

THIRTIETH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1985-86)

(EIGHTH LOK SABHA)

**CENTRAL RAILWAY—CONSTRUCTION OF BROAD
GAUGE LINE BETWEEN DIVA AND BASSEIN
ROAD STATIONS AND NORTH EASTERN
RAILWAY—GAUGE CONVERSION FROM
SAMASTIPUR TO DARBHANGA**

MINISTRY OF TRANSPORT
DEPARTMENT OF RAILWAYS
(RAILWAY BOARD)

[Action Taken on 212th Report (7th Lok Sabha)]



Presented in Lok Sabha on 21 March 1986
Laid in Rajya Sabha on 21.4.1986

LOK SABHA SECRETARIAT
NEW DELHI

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C O N T E N T S

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1985-86)...	(iii)
INTRODUCTION	(v)
PART I	
CHAPTER I Report	1
CHAPTER II Recommendations/Observations that have been accepted by Government ...	8
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the replies of Government ...	23
CHAPTER IV Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration ...	33
CHAPTER V Recommendations/Observations in respect of which Government have given interim replies	35
PART II	
Minutes of the sitting of the Public Accounts Committee (1985-86) held on 27 February, 1986 (AN).	38
APPENDIX Statement of Recommendations/Observations ...	42

PUBLIC ACCOUNTS COMMITTEE
(1985-86)

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SECRETARIAT

1. Shri N.N. Mehra—*Joint Secretary.*
2. Shri K.H. Chhaya—*Chief Financial Committee Officer.*
3. Shri Krishna Pal Singh—*Senior Financial Committee Officer.*

INTRODUCTION

1. I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Report on action taken by Government on the recommendations of the Committee contained in their Two Hundred and Twelfth Report (7th Lok Sabha) regarding Central Railway—Construction of Broad Gauge Railway line between Diva and Bassein road stations and North Eastern Railway gauge conversion from Samastipur to Darbhanga.

2. In this Action Taken Report, the Committee, while expressing concern over the delay in completion of on-going gauge conversion projects, have observed that there is no point in taking in hand new conversion projects in the near future without completing expeditiously the original projects. The resources available to the Ministry must not be spread thin and wide on many projects. Investments must become productive and yield returns within the shortest possible time. The Committee have also reiterated that Railways should draw up a priority list of new projects taking into consideration the future needs of the area and the likely traffic projections. These projects may then be sanctioned as per their placement in the priority list in consultation with the Planning Commission. The Committee have felt that in the absence of priority list, the projects are sanctioned in ad hoc manner and on extraneous considerations which must be avoided.

3. While noting that there were 17 new Railway lines and gauge conversion projects which had been frozen/slowed down by the Railways after incurring substantial expenditure on them, the Committee have desired the Railways to indicate whether these slowed down projects would at all be activated in future. The reasons for abandoning of any of these slowed down/frozen projects have also been sought by the Committee from the Railways.

4. The Committee considered and adopted the Report at their

sitting held on 27 February, 1986. Minutes of sitting form Part II* of the Report.

5. For facility of reference and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in the Appendix to the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI ;

4 March, 1986

13 Phalgun, 1907 (Saka)

E. AYYAPU REDDY,

Chairman,

Public Accounts Committee.

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their 212th Report (Seventh Lok Sabha) on paras 4 & 5 of the Advance Report of the C&AG of India for the year 1981-82. Union Government (Railways) relating to Central Railways—Construction of Broad Gauge line between Diva and Bassein Road stations and North Eastern Railway—gauge conversion from Samastipur to Darbhanga respectively.

1.2 The Committee's 212th Report was presented to the Lok Sabha on 30 April, 1984. It contained 19 recommendations/observations. Action Taken Notes have been received in respect of all the recommendations/observations contained in the Report.

1.3 Replies to the recommendations/observations received from Government have been categorised under the following heads :

- (i) Recommendations/observations which have been accepted by Government :

Sl. Nos. 1 to 5, 8, 9, 18 and 19.

- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the replies of Government :

Sl. Nos. 10 to 16.

- (iii) Recommendations/observations the replies to which have not been accepted by the Committee and which required reiteration :

Sl. No. 17.

- (iv) Recommendations/observations in respect of which Government have given interim reply :

Sl. Nos. 6 and 7.

