relays	Relays of improved design fitted.
	(c) Failures of elastic gears	Modifications carried out in design of wheel centre.
WAG/1 & 4 (Indigenous)	(a) Jacquemin drive failures.	Modifications & rehabilitation carried out.
	(b) Failures of auxiliary machines	Modifications and repairs carried out.
	(d) Failures of elastic gears	Modifications carried out in design of wheel centre.

APPENDIX V

(vide para 3.13)

Statement showing the Wagon Building Capacity Licensed since the beginning of the Third Five Year Plan till 1966-67

S. No.	Names of the firm	Capacity before expansion	Expansion Capacity	Capacity after expansion	Date of grant of expansion licence
1	M/s., Bombay.	1,200 Nos.	800 Nos.	2,000 Nos.	8-12-1962
2	M/s., Delhi.	400 Nos.	1,600 Nos.	2,000 Nos.	15-1-1963
3	M/s., Madras.	1,000 Nos.	1,000 Nos.	2,000 Nos.	15-1-1963
4	M/s., Mokameh.	1,000 Nos.	1,000 Nos.	2,000 Nos.	7-10-1964
5	M/s., Bharatpur.	1,125 Nos.	875 Nos.	2,000 Nos.	29-6-1964
6	M/s., Sahibabad.	1,000 Nos.	1,000 Nos.	2,000 Nos.	29-6-1964
7	M/s., Calcutta.	780 Nos.	805 Nos.	1,585 Nos.	25-1-1966
8	M/s., Muzaffarpur.	1,500 Nos.	500 Nos.	2,000 Nos.	5-5-1966
9	M/s., Calcutta.	2,350 Nos.	..	2,350 Nos.	..
10	M/s., Calcutta.	4,750 Nos.	..	4,750 Nos.	..
11	M/s., Calcutta.	3,911 Nos.	..	3,911 Nos.	..
12	M/s., Calcutta.	3,279 Nos.	..	3,279 Nos.	..
13	M/s., Bombay.	240 Nos.	..	240 Nos.	..
14	M/s., Calcutta.	3,744 Nos.	..	3,744 Nos.	..
15	M/s., Kanpur.	1,000 Nos.	..	1,000 Nos.	..
16	M/s., Calcutta.	3,600 Nos.	..	3,600 Nos.	..
TOTAL		30,879 Nos.	7,580 Nos.	38,459 Nos.	..

APPENDIX VI

(vide para 3, 27)

Statement showing dates upto which price escalations were permissible & dates upto which they were actually allowed

Name of firm	1965-66			1966-67			1967-68			Date upto which price escalations actually allowed
	Date upto which price escalations were permissible according to contracts	Type of wagon	Date upto which price escalations were permissible according to contracts	Type of wagon	Date upto which price escalations were permissible according to contracts	Type of wagon	Date upto which price escalations were permissible according to contracts	Type of wagon		
(1) M/s....., Muzaffarpur	30-9-66 30-9-66	MBOC MBOB	31-12-66 31-3-67	31-3-67	MBOC	31-3-67	31-3-68	MBC(CS) MBC(FB)	4-5-68 4-5-68	
(2) M/s....., Calcutta	Do.	BOX	31-3-67	31-3-67	BOX	@	Do.	BCX	31-3-68	
(3) M/s....., Mokameh	Do.	{ CR { PCX	31-12-66* 7-6-68	..	..	..	..	..	..
(4) M/s....., Calcutta	Do.	{ BOX { TPK { BCX	7-7-67 7-7-67 28-2-67*	..	..	..	31-3-68	BCX TORX	1-5-68 1-5-68
(5) M/s....., Calcutta	Do.	{ BRH { BCX	29-6-67 29-6-67	..	..	..	31-3-68	BCX CR	17-8-68 17-8-68
(6) M/s....., Bharetpur	Do.	{ MBOC { MBC { BCY	@ 30-11-66*	31-3-67	BCX	5-4-67	Do.	{ BCX { MBC(FB) { MBC(CS)	@	

(7) M/s....., Delhi	Do.	CR	31-1-67	Do.	CR	@	Do.	{ BCX CR	13-3-68 @
(8) M/s....., Calcutta	Do.	{ BCX BOB	31-1-67@ 8-4-67	31-1-67	BCX	@	31-3-68	{ BCX CR	18-7-68 18-7-68
(9) M/s....., Calcutta	30-9-66	{ BOX BCX IPR	31-3-67 31-3-67 31-3-67	..	—	—	31-3-68	{ BCX CR TORX	@ 25-4-68 25-4-68
(10) M/s....., Bombay	Do	{ BCX BOX	30-6-69 30-4-68	—	—	—	—	—	—
(11) M/s....., Bombay	Do.	{ BOX CR	31-3-67 28-2-67§	31-3-67	CR	@	31-3-68	{ BCX CR	16-4-68 16-4-68
(12) M/s....., Sahibabad	Do.	{ CR BCX	31-3-67 30-9-66	—	—	—	31-3-68	{ BCX CR	31-5-68 31-5-68
(13) M/s....., Calcutta	Do.	{ BOX BCX CR CMR	30-11-66 31-3-67 @ 15-3-67	31-3-67	BCX	19-4-67	31-3-68	{ BCX TORX MBC(FB) MBC(CS)	4-10-68 4-10-68 4-10-68 4-10-68
(14) M/s....., Kanpur							31-3-68	CR	24-5-68

*Extension granted upto 31-3-67 but order was completed in Dec., 1966.

••Extension granted upto 31-12-66 but order was completed in Nov., 1966.

§Extension granted upto 31-3-67 but order completed in Feb., 1967.

@Completed in time.

② § Extension granted upto 28-2-67 but order completed in Jan., 1967.

APPENDIX VII

Summary of main Conclusion./Recommendations

S. No.	Para No. of the Report	Ministry/Department concerned	Conclusion/Recommendations
1	2	3	4
1	1.6	Ministry of Railways	<p>The Committee are deeply concerned about the unsatisfactory state of Railway finances. During the year under review, i.e., 1967-68, the Railways again ran into a deficit. The anticipation was that the deficit would be more than offset by increase in fares and freight and leave a surplus of Rs. 7 crores, but this failed to materialise, the Railways ended the year with a deficit of Rs. 31.5 crores. This was due, on the one hand, to a shortfall in receipts (mainly goods earnings) and, on the other, to increase in operational expenses. The deficit would have been larger but for the reduction in the annual contribution to Depreciation Reserve Fund and Pension Fund to the extent of Rs. 15 crores.</p>
2	1.7	Do	<p>The deficits that have so far occurred on the Railways have been cushioned by balances in their Revenue Reserve Fund. However, with the fund having now been virtually depleted—the balance in the Fund has been reduced from Rs. 63.20 crores in 1965-66 to Rs. 1.29 crores at the end of 1968-69—the Railways now face a very difficult situation. If deficits continue, the Railways, like the P&T Department, would have to resort to loans from Government to meet their dividend liability to General Revenues, as they have in fact done in 1969-70.</p>

- (ii) The Railways have persistently been overestimating traffic. Such persistent overestimation gives a misleading optimistic picture of their budgetary position every year, which the subsequent course of events belie. During the year 1967-68, the shortfall in earnings in relation to budgetary anticipations was Rs. 29.16 crores due primarily to a shortfall in goods earnings to the tune of Rs. 23.21 crores. An undesirable consequence of this tendency to over-estimates traffic has been the creation of needless capacity at substantial cost, leading to over-capitalisation and an unnecessary increase in the Railways' dividend liability. The Committee have repeatedly been drawing attention to this fact. Later in this Report, the Committee have referred to the existence of a large surplus of wagons and the gross underutilisation of costly rolling stock, particularly diesel and electric locomotives. The Committee have no doubt that, if the operational efficiency of the Railways has to be brought to optimum level, it will be first necessary to put the existing assets, in the form of rolling stock, line capacity etc., to much better use than now and exercise the utmost caution in embarking on new schemes involving substantial capital outlay.
- (iii) The Railways are estimated to be handling 80 per cent* of the total goods traffic in the country. It would seem from the analysis in a subsequent section of this Report that progressively, the Railways are carrying more and more low-rated traffic at the expense of high-rated items. It would be necessary to recapture the high-rated traffic

1	2	3	4
3	1.8	Ministry of Railways	<p>The Committee have in successive reports indicated the steps that Railways would have to take to rehabilitate their position. Basically, a three-fold approach to the problem seems indicated:</p> <p>(i) Systematic efforts will have to be made to economise on working expenses. The two major components of working expenses are the staff and fuel bills. Out of the total working expenses of Rs. 655.08 crores in 1967-68, these accounted for Rs. 136.11 crores and Rs. 141.25 crores respectively. In regard to the staff, the growth of expenditure has been disproportionate to the growth of traffic. The Committee have made certain suggestions in this regard in para 1.28 of their Ninety-Fourth Report (Fourth Lok Sabha) which they would like to be implemented.</p>
4	1.9	-do-	<p>As regards fuel, the Committee had in para 1.65 of their Sixtieth Report (Fourth Lok Sabha) drawn attention to the mounting coal bill and the need to cut down steam loco holdings in Railways where they are being progressively substituted by diesel|electric traction. Diesel oil consumption has also been increasing and the findings in a later section of this Report would suggest that the existing arrangements for watching consumption are weak. Steps should, therefore, be taken to bring about economical and proper utilisation of this fuel. Above all, security arrangements will have to be tightened up because, as pointed out by the Administrative Reforms Commission, "considerable loss is also caused by thefts and pilferage of fuel."</p>

by a commercially-oriented approach which would ensure better customer service, quick settlement of claims, quicker movement of goods and prevention of pilferage.

5 1.23 Ministry of Railways The Committee observe that the Budget estimates for 1967-68 placed the goods earnings of the Railways at Rs. 526 crores. These estimates were, however, revised later to Rs. 509 crores, but the actual earnings fell short of even these lower estimates, as they amounted to Rs. 503 crores only. Even though the goods earnings were Rs. 21.17 crores higher than in 1966-67, the originating revenue earning traffic was 1.8 million tonnes less compared to that year and as much as 8.5 million tonnes below what was anticipated in the budget. The inference, therefore, has to be that the increase in revenue was largely due to the increase in freight rates. With a view to ascertaining the actual impact of increases in fares and freights on the traffic earnings, it is imperative to maintain proper records showing actual increase in revenue accruing from increase in fares and freights and to explain variation of these actuals from the anticipation made at the time of the Budget.

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6 1.24 -do- The Committee observe that the bulk of the shortfall in goods earnings occurred under foodgrains, steel plants traffic and "other general goods". In the case of foodgrains, the shortfall of Rs. 4.4 crores was due primarily to reduced imports, while the shortfall of earnings was Rs. 3.07 crores in respect of raw material traffic for steel plants. In regard to general goods, the traffic fell short of Budget anticipations by as much as 9.1 million tonnes, depressing the earnings by about Rs. 13.73 crores below anticipations.

1	2	3	4
7	I. 25	Ministry of Railways Planning Commission	The Committee would like this persistent tendency on the part of various Ministries and the Railways to inflate requirements of rail transport to be curbed. This vitiates all Railway planning leading to needless over-capitalisation. The Committee would like this situation to be taken note of by the Planning Commission which should impress on all the Ministries and the Railways the need to ensure that estimation of traffic requirements is done on a more realistic basis.
8	I. 26	Ministry of Railways	The figures given in this section of the Report would show that the Railways are steadily losing ground to road transport. The percentage of rail movement to total production in 1967-68 as compared to 1960-61 shows that in respect of all the commodities, the Railways' share of the traffic has been coming down. This tendency is particularly noticeable in regard to iron and steel, oil seeds, sugarcane, sugar, raw cotton, tea and cotton manufactures.
9	I. 27	do--	While the Committee note that the Railways have taken some steps to improve their services with a view to winning back the high-rated traffic, it is obvious that much still remains to be done; the need for a vigorous and sustained drive in marketing and sales effort and a personalised service to the users cannot be over-emphasised. The Committee have made certain suggestions in this regard earlier in this Report.

10

1.28

-Do-

The Committee also consider it essential to avoid wasteful duplication of investments through better rail-road coordination. The Administrative Reforms Commission which considered this point suggested, *inter-alia*, that the State Governments should be moved "to regulate the grant of licences and permits for the operation of road transport services or the introduction of new road services so as to eliminate any possible conflict of interest between different modes of transport." The Committee would like this suggestion to be examined expeditiously for implementation in consultation with the State Governments.

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1.52

-Do-

The Committee observe that, despite a shortfall of 8.5 million tonnes in goods traffic in 1967-68 in relation to the Budget anticipations, the expenditure on fuel amounted to Rs. 10.04 crores more than the budget provision. In regard to one major component of the fuel bill, namely coal, the data furnished to the Committee shows that the unit rate of coal consumption increased on all the three services viz. passenger, goods and shunting. This has been stated to be due to a reduction in supply of selected grades of coal and the extension of diesel and electric traction resulting in a drop in load and speed of goods trains hauled by steam engines. The Committee have already dealt with these arguments in para 1.65 of their Sixtieth Report (Fourth Lok Sabha) where they have pointed out that these factors cannot by themselves account for the increase in coal consumption that has taken place. A Study Team of the Administrative Reforms Commission have also arrived at this finding. They have stated that "the increase in consumption is so substantial that we are driven to the conclusion that there is considerable loss on account of theft." The Study Team pointed out further that "the

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Railway Protection Force, which exists for controlling these thefts, has apparently failed in this respect”.

12 I. 53 Ministry of Railways

The Committee observe a similar tendency for increase in unit consumption of diesel oil on passenger as well as goods services. There is a distinct increase in the case of Central, South Eastern and North East Frontier Railways. The increase has been attributed to a number of factors, amongst them the increase of diesel traction on graded sections and a drop in load and speed. It is no doubt true that operation in graded sections will increase fuel consumption, but such sections exist in all the Railways. Besides, as pointed out by Audit, in certain Railways like the North East Frontier Railway dieselisation occurred prior to 1965-66; operation on graded sections cannot, in such cases, adequately explain the increase in unit consumption in 1967-68 in relation to the previous years. As regards increased consumption due to drop in loads, the Committee would like to point out that such a position, if true, would suggest that dieselisation was undertaken in certain sections without adequate justification therefor. Audit have in this connection pointed out that on certain Railways the traffic density has been well below the prescribed norm of 7,500 net tonne kilometres per route kilometre laid down for dieselisation of traction.

304

13 I. 54 -Do-

For the foregoing reasons, the Committee feel that the Railways have not been exercising adequate control over their fuel bill. To ensure such control, the Committee would like the Railways to take action on the following lines:

- (i) The Mechanical Engineering Staff are at present far too busy in various operating and maintenance duties with the result that "no proper attention is paid", as pointed out by the Administrative Reforms Commission, to the question of controlling fuel consumption. This should be remedied.
- (ii) It should also be made the specific responsibility of the Financial Advisers of the Zonal Railways to get periodical data about fuel consumption in various sections of the Railways and to bring to the notice of the General Managers any tendency towards untoward increase in consumption.
- (iii) The Railway Protection Force will have to be streamlined so that it could effectively check thefts and leakage, which quite obviously are on the increase.
- (iv) Dieselisation of sections will have to be undertaken after the most careful study of traffic trends, so that it is sanctioned only where adequate justification exists.

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1.56

-Do-

The Committee note that in view of the liberalisation of rules governing the Railway Pension Fund, the liability of the Railways for payment of pensions has increased and a re-assessment of the contribution to the Fund has become necessary. The Committee would like the necessary data in this regard to be collected and processed expeditiously and appropriate action taken thereafter.

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1.65

-Do-

The Committee observe that there was a general deterioration in the operating ratio of all Indian Railways during 1967-68 as compared

to the previous two years. The deterioration on Central, Northern, North-Eastern, Northeast Frontier and Southern Railways was particularly marked. While the Committee realise that a number of factors beyond the control of the Railways viz. increase in D.A., rise in cost of coal, natural calamities etc. did affect the financial working of the Railways, they consider that there are certain areas where improvement can be effected through better housekeeping and more intensive utilisation of assets. The Committee have, in para 1.70 of their 60th Report suggested that the Railway Board should carry out periodical reviews of the working of the various Railways from the point of view of overall financial results. They trust that such reviews will enable the Railway Board to identify promptly the areas where unwarranted increases in expenditure occur and to take effective steps to control them.

The Committee observe that the Railway Board had recourse to advances aggregating Rs. 1.66 lakhs from the Contingency Fund of India on 31st March, 1968, i.e. the last day of the financial year, to cover certain expenditure which had been incurred by the Zonal Railways 7 to 9 months earlier. Due to certain omissions that occurred, the necessity for obtaining a supplementary amount for these items of expenditure escaped notice. The Committee trust that omissions of this nature will not recur. It should also be impressed upon all the Railways that the Contingency Fund is meant to cover only unforeseen expenditure and not to meet known liabilities that arise in the course of a year which have to be provided for by re-appropriations or supplementary demands for grants.

- 17 1.78 -Do- The Committee note that the position regarding recovery of freight under-charges has improved since the Audit Report was presented. The undercharges for recovery as on 31st March, 1968 amounted to Rs. 211.72 lakhs and out of this a sum of Rs. 147.02 lakhs had been cleared as on 31st October, 1969. The position on Eastern however is not quite satisfactory in as much as the pending amount is still as high as Rs. 20.94 lakhs. The Committee would like the Railway Board to take special steps for the expeditious clearance of the outstanding amounts.
- 18 2.20 -Do- The Committee have repeatedly been expressing the view that the Railways have surplus wagon-stock. The data now furnished to them by the Railway Board bears out this view.
- 19 2.21 -Do- Substantial numbers of wagons have been 'stabled' at different points due to lack of traffic. The information given by the Railway Board shows that the 'stabled empties' ranged from 2,000 to 17,000 every year for periods ranging from 5 to 6 months during 1965-66 to 1967-68. Even these figures do not accurately reflect the extent of surplus wagons, as they do not take note of empty wagons stabled for less than ten days at a stretch. Besides, they show only empty wagons 'stabled', but not those that are hauled. The data given to the Committee shows that such empty haulage has gone up both on the broad gauge and metre gauge in 1967-68 as compared to 1966-67.
- 20 2.22 -Do- There is still another reason why these figures of stabled wagons cannot be taken as accurately reflecting the surplus wagon capacity in the Railways. Detention of loaded wagons at some of the major marshalling yards, terminals, break-of gauge transshipment points,

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steel plants and coal washeries has been going up. It is obvious that this situation has resulted in distorting the position of wagon usage and precluded more effective use of wagon stock.

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2.23

Ministry of Railways

For the foregoing reasons, the Committee are compelled to conclude that the Railways have more wagons than warranted by the needs of traffic. The Administrative Reforms Commission have recently expressed a similar view: they have pointed out that the inventories of wagon stock with the Railways "should be drastically cut down".