1.4 The Committee expect that final replies to recommendations and observations in respect of which only interim replies have been furnished by Government so far will be submitted to them expeditiously after getting the same vetted by Audit.

1.4A The Committee will now deal with the action taken by Government on some of their recommendations, observations.

Operation of an avoidable additional non-standard item

(Sl. No. 8—Para No. 1.97)

1.5 Commenting on the operation of an avoidable additional non-standard item resulting into 'extra payments to the contractors, the Committee in Para 1.97 had made the following recommendations :

"The Committee note that as per Railways' Book of specification, there are two types of embankments—one for formation without compaction (specification No. 201) and the other for formation with compaction (specification No. 202). In this project, certain embankments were classified under specification No. 202 while in the same section some embankments were also classified under specification No. 201. An additional non-standard item 'Extra for compaction' was also provided to cater for contingencies of compacting earth, wherever required separately. The Committee fail to understand the need for the non-standard extra item in view of the overall specification No. 202, i.e. embankment with compaction. According to the Ministry of Railways (Railway Board), no compaction was considered necessary with "good" soil and embankments upto a height of six metres while compaction was needed in case the embankment was more than six metres even if "good" soil was available. If so, the Committee feel, the appropriate course for the Railway Administration was to have split up the sections for either "formation with compaction" or "formation without compaction" as per Railway Book of Specifications and proceed accordingly. This unfortunately they did not do. Even if non-standard extra item was not more than the rate fixed for specification No. 202, This also was not done, with the result that the Railway Administration had to make avoidable extra payment of

Rs. 5.46 lakhs. Actually, the avoidable extra payment on account of operation of the non-standard item would be much more, considering the fact that in five other contracts, claims amounting to Rs. 16.65 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the Arbitrators. However, the exact amount relating to the non-standard item could not be segregated, as the awards did not give any item-wise break-up. In the opinion of the Committee, it is a case of failure to do proper preparatory work in the first instance and failure to negotiate proper rates thereafter. The Committee would like the Ministry of Railways to suitably deal with the concerned officials and to ensure that such lapses do not recur."

1.6 In their Action Taken Notes, the Ministry of Transport, Department of Railways (Railway Board) have stated as follows :

"The observations of the Committee have been noted. To avoid the confusion, however, the Central Railway have revised the specifications and schedules so as to call rates separately for embankments with compaction and without compaction for all items."

1.7 In their earlier Report, the Committee had pointed out that due to inclusion of an additional non-standard item 'Extra for Compaction' in the contracts for the earth work, which was though not needed in view of the overall specification No. 202, i.e. embankment with compaction, had resulted in avoidable extra payment of Rs. 5.46 lakhs. The Committee had further observed that extra payment on account of operation of the non-standard item would be much more, considering the fact that in 5 other contracts, claims amounting to Rs. 16.65 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the Arbitrators. The Committee had desired the Ministry of Railway to suitably deal with the concerned officials and to ensure such lapses do not recur. The Ministry of Railways (Railway Board) have, while noting the observation of the Committee stated in their action taken note that the Central Railways have revised the specifications and schedules so as to call rates

separately for embankments with compaction and without compaction. The committee find that the reply in silent about the action to be taken against the concerned officials for the lapse. The Committee reiterate their desire that the matter shall be gone into and appropriate action taken against the erring officials.

Priority list for new conversion projects

(Sl. No. 17—Para 2.40)

1.8 Commenting on non-maintenance of a priority list for new conversion projects by Department of Railways (Railway Board) the Committee in Paragraph 2.40 had observed as under :

“The Committee also find that the Ministry of Railways do not have any priority list for new conversion projects. This is a sad commentary on the State of Planning in the Railways. The Committee are surprised to learn this. The Committee desire that the Ministry of Railways should, after detailed feasibility and viability surveys, draw up a priority list of new projects in the light of objective criteria with a view to avoiding ad hoc selection of new projects. They would urge upon the Railway Board to sanction new conversion projects strictly as per their placement in the priority list and in such manner as can be taken up for execution within the reasonably anticipated financial resources.”