Exact quantification of such surplus wagon-holdings will be a matter of some difficulty with the changes in composition of traffic, leads etc. that keep occurring from time to time. Still the Railways should make a reasonably accurate assessment of the position, so that scarce resources do not get blocked up in fresh acquisition of unnecessary wagons. The Committee would like in this connection to invite attention to their observations in para 1.35 of their Forty-Ninth Report (Fourth Lok Sabha).

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2.24

-do-

One particular reason why holding of a large cushion of wagons should be discouraged is that it generates a sense of complacency which interferes with efforts to secure optimum utilisation of the stock. As pointed out by the Administrative Reforms Commission these "excessive stocks lead to slackness in utilisation and poor out-turn". Besides, as wagon procurement for future requirements is based on indices of current performance, the slackness in utilisation

of wagons, by depressing the indices, leads to inflated estimates of future wagon requirements, with corresponding over-investment.

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2.25

-Do-

The Committee would like the Railways to take concerted measures to improve wagon utilisation. The following steps are particularly indicated:

- (i) Works studies should be periodically conducted to evaluate the time required for handling of wagons at various points, like marshalling yards, transshipment stations, coal washeries, steel plants and the scope for minimising loading and unloading time through adoption of improved practices. Based on such studies, norms should be evolved, with reference to which performance will have to be periodically evaluated. It should be made a specific responsibility of the higher management in Zonal Railways, particularly the Financial Advisers to undertake such periodical evaluations.
- (ii) Appropriate administrative measures should be taken as pointed out by the Administrative Reforms Commission to check unreasonable detention of wagons by customers.
- (iii) Frequent marshalling of trains results in their detention at several points en-route. Goods trains should, therefore, be marshalled for long distances, so that they could skip minor yards and interchange points, which do not constitute terminals for traffic. This is a matter which will need constant study by the Operational Department.

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(iv) Very careful operational research will have to be done so as to bring about a reduction in empty haulage.

(v) A drop in speed would appear to have contributed to a deterioration in wagon utilisation. A Study Team of Administrative Reforms Commission pointed out that the average speed of diesel and electric trains, hauling goods traffic, has been in the range of 17 to 26 Kms. per hour and that such low speeds result "in wholly unnecessary waste of power". Through goods trains should, therefore, be scheduled at the maximum permissible speed to be worked out on the basis of trial runs. Without this, it would not be possible for Railways to regain the traffic they have lost to road transport.

(vi) Above all, it should be made obligatory for the higher formations in the Zonal Railways, particularly the Financial Adviser, to obtain at frequent intervals reliable data regarding stabling of wagons and examine them, with a view to seeing how the position could be improved.

The Committee would also like to refer to a disturbing factor interfering with wagon utilisation arising out of the growing incidence of civil disturbances in the country. The Railways have unfortunately been a primary target of such disturbances. From the long list of disturbances during 1966—1968 furnished to them, the

Committee find that heavy losses are being suffered by the Railways due to bandhs, hartals etc. The Committee note that a high-powered Committee on Security and Policing on the Railways, which went into this matter, came to the conclusion that "there is a case for amending the law so as to make destruction of railway property a special offence and to prescribe a minimum punishment for it" and that "likewise there is a case for making under the Railway Act, all obstructions to the Railways, a special offence". The Committee would like these suggestions to be immediately implemented.

25 2.45 -Do-

The Committee are not convinced by the reasons given by the Railway Board for the delay of over one year that occurred in approving the proposal made by the South-Eastern Railway for diverting spare electric locomotives from goods to passenger services.

26 2.46 -Do-

The proposal, which was expected to save annually Rs. 12.5 lakhs on operational expenses, was made by that Railway in August, 1965. It was formulated in the context of developing surpluses in electric loco holdings in that Railway. The proposal was, however, turned down by the Railway Board in September, 1965. In April, 1966, the Railway Board themselves pointed out to the Zonal Railway that a number of their locomotives "were spare" and that steps should be taken for their utilisation on passenger services. The proposals in this regard, after some further correspondence, were finally approved by the Railway Board in December, 1966.

27 2.47 -Do-

It was stated by the Railway Board that the South-Eastern Railway did not have a surplus of electric locos earlier than May, 1966 and that in any case, the utilisation of these (WAM-I) locomotives

for passenger services was under correspondence with the Commissioner of Railway Safety. If this was so, the Committee are not able to understand how the Railway Board took the initiative in April, 1966, of asking the Zonal Railway to divert the "spare" (WAM-1) locos to passenger services. As regards the question of safety, the Committee find that what was under correspondence with the Commissioner of Railway Safety was the question of use of the WAM-1 locos at speeds of 100 Kmph and above and that an agreement on this point was not reached with the Commissioner of Railway Safety by December, 1966, when the South-Eastern Railway's proposal for use of these locos on passenger services was approved. In any case, the Railway Board had ultimately authorised the use of these locos at a maximum speed of only 65 Kmph and this could well have been done earlier.

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28 2.48 Ministry of Railways

Later in this Report, the Committee have drawn attention to certainly satisfactory aspects of the performance of the WAM-1 locomotives. The Committee do not, therefore, wish to pursue this case further, as it might well be argued that considerations of safety involved in the use of these locos had over-riding importance over other considerations. The Committee, however, trust that the Railway Board will ensure that in future proposals involving operational economies receive the priority they deserve.

29 2.52 -Do-

The Committee are not very happy with the performance of imported WAM-1 locomotives. 100 of these locomotives were purchased from a firm in Europe and commissioned from 1960 onwards.

Though these locos were designed for a speed of 112 kilometres per hour on level and light gradients, safety considerations made it necessary to restrict their speed for a long time. In fact the locomotive was originally cleared for a speed of 60 miles per hour (96 km. per hour), but later the speed had to be restricted to 40 miles per hour (65 km. per hour) due to what the Additional Commissioner of Railway Safety described as "poor running on main line track." Extensive trials with the locomotive had to be conducted by the Research, Design and Standards Organisation of the Railways over a period of four years from 1962 to 1966. As a result of these, substantial modifications were made to the locomotive by changing the original springs and modifying other suspension attachments with a view to improving its riding characteristics. Still the Commissioner of Railway Safety remained reluctant to permit higher speeds up to 100 km.p.h. at which the Railway sought to operate them in view of what he characterised as the "history of rough running" of the locomotive "even at speeds lower than the maximum for which sanction was being sought." Notwithstanding this, the Railway Board decided to operate these locomotives at this speed—a decision which the Commissioner of Railway Safety described as "a potential hazard to the safety of the travelling public." It was only after a team of foreign consultants was called in to inspect the locomotives and they cleared them, subject to certain modifications in the locomotives and improvements to be effected in standards of its maintenance as well as the conditions of the track, that the controversy between the Railway Board and the Commissioner of Railway Safety was ultimately resolved.

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Railways. The Report of the consultants calls for the provision of lateral hydraulic dampers, a change in the design of friction dampers, a high standard of their inspection and maintenance, use of better quality springs, besides substantial track improvements. Apart from the cost, certain safety considerations would also appear to be involved, as one of the conditions stipulated by the consultants is that "continued vigilance should be exercised over the observance by drivers of all speed limits imposed on track."

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2 '54

Ministry of Railways

The Committee would like a comprehensive and independent investigation to be made into the circumstances under which the purchase of such defective locomotives was made. The investigation should be to ascertain when the defects in the locomotives came to notice, whether adequate action was taken to stop further supplies after these defects were noticed or to obtain rectification of the defects and what it is going to cost to ensure compliance with the conditions stipulated by the consultants for the operation of these locomotives at higher speeds. It would also be necessary to examine how best operational procedures could be improved in the Railways operating these locomotives so as to ensure that the safety of the travelling public is not jeopardised.

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The Committee find the position in regard to utilisation of diesel and electric locomotives unsatisfactory. A special team of engineers under the Efficiency Bureau of the Railway Board had, after comprehensively examining the question of utilisation of these locomotives, come to the conclusion that these locomotives should give an out-

put of about 700 kilometres per day per engine on line. The Railway Board have taken this to be a goal to be achieved in the distant future. In the meanwhile, even the relatively modest targets that they have set have not been achieved. The data about engine utilisation available to the Committee shows that the highest kilometrage per engine day on line has not exceeded 324 in respect of diesel and 277 in respect of electric locomotives upto 1968-69. In the Committee's opinion, this constitutes gross under utilisation of costly assets acquired by the Railways.

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A major factor affecting the utilisation of these locomotives seems to be the high incidence of engine failures. The data furnished to the Committee shows that both imported and indigenous locomotives developed major defects or caused difficulties in maintenance. The Railway Accidents Inquiry Committee (1968) which investigated the position comprehensively came to the conclusion that the performance is "obviously on the low side" and efforts for its improvement are "clearly indicated." The Committee would like the Railways to establish procedures for efficient maintenance through intensive supervision and better training of the operating and maintenance crew.

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The very low rate of utilisation of these locomotives also indicates that schemes for dieselisation and electrification of routes and services are not being examined with adequate care. As these schemes call for heavy capital outlay, the Railway Board would do well to refine the procedures for their examination. The Railways have been in the red now for four years successively and, with their reserves almost depleted, the need for circumspection in embarking on schemes involving heavy capital outlay needs no emphasis.

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35	2.74	Ministry of Railways	<p>The Committee are not convinced by the explanation given by the Railway Board for the delay of one year that took place in commissioning 25 parcel vans (cost Rs. 28 lakhs) on Southern Railway. These vans formed part of a lot of 47 vans supplied by the Integral Coach Factory. While 21 of the vans supplied were commissioned almost immediately, these 25 vans were held unused for a year on the ground that their commissioning was inter-linked with a proposal to increase the maximum permissible speed on the Madras-Villupuram section to 80 Kmph. This proposal has still not been approved, but in the meanwhile the vans have been put on the line and are being run at speeds of 75 Kmph. It is not clear why the Railway Administration could not have done this earlier, particularly as 21 such vans had been commissioned by them at this speed almost immediately after they were supplied.</p>
36	2.75	-do-	<p>The Committee would like the Railway Board to take steps to ensure that costly rolling stock acquired by the Railways is put to the best possible use. Non-utilisation or inadequate utilisation of these assets deprives Railways of much needed earnings on the one hand, while creating a liability on the other for payment of dividend to the general revenues.</p>
37	2.76	-do-	<p>Incidentally the Committee note from the information furnished by Audit in this case that 3 of the 47 vans infringe the prescribed dimensions in respect of height. They would like to be informed whether this factor would interfere with their use if the speed limit of trains on the electrified section is raised to 80 Kmph.</p>

- 38 2. 94 -do- The Committee note that work was commenced in 1964 on an arterial siding at Urban as part of the Diva-Panvel-Uran Railway Project, for handling salt trade along the West Coast. The work was suspended in November, 1965 due to disagreement between the Railway and the Salt merchants as to the apportionment of most of certain facilities to be provided at the siding. The line was opened to traffic in January, 1966 but work on the siding still remains to be completed for want of an agreement between the Salt Department and the Salt merchants on the question of apportionment of cost.
- 39 2 95 -do- The Committee note that the Salt Merchants Syndicate have recently agreed to certain proposals for the sharing of cost. The Committee would like the matter to be sorted out expeditiously so that work on the siding, the cost of which has gone up by about Rs 3.5 lakhs due to delay in completion, is not further delayed.
- 40 2. 103 -do- The Committee regret that the N.F. Railway incurred an expenditure of Rs 17 lakhs on provision of certain facilities at New Cooch Behar station without carrying out a proper traffic survey. The facilities created have remained unused as traffic has not materialised on the scale anticipated.
- 41 2. 104 -do- The Committee have commented upon similar instances of avoidable expenditure incurred by N.F. Railway in paras 4.27 and 4.34 of their Sixtieth Report (Fourth Lok Sabha.) The Committee note that instructions have since been issued by the Railway Board, in pursuance of the observations of the Committee, reiterating the need for a thorough and realistic appraisal of traffic requirements before undertaking Capital works. The Committee would like these instructions to be strictly complied with.
- 42 2. 116 -do- The Committee are not convinced by the reasons given by the Railway Board for provision of a crossing station at New Iomohani

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			<p>on the Jalpaiguri-Managuri Section. The General Manager of the Railway had given instructions that crossing stations on this section should be located at distances of 12 Kms. but the construction of this crossing station, located at a distance of only 4 Kms from Maynaguri, was nevertheless undertaken. After an inspection by the General Manager, this was converted into a flag station in September, 1968—after a delay of over a year—but the station has since been reconverted into a crossing station. The Committee would like the Zonal Railway to review this decision in the light of the trend of traffic which by and large, has been less than half the charted capacity (of 11 trains) of this section.</p>	
43	2 126	Ministry of Railways	<p>The Committee observe that proposal to introduce single line working on the Amritsar-Attari section of the Northern Railway was first mooted in 1949 and reviewed on a number of occasions thereafter but was shelved from time to time on political and strategic considerations. The proposal to dismantle the line was finally cleared by the Ministry of Defence in 1966 but it took more than 2 years for the concerned Railway Administration to dismantle the line because the file containing the plans was lost in October, 1966 and “could not be traced despite best effort” necessitating preparation of plans and estimates all over again. The Committee would like action to be taken to fix responsibility for the loss of the file and the delay in executing the work.</p>	318
44	2. 138	-do-	<p>The Committee note that about 98 acres of land acquired by the S.E. Railway at Nagpur, four to eight years back, have not yet been put to use, as the question of payment of compensation for</p>	

the land is *sub-judice*. The Committee would like these cases to be actively pursued and to be apprised of the outcome of the pending proceedings.

45 2. 139 -do-

The Committee note that these lands were acquired with the intention of providing accommodation for Railway staff. Due to the question of payment of compensation for the lands being *sub-judice* and lack of civic amenities in the area where these lands are situated, the requirements of staff have been met to some extent by constructing quarters at other places. It has been stated that the land will still be required, for the construction of some more quarters, a depot and stacking ground. The Committee would like the Zonal Railway to ensure that there is real need for the land and that proposals for new projects are not approved just out of an anxiety to put the land to some use, as that would entail needless capital investment.

46 3. 39 -do-

The Committee cannot help feeling that the Railway Board did not adequately protect the interests of Government in this case.

47 3. 40 -do-

In the first place, the Railway Board placed orders with wagon builders for 23,388 four-wheelers against the 1965-66 rolling stock programme, though the estimated requirement against the programme was only 7,755 four-wheelers.

48 3. 41 -do-

Secondly, though the stipulated date of delivery was 30th September, 1966, the wagon builders were allowed to complete supplies on various dates between November, 1966 and June, 1969, without being asked to reduce their prices to the (lower) rates negotiated with them in the meanwhile (November, 1966) for supplies

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			<p>against the programme for 1967-68. Similar extension of delivery periods was also given in respect of some of the wagons ordered against 1967-68 programme, though by the time the extension was given, it was clear that supplies against the subsequent year's programme were going to be made at lower rates. It was only belatedly in January, 1968 that the question of negotiating for reduced prices was considered: the actual negotiations took place five months later, when 780 four-wheelers, the delivery of which was pending, were re-ordered at the reduced rates. The avoidable expenditure incurred due to failure to negotiate for reduction of prices well in time was Rs. 62 lakhs.</p>
49	3.42	Ministry of Railways	<p>In the third place, the benefit of price escalation, provided for in the contracts, though admissible under normal circumstances only upto the stipulated period of delivery (i.e., 30th September, 1966) was given to the firms for periods ranging from 2 months to 30 months beyond the stipulated date of delivery. The extra expenditure on this account has not been assessed.</p>
50	3.43	-do-	<p>Lastly, one of the 13 firms covered by the orders against 1965-66 programme got an order for 750 wagons, though at that time they had to supply as many as 2595 wagons against previous orders. Extension of delivery dates, with benefit of price escalation, was given in this case upto June, 1969, when the pending supply of 191 wagons was cancelled and re-ordered at lower rates.</p>
51	3.44	-do-	<p>It has been stated by the Railway Board that orders against 1965-66 programme covered more than that year's requirements, as</p>

it was considered "prudent and economical" to maintain an even flow of production. These orders involved the production of a new type of wagon (BCX) for which the wagon builders had to be paid 'developmental charges', as they had set up new jigs and fixtures for producing the wagons. The prices negotiated covered these charges and were therefore higher than the prices for supplies against subsequent years' programmes. It would not have been reasonable to have expected the manufacturers to bring down the prices for pending deliveries against the 1965-66 orders to the level of prices settled against subsequent orders, as that would have involved their foregoing 'developmental charges'. The cancellation of pending deliveries and their re-ordering would have also entailed "several complications." Besides, the deliveries were delayed, because the Railway Board, for its own convenience, restricted the production of the wagon builders and regulated the offtake. The regulation naturally made it impossible for the wagon builders to adhere to the date of delivery stipulated in the contract and created a sustainable claim for price escalation beyond that date for an extended period justified by the regulation of off-take.

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The Committee are not able to accept the foregoing arguments for the following reasons:

- (i) The Railway Board was aware at the time the orders for 1965-66 were placed in April, 1965 that estimates of traffic were not being realised. In fact, between March, 1964 and February, 1965, the Fourth Plan traffic estimates had been revised as many as three times, bringing them down from 374 million to 325 million tonnes. Even the
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estimate of 325 million tonnes, which formed the basis of the orders for 1965-66, was unrealistic, as it was a far cry from the estimate of 208 million tonnes that had been framed (in January, 1965) for 1965-66. The argument that the orders for 1965-66 were intended to maintain an even flow of production does not appear valid in the face of the fact that as many as 17,410 four-wheelers were already pending delivery against previous orders at the time the orders (for 1965-66) were placed.

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Ministry of Railway

This backlog together with the orders, in fact, placed a load on the wagon builders which was well beyond their capacity. One firm alone, which received orders for 750 wagons had a heavy backlog of 2,595 wagons against previous orders. It is also significant that, shortly after the orders were placed, the Railway Board resorted to "regulation" of off-take of wagons. The Committee, therefore, have no doubt that the Railway Board resorted to heavy over-ordering while placing orders against the 1965-66 programme.

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- (ii) The Committee do not see much force in the argument that the wagon builders were not asked to reduce their prices for pending deliveries, because it would have deprived them of developmental charges that they incurred. As pointed out by Audit, there is no record of any systematic assessment having been made by the Railway Board of the developmental charges incurred by the wagon builders. There is also nothing on record to

show that the Railway Board did not undertake negotiations for a lower price, because a lower price would have deprived the wagon builders of developmental charges. Besides, the fact remains that the Railway Board did negotiate, though very belatedly, for reduction of prices. Moreover, the Board do not appear to have allowed developmental charges to atleast three firms which were asked to produce BCX wagons for the first time in 1967-68. Taking all these factors into account, the Committee cannot but conclude that the Railway Board clearly failed to protect Government's interests by not negotiating in time for reduction in prices.