1.9 In their Action Taken Note, the Department of Railways (Railway Board) have started as under :

“While the observations of the P.A.C. are noted, it is submitted that the 19 gauge conversion on going projects would cover a length of 4800 kms of gauge conversion requiring an overall outlay of Rs. 1132 crores for their execution. Since the annual outlay on gauge conversion projects has been more or less of the order of Rs. 50 crores, the present list of on going projects itself constitutes a list of projects which have to be executed during the course of the next 5 to 10 years. Further selection of projects is based on results of detailed Engineering-cum-Traffic surveys and are approved in consultation with the Planning Commission. No priority list for future gauge con-

version projects can be prepared too much in advance as it would soon get out of date due to change in circumstances. The new projects are, therefore, taken up on various well known considerations after examining the results of surveys."

1.10 The Committee note that there are 19 on-going gauge conversion projects covering a length of 4,800 kms. which may require an overall outlay of Rs. 1132 crores for their execution. Since the annual outlay of gauge conversion projects has been more or less of the order of Rs. 50 crores, these on-going projects are likely to be executed during the course of the next 5 to 10 years. Considering the time likely to be taken for the completion of these projects, the Committee find that there is no point in taking in hand new conversion projects in the near future without completing expeditiously the original projects. The resources available to the Ministry must not spread thin and wide on many projects. Investments must become productive and yield return within the shortest possible time.

The Committee are not satisfied with the reply of the Ministry that priority list for future gauge conversion projects can not be prepared in advance as it would soon get out of date due to change in circumstances. The Committee reiterate that Railways should draw up a priority list of new projects taking into consideration the future needs of the area and the likely traffic projections. These projects may then be sanctioned as per their placement in the priority list in consultation with Planning Commission. It at the time of the turn of any project, it is considered that the circumstances have changed, that project may give way to the next in the priority list. The Committee feel that without any priority list the projects are sanctioned in ad-hoc manner and on extraneous consideration which must be avoided.

Revival or abandonment of slowed down/frozen/projects

(Sl. No 18—Para 2.41)

1.11 Regarding certain new line and conversion projects which had been frozen/slowed down after incurring substantial expenditure on them, the Committee had, in paragraph 2.41, recommended as under :

"Several other cases have come to the notice of the Committee where after incurring substantial expenditure, the works were

subsequently frozen/slowed down. On North Eastern Railway—Restoration of Chitauni Bagaha Rail link (22.3 kms.), as against the revised anticipated cost of Rs. 10 crores, an expenditure of Rs. 4.17 crores had been incurred when the work was practically frozen. By then only 9% of work had been done. On Western Railway—construction of BG line from Nadiad to Modasa, as against the estimated cost of Rs. 5.38 crores, an expenditure amounting to Rs. 2.10 crores had been incurred when the work was frozen. On the North Eastern Railway—Conversion of Bhatni—Varanasi MG section into BG (150 kms.) as against the estimated cost of Rs. 30 crores, an expenditure of Rs. 3.3 crores had been incurred when the work was abandoned. Only 9.6% of work had been done. Likewise, on Sakri-Hassanpur-provision of a new MG line (60 km) as against the estimated cost of Rs. 4.75 crores, an expenditure of only Rs. 29.83 lakhs had been incurred when the work was abandoned. There were perhaps many more such cases. Evidently, the discontinuance of work on such projects was either due to improper selection or financial constraints imposed by indiscriminate selection of far too many projects unrelated to the available resources. There are instances of waste of scarce resources particularly when the Railways are complaining of shortage of funds. The Committee deplore the lack of proper planning in selection and execution of these projects which has resulted in locking up of colossal sums of money without any prospects of return in the foreseeable future. The Committee would like to be apprised of the details of all such projects in respect of which work has been frozen/slowed down/abandoned indicating specially in each case whether the Railways propose to revive them or not and if so, when.