- (iii) The argument that cancellation of pending deliveries and their re-ordering would have created "several complications" seems to the Committee to be hypothetical. The view is based on a legal opinion which was expressed in a different context. Moreover, the Railway Board did not seek specific opinion from the Ministry of Law in this particular case to ascertain whether it was possible to cancel the supply of wagons not delivered by the wagon builders and re-order them at the lower rate agreed to for subsequent years' supplies.
- (iv) As regards the point that price escalations had to be allowed beyond the stipulated delivery date (i.e., 30th

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September, 1966) because the off-take of wagons was regulated by the Railway Board, the Committee have already pointed out earlier that 'regulation' became necessary as the Railway Board had heavily over-ordered against the 1965-66 programme. In the circumstances, the Board will have to assume responsibility for the extra expenditure that developed on Government due to escalations beyond the stipulated date.

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Ministry of Railways

For the foregoing reasons the Committee feel that the Railway Board failed to safeguard Government's interests while placing orders with wagon builders and progressing the contracts. The failure at several stages led to a loss of Rs. 62 lakhs: the loss would be much higher if the monetary effect of the escalations allowed beyond the stipulated delivery date is taken into account. The Committee would like a thorough and comprehensive investigation to be made into the entire deal with a view to fixing responsibility. The investigation should be to ascertain *inter-alia*.

- (i) To what extent there was over-ordering of wagons and what its repercussions were.
- (ii) To what extent the orders placed with the various firms disregarded their past performance.
- (iii) Why there was delay in negotiating for reduction in prices for pending deliveries and whether there were any legal impediment in the way.

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The Committee feel that the decision to import roller bearings for wagons was taken without a realistic appraisal of the wagon-building programme. The decision to import the roller bearing was based on the calculation that 5,367 wagons (requiring roller-bearing axle boxes) would be produced in 1966-67 and that the requirements of buffer stock of roller bearings for production on this scale could not be met by the existing level of indigenous production. However, at the time the decision to import the roller bearings was taken (i.e., in October, 1966), only 1,838 of Box, BCX and BRH wagons had been produced. It should have been, therefore, apparent that, in the remaining period of six months in 1966-67, the shortfall in production of wagon was not likely to be made up. With the prospects of production not coming up to targets, the indigenous producer could, therefore, well have met any requirements for buffer stock.

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The result of these imports was that no orders were placed on the indigenous firm between January, 1967 and March, 1968, and due firm's capacity was inadequately utilised during this period and even thereafter. In fact the firm was asked to slow down the pace of supplies. The Committee consider that the Railways should have carefully reviewed the progress of production before placing the orders for imports. Had that been done, the need for importing roller bearings (for buffer stock) at a cost of Rs. 41.32 lakhs would not have arisen.

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58	3.71 Ministry of Railways D/G. T. D.		The settled procedure for making imports is to obtain clearance for them from the DGTD. The Committee note that approval for import of bearing in this case was not asked for from the DGTD and that this was given by an official in the Railway Board himself in his capacity as ex-officio Industrial Adviser (Railway Equipment) in the DGTD. It has since been clarified that all future imports would have to be specifically cleared by the DGTD. The Committee trust that the Railways will ensure that all proposals for imports get such prior clearance from the DGTD.
59	3.72	—do—	The Committee note that the Ministry of Railways are at present dependent only on one source of supply in the country for their requirements of roller bearing axle boxes. Proposals to interest other firms in the manufacture of this item are yet to fructify. The Committee would like the Railway Board to pursue the matter with the DGTD so that additional capacity to the extent required is built up in the country for meeting the requirements of the Railways and imports could be avoided in future. This would also encourage competition and provide alternative source of supply.
60	3.89 Ministry of Railways		The Committee are of the view that the import of 'Z Section' made at a cost of Rs. 26.13 lakhs was avoidable. The decision to import this section was taken in September, 1964, with a view to building up a buffer stock of this item. At about that time it had been reported to the Railway Board that one of the indigenous steel manufacturers "had achieved a substantial amount of success" in producing this item. This firm also in fact succeeded in making supplies regularly from January 1965 onwards. The Railway Board

should have therefore reviewed their decision before they proceeded to place orders for the import of this item in March, 1965. Subsequent developments also demonstrated that this import was unnecessary, as the indigenous manufacturer supplied both during 1965 and 1966 more than the quantity 'planned' on him.

61 3 '90

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Other instances of this kind of unnecessary import have been mentioned by the Committee in this Report. Such avoidable imports dissipate scarce foreign exchange resources of the country. The Committee would like the Railway Board to study all these cases in detail and to evolve an appropriate procedure to ensure that proposals for import are not cleared except after a searching scrutiny to meet compelling needs.

62 3 '96

-do-

The Committee observe that stores worth Rs. 6.06 lakhs acquired for manufacture of wagons are lying surplus with Lallaguda workshops, due to the transfer of part of the wagon—building work to another workshop. Of these, stores worth Rs. 1.64 lakhs have become unsuitable for use in the manufacture of wagons due to modifications in design and switchover to the metric system. The Committee trust that immediate action will be taken to transfer all such material for utilisation in repairs of old coaches and goods stock.

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63 3 '97

-do-

The Committee note that a detailed assessment has been undertaken to ascertain the quantum of materials that have become obsolete consequent upon metricisation. They would like to be in-

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			formed about the results of such study and action taken to transfer the surplus stock.
64	3. 106	Ministry of Railways	<p>The Committee note that the Railways incurred an expenditure of Rs. 3:57 lakhs on an experiment for procuring special types of fittings (designed by RDSO) to provide cover to open BOX wagons utilised for movement of foodgrains in 1965-66. In addition, an expenditure of Rs. 1.11 lakhs was incurred by the Southern Railway on certain equipment designed by it for the same purpose. While the latter was used for a limited period, the utilisation of fittings designed by the RDSO was very poor on all Railways to whom these were provided, excepting the Eastern Railway, where 56 out of 100 fittings were used. The poor utilisation was due to the fact that the fittings interfered with loading and involved use of a large number of components which it proved difficult to keep trackle of.</p>
65	3. 107	-Do-	<p>The Committee are surprised that an organisation like the R.D.S.O. should have overlooked practical difficulties involved in the use of equipment designed by them. Apparently, the organisation did not conduct adequate field trials before suggesting the use of the equipment. The Committee hope that instances of this kind will not recur.</p>
66	3. 119	-Do-	<p>The Committee observe that the manufacture of flanging blocks for certain locomotives undertaken in the Jamalpur Workshop as early as in July, 1961, not not taken up till 1966. By that time the requirement for these items ceased to exist as the locomotives had been condemned. The Railway Board have stated that with the</p>

very heavy increase in traffic in the S.E. Railway, that necessitated the retention of overaged locomotives, it could not have been anticipated that the locomotives would be condemned. The Committee do not find this explanation very convincing. Besides it would appear that there was no pressing need for these spares as adequate numbers were already in stock. The Committee therefore consider that the placing of order for the flanging blocks was not based on a realistic assessment of requirements and the Railway Administration should have cancelled the order at least on a subsequent review of the position.

67 3.120

-Do-

The Committee further observe that the Railway Administration has a stock of spares worth Rs. 15 lakhs not likely to be needed in view of the condemnation of these locomotives. The Committee would like the Railway Board to issue necessary instructions to the Railway Administrations for disposing of such spares as are not needed.

68 3.131

-Do-

The Committee regret to observe that due to over-estimation of requirements, 1,749 nos. of super heater element tubes were procured in 1966-67 at a cost of Rs. 3.80 lakhs. The over-estimation arose out of inflated estimates of requirements which had no relation to actual consumption (approximately 331) during the previous two years. Even though the estimates were scaled down by the Stores Department to about 50 per cent i.e., 776 nos. per annum, the elements when received, were found to be superfluous. In fact, as many as 199 elements out of previous supplies were already on hand in February, 1967. As a result of such excess provisioning, the Railways have stopped further indents for this item upto August, 1971. The Committee would like the Railway Board to investigate

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			the circumstances under which the over-provisioning occurred with a view to fixing responsibility.
69	3.132	Ministry of Railways	The Committee trust that procurement of these and other items will in future be based on a more realistic assessment of requirements based on past consumption data, and the stocks available in stores.
70	3.138	-do-	The Committee observe that spare parts valued at Rs. 4.82 lakhs have been lying in stock with the North-Eastern Railway for a number of years, in some cases for over twenty years. Of these spare worth Rs. 1.97 lakhs relate to locomotives which were in some cases condemned long ago. These 'nonstandard' parts are stated to have been inherited by the Railway from the erstwhile company managed railways. It is obvious that adequate and timely steps were not taken by the Mechanical Department of the Railway to prepare an inventory of these spare parts to facilitate their use in some of the other Railways where apparently some of them at least could have been used. It is unfortunate that when some of these old engines for which some of the spares were acquired were transferred to the N.F. Railway, the spares were not transferred along with the engines.
71	3.139	-do-	The Committee would like steps to be taken for the disposal of such of the spares as are not likely to be required. The Committee would also like the Railway Board to issue necessary instructions in the light of third experience in this case with a view to avoiding repetition of such wasteful stocking in future.