1.12 In their Action Taken Note, the Department of Railways (Railway Board) have stated as under :

“The observations of P.A.C. are noted. The reasons for slowing down the various projects have already been explained, e.g. to concentrate on a few of the works with a view to deriving the maximum benefits from the investments. Naturally, therefore a number of the projects have necessarily to be slowed

down for the present. As desired by the P.A.C. the details of the projects in respect of which the works have been slowed down are given in the Annexure.*”

1.13 In their original Report, the Committee had pointed out certain new line and gauge conversion projects which had been frozen/slowed down by Railways after incurring substantial expenditure on them. This had resulted in locking up of colossal sums of money without any prospects of return in the foreseeable future. The Committee had desired to be apprised of the details of all such projects in respect of which work had been frozen/slowed down/abandoned indicating specifically in each case whether the Railways proposed to revive them or not and if so, when. The Department of Railways have furnished a list of 17 such projects. According to them the work on these projects has been slowed down to concentrate on a few of the works with a view to deriving the maximum benefits from the investment. The Department of Railways have, however, not indicated in their reply whether these slowed down projects would at all be activated. The Committee like the Railways to furnish this information in respect of each such slowed down project. The reasons for abandoning of any of those slowed down/frozen projects may also be *inter alia* stated in the action taken note.

* See page 20

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Ministry of Railways (Railway Board) accorded in January 1971 their sanction for undertaking a survey for the construction of a broad gauge (BG) line (41.96 Km) between Diva Station on Central Railway and Bassein Road Station on Western Railway. The objects of the line as given in the project Report were mainly to cater to the interchange traffic between Western Railway and Central Railway (Dadar junction to be closed to interchange goods traffic because of saturation of the existing section), to avoid detention caused to the wagons interchanged at Dadar and marshalling of the wagons in Bandra marshalling yard and to give relief to the suburban sections of both the Central and Western Railways. Based on the survey, the construction of the BG line was sanctioned at an estimated cost of Rs. 10.33 crores (without electrification) and Rs. 12.73 crores (with electrification) by the Ministry of Railways (Railway Board) in April, 1972. The work on the project commenced in March 1973 and was scheduled to be completed within three years *i.e.* by March 1976. However, only 22.64% of the work was done by March 1976. The line was certified fit for operation with diesel traction with effect from 25.11.1980, *i.e.*, more than four and a half years after its scheduled date of completion, at a cost of Rs. 28.80 crores. However, even after completion, the line was not commissioned and a further period of more than two years elapsed before it was commissioned in April, 1983.

[S. No. 1 para 1.90 of 212th Report of PAC—1983-84 (VII
Lok Sabha)]

Action Taken

The observations of the Committee have been noted.

Audit Observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railway (Railways Board)'s O.M. No. 84-BC-AC/VII/212 dated 15.2.1985]

Recommendation

As regards the reasons for the delay in the completion of the project, the Ministry of Railways have stated that the project was finally cleared only on 1.12.1972. With the major part of the financial year already over, the allotment for the project got reduced from the original figures of Rs. one crore to Rs. 13.28 Lakhs. It was not possible to allocate sufficient funds for progressing this work during the financial years 1973-74 to 1975-76 because of the twin effects of costs of projects going up steeply and of economy cuts being imposed on both "Plan" and "Non-plan" expenditure in the wake of the oil crisis. The funds allotted to the project upto 1975-76 amounted to only Rs. 6.18 crores (i.e. about 48% of the original estimate). The Committee are unhappy over the manner in which the Railway administration had acted in this case. They observe that while this project suffered on account of financial constraints, the Railway have sanctioned other such project during the same period. The Committee fail to understand why they should have taken inhand new projects, resulting in further scattering of scarce resources when the Railways were well aware of the financial constraints. The Committee have pointed out time and again that is unwise to take up too many projects thereby spreading the limited resources at the disposal of the Railways so thinly as not to make any impact. The Committee need hardly point out that it not only delays the project but also results in escalation of cost. How costly the slashing of the allotment had proved in the present case will be seen from the fact that the project which was planned to be completed in three years actually completed in seven and a half years and the cost had risen from Rs. 12.73 crores (with electrification) as per original estimate to Rs. 23.48 crores as per first revised estimate of May 1978 and again to Rs. 28.80 crores as per second revised estimate of May 1982. An analysis of the rise in cost between the first and the

second revised estimate shows that over 75% of it was accounted for by cost overrun alone and less than 25% by increase in the scope of the project. The Chairman, Railway Board admitted in evidence "we have been spreading the available resources on far too many works simultaneously instead of taking up one or two works and complete it in one or two or three years so that gestation period is cut down and cost is cut down". The Committee trust, in future, on going schemes and projects will not be allowed to suffer.

[S. No. 2 para 1.91 of 212th Report of PAC—1983-84
(VII Lok Sabha)

Action Taken

The observations of the Committee have been noted. The ongoing works have since been assigned priorities and efforts are being made to concentrate on few works viz. priority projects to get the maximum benefit from the investments made.

Audit Observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Boards') O.M. No. 84—BC—
PAC/VII/212 dated 15.2.1985]

Recommendation

The Committee are astonished at the extent of vacillation shown by the railways in taking a decision on the mode of traction to be adopted. The mode of traction stipulated in April 1972 project estimate was 25 KC AC. A Committee was then appointed to go into the question whether 25 KV AC traction or 1500 V BC traction would be more desirable. The Committee recommended 1500 V BC system for reasons of operational flexibility and factors of economic advantage with BC system at traffic levels. The Committee felt that difficulties may be encountered in arranging 25 KV AC supply for a short section between two BC systems. The Committee submitted its report in

May 1973 and the Railway Board accepted it. However, even after accepting the report, the indecisiveness in the Railway Board continued. In October, 1977, the Railway Board decided that the Diva-Bassein line should be commissioned with diesel traction in the first instance as an intermediate phase, although the original location survey-cum-traffic re-appraisal had not favoured diesel traction on the consideration that the new line would be between two electrified sections and the diesel locomotives required for the section may have to be worked from the homing shed at Ratlam. In May 1973, the cost of the project was revised to Rs. 23.48 crores from Rs. 12.73 crores, taking into account the change in the mode of traction from 25 KV AC to 1500 V DC. However, the work on the diesel traction continued. In November 1980, the line was certified fit for operation with diesel traction. But the line was not commissioned considering that an investment of Rs. 75.78 lakhs would have to be made for the transitory period on creation of facilities for inter-change at Bassein road and maintenance, service facilities at Kalyan. However, while taking this decision, no detailed assessment had been made of the return that would have accrued from commissioning of the line with diesel traction. Thus, even after completion, the line constructed at a cost of over Rs 28 crores remained unused for over two years. It was commissioned only in April, 1983 with BC traction. When the original location survey-cum-traffic re-appraisal made in 1972 had not favoured diesel traction on the consideration that the new line would be between two electrified sections, it is not understandable why in October 1977, the Board should have decided on diesel traction even as an intermediate phase. It is yet another example of total lack of planning and perception in the Railway Board. The Committee would like the Railway Board to ensure that such costly mistakes are not repeated in future.

[S. No. 3 para 1.92 of 212th Report of PAC 1983-84 (VII Lok Sabha)]

Action Taken

The observations of the Committee have been noted.

Audit observations

The matter is under reference with Directors of Audit, Central and

North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s Q.M. No. 84-BC-PAC/VII/212 dated 15.2.1985]

Recommendation

An equally painful aspect of the case is the award of the contract for earthwork and minor bridges in Section VII-A by the Railway Administration even before it was in possession of the site. This contract was awarded to contractor 'A' in December, 1973 to be completed by March, 1975. The Railway Administration was not having possession of the land at the time of awarding the contract. The State Government completed land acquisition proceedings in November 1974 only. The dispute in this section arose as the contractor claimed (July, 1977) Rs. 40 lakhs on account of delay in handing over the site and the resultant escalation in rates, idling of machinery, wage revision, etc. In extenuation, the Ministry of Railways (Railway Board) have stated that private negotiations were conducted with the land owners in terms of para 608 E (revised Engineering Code para 808-E) with a view to taking advance possession of some stretches without losing time. After carrying out such negotiations, 10 contracts covering the length of 13.10 Km., which also included Section VII-A, were awarded. This procedure, which had also been adopted in other contracts, had worked satisfactorily. However, in case of Sections VII-A and VII-B, the land owners, after having entered into an understanding with the Railways, resiled from the undertaking given by them and obstructed the contractor and prevented him from doing the work. While the Committee do not object to the approach of the Railway Administration in conducting negotiations with the land owners in terms of para 608-E (revised Engineering Code para 808-E), they feel that there was no justification on the part of the Railway Administration for awarding the contract before it was in possession of the site. Also, this action of the Railway Administration was in violation of the Ministry of Railways (Railway Board's) standing instructions of 19.2 which enjoin, inter alia, that the Railway Administration should invite tenders only when fully prepared to hand over the sites. In this connection, the Committee note the admission made by the Chairman,

Railway Board before the Committee in evidence, "we have learnt from the past that we must first get the land 100% into our custody before we start the work. Otherwise land prices appreciate and there is a lot of problem of acquiring the land anywhere." The Committee trust that necessary action will be taken by the Railway Board to ensure that their aforesaid standing instructions are strictly adhered to by the Railway Administrations and that in future no contract is awarded by a Railway Administration unless it is fully prepared to hand over the site to the contractor.