- 72 3 164 Ministry of Railways The Committee observe that there was over-provisioning of CST-9 sleepers both in 1964-65 and 1965-66. The over-provisioning led to a substantial accumulation of stocks which led to stoppage of further orders for these sleepers in 1966-67, when the Railways could have purchased them at much lower rates.
- 73 3 165 -Do- It has been stated that the accumulation of stocks arose out of track laying or renewal works getting slowed down due to inadequate receipt of matching materials like rails. The short-receipt of rails had persistently occurred since 1964-65 and, therefore, should have been taken into account while placing the orders. Besides, the Railways have themselves been over the years showing a preference for wooden and steel sleepers over CST-9 sleepers. This consideration should also have weighed with the Railways to reduce the orders for CST-9 sleepers.
- 74 3 166 -do- The Committee recognise that it is primarily the function of the Zonal Railways to keep a check on stocks of sleepers which are held by numerous permanent way inspectors. The Railway Board should issue instructions to ensure that control over these inventories is tightened up all along the line so that a case of over-provisioning of this nature does not recur.
- 75 3 187 -do- The Committee feel that the Railways could have avoided the import of 3,712 tonnes of billets made at a cost of Rs. 14.27 lakhs. This import, which was in addition to an import of 9,879 tonnes made earlier, was meant to meet the requirements of fish plates for the year 1964-65. It was considered necessary, as it was felt that adequate quantity of billets for the manufacture of required quantity

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of fish plates would not be available from indigenous production and the import already made. However, these calculations were based on projections of requirements which turned out to be grossly inflated.

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How inflated the estimates of requirements of fish plates were would be evident from the following data. The requirement of fish plates initially estimated for 1964-65 was 25,000 tonnes. This was later reduced to 19,000 tonnes. However, orders on indigenous re-rollers were placed only to the extent of 14,250 tonnes and when it came to placing firm contracts, the quantity was further reduced to 10,820. Against this quantity, instructions to the producers for consignment of the billets were issued only for 7,604 tonnes. Such steep scaling down in requirements naturally resulted in as much as two thirds of the quantity of billets imported remaining unutilised till the end of March, 1967. It also led to large-scale cancellation of orders for billets placed on indigenous producers. It is obvious that, with a more realistic appraisal of the requirements of fish plates, the second consignment of imports could have been totally avoided, as the imports already made, together with indigenous production, would have fully covered the requirements for billets for all the fish plates that the Railways needed.

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It has been stated by the Railways Board that fish plates could not be utilised on the scale planned as track renewal|laying programmes were affected due to short receipt of rails. But, as pointed

out by Audit, the supply position of permanent way materials submitted right from March, 1964 had clearly indicated shortfall in supply of rails. Due note should have been taken of this position before the decision to import the second consignment was taken.

- 78 3.190 Ministry of Railways The Committee would like the Railway Board to examine why there was a failure in this regard and to take appropriate action.
- 79 3.210 -do- The Committee observe that an overpayment of Rs. 1.08 lakh was made by the Eastern Railway to a supplier of imported pig iron. Similar overpayments to this firm occurred on Southern, South-Eastern North-Eastern, Western and Central Railways. The amount of such overpayment in the Southern Railway is stated to be Rs. 1.57 lakhs and on the NE and SE Rlys. Rs. 53.569 in all. No information is available with the Railway Board in regard to the amount of overpayments that occurred in Western and Central Railways.
- 80 3.211 -do- The over-pyment in these cases occurred because the supplier was paid provisionally at a certain price fixed by the Iron & Steel Controller in 1957 which turned out subsequently to be higher than the prices actually admissible. The overpayment on the Eastern Railway was noticed when final prices were intimated by the Iron & Steel Controller in 1962 and confirmed in 1965. On the North-Eastern Railway, it was noticed in 1965, while on Southern, Western and South Eastern Railways it came to light in 1968 (information regarding Central Railway is still awaited) when final prices were intimated by the Iron & Steel Controller.
- 81 3.212 Ministry of Railways The Committee were informed that the provisional price was fixed by the Iron & Steel Controller in the absence of the relevant shipping documents. This does not, however, explain the delay in fixing the

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final price, much—less the reasons for advising the Railways to make provisional payments to the supplier at 100 per cent of the provisional rate. The Ministry of Steel and Heavy Engineering have stated that the available records in Iron and Steel Controller's office do not indicate why the Railways were advised to make 100 per cent payment and that the officer who issued the necessary authorisation has since been dismissed from service.

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3. 213

-Do-

The Committee consider this case as indicative of a very sorry state of affairs in the Iron and Steel Controller's Organisation. The fact that it took five years in the case of the Eastern Railway and eight to eleven years in the case of the other Railways to intimate and confirm the final prices payable by the Railways would seem to suggest a serious lacuna in the working of that organisation. The Committee would like the Ministry of Steel and Heavy Engineering to promptly investigate the matter to ascertain all the facts of the case and in particular the reasons for the extraordinary delay that occurred in fixing the final prices payable by the Railway administrations. It should also be ascertained whether this was due to any collusion with the supplier.

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3. 214

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The Committee would also like the Railway Board to examine from their side why the Zonal Railways did not pursue with the Iron & Steel Controller the question of fixation of prices and to fix responsibility therefor.

- 84 3. 215 -do- The Committee note that the Railway administrations which have not yet instituted legal proceedings against the supplier, have been asked by the Railway Board to do so before the expiry of the limitation period viz. 31st December, 1970. The Committee regret that it took such a long time for the Railway Board to issue this instruction. The Committee would like to be informed of the outcome of these cases in due course.
- 85 3. 216 -do- The Committee have not been informed whether the payment of Rs. 14019.11 due to the firm from the Northern Railway has been stopped pending refund of overpayments made to the firm. If it has not been done so far necessary orders should be issued and result intimated to the Committee.
- 86 3. 228 -do- The Committee observe that the Railways have spent time and money on adapting the Diado block line instrument for their requirements. 316 of these instruments have been purchased at a cost of Rs. 12.16 lakhs after extensive modifications carried out over a period of two years to make them suitable for local conditions. The firm which supplied the instruments was also given an inducement to assemble part of the supply indigenously. These instruments which are reported to be in use in Japan, are also stated to be functioning satisfactorily in Northern and Central Railways where they have been installed. They also apparently have certain operational advantages over the types now in use, though they involve some extra initial investment. In the light of these factors the Committee would like the Railway Board to examine whether it would not be worthwhile to develop these instruments for more extensive use.
- 87 3. 229 -do- The Committee observe that 56 of the instruments installed in Northern Railway are yet to be commissioned. As these instruments

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were received as far back as in 1965 the Committee feel that the delay in commissioning them has been inordinate. The delay has been attributed to short supply of certain other materials and paucity of trained technical and operative staff. The Committee regret this failure of the Railways and consider that both these difficulties could have been overcome with a little advance planning.

88 3. 233 Ministry of Railways/
 Deptt. of Supply The Committee note that a sum of Rs. 24,000 is awaiting recovery from a firm due to deficiencies in supplies of certain Signal posts made by it to the Railways. The Committee would like the outstanding amount to be recovered expeditiously.

89 3. 234 Ministry of Railways The Committee also observe that the deficiencies in supplies by the firm were made good by the Railways by utilising released material from other works. This indicates the need for proper forecasting of second-hand usable material likely to be released for further use, in the interests of economising on fresh purchases.

90 3. 243 Ministry of Railways/
 Deptt. of Supply The Committee observe that the Railway Administration procured hose pipes through direct purchase at rates lower than those accepted by the DGS&D for similar stores but did not inform either the Railway Board or the DGS&D of this fact even though they are required to do so under the rules. Further, when the supplier on whom DGS&D had placed orders failed to deliver the goods within the stipulated time and the Railways resorted to direct purchases, action to cancel the 20,000 numbers of outstanding supplies against the DGS&D contract was not taken, despite a specific recommendation of the Tender Committee to that effect. It has been stated that can-

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cellation in this case 'may' have had financial repercussions, as the date of delivery had been extended by the DGS&D before the Tender Committee met. If this is so, the Tender Committee should have considered this aspect before giving its recommendation.

91 3.244

-do-

The Committee note that instructions have since been issued asking the Railway Administrations to inform the Railway Board and the DGS&D about all cases where direct purchases are made at rates lower than those of the DGS&D. They hope that the extent rules will be strictly complied with in future.

92 3.255

-do-

The Committee notice that shortages detected in kerosene oil supplies made to the Railways by the Indian Oil Corporation have been higher than in the case of supplies made by the other oil companies. The Railway Board have stated that the Corporation are newcomers in the field, lacking adequate experience in regard to packing and loading of this commodity. However, the information furnished to the Committee shows that while on other Railways the losses are within reasonable limits, the losses on N.E. Railway are rather high. Figures of losses for Central Railway and Northern Railway (which is the subject matter of the audit paragraph) have also not yet been furnished.

93 3.256

-do-

The Committee suggest that the causes for these losses, particularly on the North Eastern and Northern Railways may be further investigated with a view to ascertaining how far these could be due to short supply, rough shunting and handling and pilferage, particularly at transshipment points, and necessary steps taken to minimise such losses. The Indian Oil Corporation on its part should be

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			asked to improve the quality of packing in consultation with the D.G.S.&D.
94	4.7	Ministry of Railways	The Committee observe that 1.86 lakh cubic metres of machine crushed ballast was procured in Bhavnagar and Rajkot Divisions of the Western Railway between 1962 and 1967 when hand-broken ballast was available at lower rates. The extra expenditure incurred on 0.49 lakh cubic metres of machine crushed ballast so procured was Rs. 1.6 lakhs. Comparable rates in regard to the remaining quantities are not available.
95	4.8	-do-	No valid explanation has been furnished by the Railway Administration as to why machine crushed ballast was preferred, though it was costlier than hand-crushed ballast. Even after this practice was objected to by the Divisional Accounts Officer in November, 1964, the Railway continued to procure machine crushed ballast for more than two years till, in April, 1967, instructions were issued that tenders for supply of ballast should be called for without specifying either hand crushing or machine crushing.
96	4.9	-do-	The Committee would like to be informed why it took over two years after the Divisional Accounts Officer had objected to the payment of higher rates for machine crushed ballast for the Railway Administration to rectify the position.