[S. No. 4, Para 1.93 of 212th Report of the P.A.C.—
(1983-84)-VII Lok Sabha].

Action Taken

Observations noted.

Instructions have since been issued to all the Railways vide Board's letter No. 85/WI/CT/8 dated 11.9.85 (copy endorsed as annexure) reiterating that before award of the contracts, Railway Administrations must ensure that they are fully prepared to hand over the site to the contractor. In exceptional cases, however, where the Railway Administrations feel that the award of the contract, without fulfilling the above conditions, will be in its best interest, a conscious and deliberate decision may be taken after recording the reasons therefore, with the specific approval of the Chief Engineer in-charge of the works.

This has been seen by Audit.

[Ministry of Transport Deptt. of Railways (Rly. Board)'s
O.M. No. 84-BC-PAC/VII/212 dt. 4.11.1985]

ANNEXURE

**GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)**

No. 85/WI/CT/8

New Delhi, dt. 11.9.1985.

The General Managers,

**All Indian Railways, including CLW, DLW, ICF & MTP (Rlys),
Calcutta, Madras and Bombay.**

The General Managers (Cons), Southern Rly., Bangalore and N.F. Rly., Gauhati.

The General Manager,
Wheel & Axle Plant, Bangalore.
The Director General,
R.D.S.O., Lucknow.

Sub : Contract management on the Railways (Works Contracts).

It has been brought to the notice of the Railway Board by the Audit that due to delay in handing over of sites to the contractor there have been serious time and cost over-runs, due to demand for increase in rates and/or termination of contracts and their subsequent award at higher rates.

2. In this connection, your attention is invited to the Board's letter of even number of 22.2.85 vide which the Railway Administrations were advised to foresee all the delays to the extent possible and decide to call for tenders only when they are fully prepared to hand over the sites of the works.

3. Board would like to re-iterate that before awarding contracts, the Railway Administrations must ensure that they are fully prepared to hand over the site to the contractor. In exceptional cases, however, where the Railway Administrations feel that the award of the contract, without fulfilling the above conditions, will be in its best interest, a conscious and deliberate decision may be taken after recording the reasons therefore with the specific approval of the Chief Engineer in-charge of the works.

Please acknowledge receipt.

(Hindi version will follow)

Sd/-

(V.S. DUTTA)

*Jt. Director Works,
Railway Board*

New Delhi, dt. 9.1984.

DA : Nil.

No. 85/WI/CT/8

Copy to :—

1. The ADAI (Rlys), New Delhi. (with 40 spare copies).
2. The FA & CAOs/All Indian Railways.
3. The Directors of Audit/All Indian Railways.

Sd/-
(V.S. Dutta)
Jt. Director Works,
Railway Board.

Recommendation

The Committee are amazed over the manner in which the Railway authorities had acted in the matter of arbitration proceedings. The Arbitrators, who were serving Railway Officers, directed both the contractor and the Railway Administration to send statements of facts and claims/counter claims by March, 1978. While the contractor submitted his statement in March 1978, the Railway Administration failed to file their counter-statement despite repeated extensions given by the Arbitrators—upto 31 May 1978, 31 July 1978 and 31 August 1978. Even thereafter, the Railway Administration, instead of submitting the counter-statement, allowed time to lapse first in raising certain doubts and later on in questioning the jurisdiction of the Arbitrators to continue the proceedings on 4.9.1978, the Arbitrators called upon the Railway Administration to file their counter-statement without further loss of time. Even though the date was finally extended upto 31 December 1978 by the Arbitrators, the Railway Administration did not submit the counter statement. On 7.4.1979, the Arbitrators published their award ex-parte and directed the Railway Administration to pay Rs. 17.51 lakhs towards the claims of the contractor and Rs. 1.46 lakhs towards interest. The original value of the contract was Rs. 29.79 lakhs only.