- 97 4.19 Ministry of Railways The Committee feel that the cost of the work was needlessly inflated by Rs. 1.04 lakhs by casting R.C.C. slabs required for the work departmentally, when the contractor could have been asked to cast them. The cost of the slabs departmentally cast, was Rs. 21 per cft. against Rs. 8 per cft. at which the contractor cast them at the site of work. The slabs were meant for a work at Ambazari and the Railways cast them at Lonavala and carried them all the way to Ambazari incurring transportation costs which alone amounted to Rs. 9 per cft. The Railway Board have stated that the disparity between the costs was due to departmental specifications having been richer, but there was no reason to have gone in for richer specifications when the slabs cast by the contractor were of acceptable quality.
- 98 4.20 -do- The case shows in the Committee's opinion that the authorities who executed the work lacked cost consciousness. It did not even occur to them that departmentally cast slabs had to be transported over a very long distance (1962 Kms.) and that this consideration alone should have precluded their use in the work.
- 99 4.21 -do- The Committee would also like the Railway Board to examine the reason for the higher cost of casting slabs at Lonavala and take steps to bring it down.
- 100 5.27 -do- While the Committee recognise that mechanical methods of maintenance of track may become inevitable on trunk routes using concrete and CST-9 sleepers, they would like to point out that the results achieved so far in this regard have not been comparable with those obtained elsewhere in the world. The track tampers used in the country have over the last four years been able to cover

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on an average at best 100 kilometres of track per machine, as against 170 Kms to 200 Kms covered in countries like Austria and Belgium where density of traffic is no less than it is in India. As the Railways are stated to be new to this experiment, the Committee hope that progressively better results would be obtained from these machines.

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5.28

Ministry of Railways

A first pre-requisite for obtaining maximum service from these machines is adequate line-blocks which should be ensured by careful operational planning. Further the tamping performance would have to be improved by carrying it out through single insertion instead of double insertion as done hitherto. No less essential is the need to keep adequate spares handy, as difficulties in getting spares have stood in the way of optimum utilisation of the machines in the past. The Committee note that some of these spares are now being imported. It may not be beyond the resources of the Railway Workshops to fabricate these items. It appears that this aspect of the matter has engaged the attention of the Ministry rather belatedly. They trust that with the steps now contemplated, the performance of the machines would improve and come up to European standards.

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The Committee would also like to point out that in other countries where mechanical maintenance has been resorted to, considerable economies are reported to have been achieved apart from improved track conditions. The Committee would, therefore, like the concerned Zonal Railways to work out norms for each machine

under their charge in accordance with local conditions prevailing and ensure that once the requisite line-blocks are available, these norms are strictly adhered to.

103 5.30 -do-

One aspect of the matter which needs careful consideration is the likely effect of the switch-over to mechanised maintenance of track on the employment of track maintenance staff. The Committee would like the Railways to ensure that such of the gangmen as become surplus are absorbed by being trained as mechanics, maintainers etc. The Committee have been assured that this will be fully borne in mind and that there will be no retrenchment of gangmen.

104 5.44 -do-

The Committee regret that there was delay on the part of Northern and South Eastern Railways in commissioning certain lathes purchased from a firm. The delay was due to the inordinate time spent (1½ to 2 years) in preparing foundations for the installation of the lathes. The explanation that the foundation work was complicated does not appear very valid, as another Railway which also purchased this type of lathe, was able to prepare the foundation within about seven months after it received the foundation drawings from the supplier.

105 5.45 -do-

The Committee would like the Railway Board to impress on the Zonal Railways the need to ensure that expensive equipment purchased by them are commissioned without delay. In this case the electronic device of one of the lathes is stated to be out of order. This should be speedily put right.

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106	5.46	Ministry of Railways	The Committee would also like to be informed about the recovery of extra expenditure incurred in sending loco wheels to other workshops owing to defects in the electric circuit of the lathe installed at Mughalsarai.
107	5.52	Ministry of Railways/ Deptt. of Supply	The Committee note that two welding machines costing Rs. 4.43 lakhs and a milling machine costing Rs. 11.8 lakhs purchased by the Chittaranjan Locomotive Works five to six years ago are still not giving satisfactory service. Replacement of necessary parts should be obtained if the suppliers are not able to rectify the defects immediately. Legal opinion should be obtained for claiming compensation from the firm.
108	5.55	-do-	The Committee observe that 11 out of 12 vibrators purchased by the Central Railway at a cost of Rs. 28,200 in 1962 have not been put to use due to effects which the firms have not been able to remove. As even replacements supplied by the firm in respect of some of the vibrator prove defective, the matter should be brought to the notice of DGS&D, who should examine whether there is any design defect in the equipment and then take suitable action.
109	5.56	-do-	The Committee would also like an enquiry to be made into the basis on which the Director of Inspection of the DGS&D approved defective concrete immersion vibrators and the result to be communicated to them.
110	5.63	Ministry of Railways	The Committee observe that a Timber Impregnation Plant installed in 1960 at a cost of Rs. 94,000 has remained either idle or

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114	5.87	Ministry of Railways	<p>The Committee deprecate the unconscionable delay or over four years that occurred in the Northern Railway in installing a power hammer that was purchased at a cost of Rs. 2.19 lakhs. The Railway Board have stated that this delay was "unavoidable", in view of certain difficulties that arose in the reorganisation of the workshop, where the hammer had to be installed, but it is evident that the authorities concerned showed no sense of urgency or of priorities in programming the work. For the sake of effecting a saving of Rs. 51,786, which was also apparently not realised, the re-organisation of the workshop was delayed and the equipment remained uninstalled. The result of this delay was that the Railways lost their hold on the supplier to whom residual payment, normally due after installation, had to be made even before such installation, as it could not be indefinitely delayed. When defects in the equipment came to notice after it was installed, the Railways were obliged to rectify them at their cost.</p>
115	5.88	Ministry of Railways Deptt. of Supply	<p>As the equipment is now stated to be working satisfactorily, the Committee do not wish to pursue this case further. The Committee however trust that the Railway Board would take adequate steps to ensure that cases of disjointed and uncoordinated planning of this type will not recur. The question whether adverse notice should not be taken of the suppliers' performance in this case should also be examined in consultation with the DGS&D.</p>
116	5.96	Ministry of Railways	<p>The Committee note that a press-brake machine (cost Rs. 68,000) was purchased for installation in the Matunga Workshop on the calculation that the Workshop would turn out 5 wagons per day. After</p>

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			bridge. Even test weighments at any of the weighbridge stations <i>en route</i> were not done "due to neglecton on the part of the staff". Committee would like suitable disciplinary action to be taken in the matter.
121	6 11	Railways	The Committee note that wagons containing loose sand stone sent to the same company have been found in very many cases to have been overloaded, when test weighment was conducted <i>en-rout</i> . The Railway concerned should exercise vigilance at the loading point to ensure that there is no repetition of such instances of overloading.
122	6.20	-do-	The Committee observe that no siding charges have been recovered from the party in this case, on the ground that the shunting involved in placing the wagons in the siding is the same as that necessary for placing the wagons in the goods shed (which the Railway would have done in the absence of the siding). The Committee, however, feel that the recovery of the charges being regulated by an agreement has to be made in terms of that agreement. The agreement has to be made in terms of that agreement. The agreement with the party in this case provides for recovery of siding charges for placing|removing wagons in and from the assisted siding. The Committee would, therefore, like the Railway Board to review the case an take necessary steps for effecting speedy recovery of the dues outstanding since April, 1950.
123	6.26	-do-	The Committee regret to observe that the Railway Administration failed to secure adequate deposit or a readily enforceable guarantee from the Assam Cooperative Sugar Mill to cover the cost of additio-

nal works on a Railway siding which they were asked to carry out on top priority basis. It took more than 2 years for the Railway Board to finalise the estimates of cost of the additional works.

124 6.27 -do-

The Committee note that a sum of Rs. 2,19,636/- is outstanding against the mill as on 31st March, 1969 and that notice for closure of the siding has been served for non-payment of the charges. It is strange that the Railway Administration took no action over a period of 11 years to realise the amount due. The Committee, would like the question of recovery of the outstanding dues to be pursued with the Mill. The good offices of the State Government who are reported to own 60% of its shares may also be sought at a high level. It should also be investigated why there was a failure to take prior deposit from the party and to follow up the question of recovery. Adequate action against the officials found negligent or lax should thereafter be taken.

125 6.28 -do-

The Committee further suggest that instructions may be issued by the Railway Board to ensure that in all such cases suitable advance is obtained as deposit to cover the estimated cost so that Railways' interests are not jeopardised.

126 6.34 -do-

The Committee are dissatisfied with the position regarding assessment and realisation of dues from siding holders in the South-Eastern Railway. According to instructions issued by the Railway Board in December, 1962, these siding holders were to be asked to execute revised agreements, so that interest and maintenance charges at certain stipulated rates could be recovered from them. However, the South-Eastern Railway has yet to finalise the agreement with as

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			<p>many as 78 out of 106 siding holders. There was quite a good deal of delay in finalising the new agreement form itself as this was issued two siding holders only in 1966-67. Besides, the amount to be recovered for the period ending 1966-67 on the basis of old rates (as obtaining before December, 1962) was as high as Rs. 4.93 lakhs as on 31st March, 1969. The amount actually due for recovery on the basis of revised orders would be still higher.</p>
127	6.35	Railways	<p>The Committee consider that effective steps need to be taken to realise the outstanding dues. A target date for completing the realisations may be laid down and the Railway Administration asked to make all out efforts to complete the work by that time.</p>
128	6.43	-do-	<p>The Committee observe that, though over six years have elapsed since the Railway Board issued instructions for revising the rent of private sidings situated on railway land, (to include rental value of the land which was previously not being recovered), the rental value has not even been finally assessed in respect of 42 sidings in South-Eastern, Western and Southern Railways. Besides, even in cases where siding rents have been revised, a sum of Rs. 8.20 lakhs is awaiting realisation.</p>
129	6.44	-do-	<p>The Committee would like to be informed whether the delay in assessing the revised rents would preclude retrospective revision of rents resulting in loss of revenue to the Railways. Expeditious action should also be taken to assess the revised rent in all the cases where the work is still pending and to realise the dues in these cases.</p>

where assessment has been completed but recovery of the rent, has not been made, either in whole or in part. The position in regard to revision of rent on other Railways should also be reviewed by the Board and steps taken to realise all the dues arising out of re-assessment of rental values.

130 7 10 -do-

The Committee feel that the contracts for the sale of coal ashes at Lallaguda and Secunderabad on a lumpsum basis should not have been extended without ascertaining whether the Railways could have got better rates for sale of the coal ashes from other contractors. The contracts were no doubt extended on the condition that the original contractors should pay to the Railways the difference between the old rates and any higher rates that might be offered during the extended term of the contracts, but it took nearly two years to ascertain the market rates through tender enquiries. The result was that the Railways could not press their claim against the old contractors for the difference between the rates for the period prior to the date on which the tenders were called.

131 7 11 -do-

As the case relates to an old period and the amount of loss sustained is not capable of being determined, the Committee do not wish to pursue this case. The Committee hope, however, that instances of this kind will not be repeated.

132 7 12 -do-

Legal advice should also be taken before incorporating in the contracts stipulations of the type included in the present case.

133 7 24 -do-

The Committee observe that, except for the coaling crane at Vijayawada, the other three cranes at Bitragunata, Basin Bridge and Rajahmundry are working well below their rated capacity of 360 tonnes. Efforts should be made to improve their performance, as

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			otherwise one of the basic objectives of mechanisation, namely reduction in the cost of handling coal, would be defeated.
134	7.39	Ministry of Railways	<p>The Committee feel that the Railway Administration was slipshod in dealing with costly imported stores. These stores, valued at Rs. 36.34 lakhs, were meant for use in a diesel loco shed set up in Siliguri in May, 1961. Due to inter-departmental wrangles about relatively minor matters of accounting and delay in providing the requisite staff, an organisation to maintain accounts for these stores was not set up till five years elapsed. In the meanwhile, no systematic accounts of stores received or issued were kept nor any verification of the balances done. The value of stores accounted for as consumed during this period was as much as Rs. 21.34 lakhs.</p>
135	7.40	-do-	<p>The Committee are not convinced by the view expressed by the Railway Board that an investigation into this case at this stage "is not practicable". The Committee would like the Board to investigate why such an unsatisfactory state of affairs as this was allowed to persist for over five years and take suitable disciplinary action. It should particularly be examined why the higher formation in the Zonal Railway showed a complete lack of awareness of their responsibilities in dealing with valuable Railway property.</p>
136	7.50	-do-	<p>The Committee observe that one of the Railways continued to retain stocks of C.I. pipes valued at Rs. 1.6 lakhs left over after completion of work in October, 1958. During this period of protracted</p>

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storage pipes valued at Rs. 53,000 got lost or misappropriated. Disciplinary proceedings against the official held responsible for the shortages are stated to be in progress. The Committee would like them to be expeditiously finalised.

137 7.51 -do-

The Committee notice that there was a delay of over three years in reporting the shortages to Audit. The Board should issue instructions to ensure that these delays do not recur.

138 7.52 -do-

The Railways are still holding part of the stock of pipes on the ground that they would be necessary for maintenance purposes. The data furnished by Audit, however, raises a doubt whether stocks on the present scale need be kept. The Railways should review the position in this regard and dispose of expeditiously such of the stocks as cannot be reasonably used up in the foreseeable future.

139 7.63 -do-

The Committee observe that the Inquiry Committee which was appointed to investigate into a case of loss of Rs. 5 lakhs of cash from the Fairlie Place, Calcutta Cash Office in October, 1967 found 'ineffective supervision over the closing and opening of the strong room', 'delegation of important functions to class IV staff by the Chief Cashier' and non-observance of instructions regarding shroffing and remitting of cash as well as of some important security instructions. The Committee note that the Railway Administration have taken a number of steps in pursuance of the findings of the Inquiry Committee. They would like to be informed of the action taken against the officials responsible for ineffective supervision and disregard of instructions relating to shroffing and remittance of cash.

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140	7.64	Ministry of Railways	The Committee trust that the procedure laid down particularly with regard to shroffing of cash will be strictly complied with in future and that arrears will not be allowed to accumulate. The need for strict observance of security instructions by the staff dealing with cash cannot be over-emphasised. Any lapses in this regard should be visited with deterrent punishment.
141	7.65	-do-	The Committee understand that at present Railway cash has to be transported under security guard to and from zonal headquarters. As this poses an unnecessary and avoidable risk, the Committee would like the Railway Board to examine the scope for minimising such movements of cash through suitable arrangements with treasuries|Sub-treasuries for remittance of Railway earnings|withdrewals for purpose of disbursements.
142	7.74	-do-	The Committee are dissatisfied with the position in regard to recovery of security from Railway employess handling cash and stores. As early as 1955, the Railway Board had issued instructions asking the Zonal Railways to determine the categories of staff from whom security should be taken and the amount of security that should be obtained from them. However, in certain departments in the North-Eastern, Southern and South-Central Railways, as well as the Diesel Locomotive Works, it has not even been decided which of the categories of staff should furnish security. Besides, sums aggregating Rs. 89.13 lakhs have to be recovered in the various Railways from various employees who have been required to furnish security. The Committee would like a definite time-limit to be laid down by the

Railway Board for completion of the work. It should also be ensured that the work is completed strictly in accordance with this time-limit.

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7.109

Ministry of Railways/
Industrial Development

The Committee observe that the Railways have spent a sum of Rs. 21.85 lakhs on the preparation of a project report for a foundry at Naini which has been shelved. In their Hundred and Fourth Report (Fourth Lok Sabha) the Committee have drawn attention to the haphazard development of foundries in the country which has resulted in the creation of substantial surplus capacity in the foundries in the public as well as private sector. The Committee have in that context referred to the widely divergent estimates of demands for castings and forgings made by Government from time to time and to the need to relate these estimates to firm and realistic assessment of the requirements of end-user industries. The Committee have also emphasised the need for extreme circumspection before embarking on new projects in this field in view of the unhappy experience in utilisation of capacities already established in the public as well as private sector. This Committee would like the Railway Board to take due note of this position before proceeding further with the Naini Project. Any further examination of the proposal that the Railway Board might undertake should be done in consultation with the Ministry of Industrial Development which is seized of the overall position regarding the capacity and utilisation in the foundries set up in the country.

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7.121

Ministry of Railways

The Committee observe that an expenditure of Rs. 4.45 lakhs was incurred (in foreign exchange) on salvaging and transporting T.S.S. Go-chen, one of the two ships in the Indo-Ceylon ferry service, after it ran aground in a cyclone off the coast of Ceylon in December, 1964.

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			A further expenditure of Rs. 62,000 was incurred on its repairs before the work was stopped. The vessel was thereafter condemned and sold for Rs. 1.44 lakhs, rendering an expenditure of Rs. 3.63 lakhs infructuous.
145	7.122	Ministry of Railways	The Committee feel that, as the ship was a very old one, purchased as far back as 1929, a close survey of its condition was called for before salvaging operations were undertaken. The survey was entrusted to a foreign party when it could well have been done by Indian experts. The survey was obviously very perfunctory, as the estimate for salvaging was put at Rs. 57,000, against which the actual expenditure amounted to Rs. 4.45 lakhs. The Committee are not convinced by the explanation that there was no time available to call in Indian agencies for the survey and would like the matter to be further examined by the Railway Board.
146	7.123	-do-	The Committee note that the other vessel, which was operated in the ferry service, was transferred to the Shipping Corporation in December, 1965, but that its price is yet to be settled. The Committee deprecate the delay in this regard and would like the matter to be finalised immediately.
147	7.124	Ministry of Railways/ Transport & Shipping	With the discontinuance of the ferry service, the Railways are facing difficulty in putting the Marine Workshop and the personnel to the best use. A proposal for the transfer of the Workshop to the Tamil Nadu Government is stated to be in the process of negotiation. The Committee would like to be apprised of its outcome. As regards

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
14	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
25.	Sat Narain & Sons, 3241, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught, Circus, New Delhi.	20	MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramial Pail High School Annasa, Imphal.	77
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN-COUNTRIES		
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.—2.	59