[S. No. 5 para 1.94 of 212th Report of PAC—1983-84
(VII Lok Sabha)]

Action Taken

The observations of the Committee have been noted.

Audit observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O M. No. 84-BC-PAC/VII/212 dated 15.2.1985.]

Recommendation

1.97 The Committee note that as per Railways' Book of specifications, there are two types of embankments—one for formation without compaction (specification No. 201) and the other for formation with compaction (Specification No. 202). In this project, certain embankments were classified under specification No. 202 while in the same section some embankments were also classified under specification No. 201. An additional non-standard item 'Extra for compaction' was also provided to cater for contingencies of compacting each, wherever required separately. The Committee fail to understand the need for the non-standard extra item in view of the overall specification No. 202, i.e. embankment with compaction. According to the Ministry of Railways (Railway Board) no compaction was considered necessary with "good" soil and embankments upto a height of six metres while compaction was needed in case the embankment was more than six metres even if "good" soil was available. If so, the Committee feel, the appropriate course for the Railway Administration was to have split up the sections for either "formation with compaction" or "formation without compaction" as per Railways' book of Specifications and proceed accordingly. This unfortunately that did not do. Even if the non-standard extra item had been provided, the Railway Administration should have ensured that the rate prescribed for specification (no. 201) plus extra for compaction was not more than the rate fixed for specification No. 202. This also was not done, with the result that the Railway Administration had to make avoidable extra payment of Rs. 5.46 lakhs. Actually, the avoidable extra payment on account of operation of the non-standard item would be much more, considering the fact that in five other contracts, claims amounting to Rs. 1665 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the arbitrators. However,

the exact amount relating to the non-standard item could not be segregated, as the awards did not give any item-wise break-up. In the opinion of the Committee, it is a case of failure to do proper preparatory work in the first instance and failure to negotiate proper rates thereafter. The Committee would like the Ministry of Railways to suitably deal with the concerned officials and to ensure that such lapses do not recur.

[S. No. 8 para 1.97 of 212th Report of PAC—1983-84 (VII Lok Sabha)]

Action Taken

The observations of the Committee have been noted. To avoid the confusion, however, the Central Railway have revised the specifications and schedules so as to call rates separately for embankments with compaction and without compaction for all items.

Audit observations

The matter is under reference with Directors of Audit, Central and North Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84—BC—PAC/VII/212 dated 15-2-1985]

Recommendation

Another matter in which the Railway Administration had shown poor management was the construction of major bridges. Work orders for the fabrication of five steel girders required for the two major bridges on this line were issued to the Railway's Civil Engineering workshop at Manmad in May 1975, though the work on the project was commenced in March 1973. According to the Ministry of Railways (Railway Board), the tenders for Manufacture, supply and erection of girders opened on 1-11-1973 had to be cancelled by the Railway Administration due to non-availability of adequate funds during 1974-75. The Committee have already recommended that as far as possible, allotment of funds on on-going works should not be slashed.

[S. No. 9 para 1.98 of 212th Report of PAC—1983-84 (VII Lok Sabha).]

Action taken

The observations of the Committee have been noted.

Audit observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84—BC—PAC/VII/212 dated 15-2-1985]

Recommendation

Several other cases have come to the notice of the Committee where after incurring substantial expenditure, the works were subsequently frozen/slowed down. On North Eastern Railway—Restoration of Chitauni Bagaha Rail link (22.3 Kms), as against the revised anticipated cost of Rs. 10 crores, an expenditure of Rs. 4.17 crores have been incurred when the work was practically frozen. By then only 9% of work had been done. On Western Railway—construction of BG line from Nadiad to Modasa, as against the estimated cost of Rs. 5.38 crores, an expenditure amounting to Rs. 2.10 crores had been incurred when the work was frozen. On the North Eastern Railway—Conversion of Bhatni—Varanasi MG section into BG (158 Km.) as against the estimated cost of Rs. 30 crores, an expenditure of Rs. 3.3 crores had been incurred when the work was abandoned. Only 9.6% of work had been done. Likewise, on Shakri—Hassanpur—provision of a new MG line (60 Km) as against the estimated cost of Rs. 4.75 crores, an expenditure of only Rs. 29.83 lakhs had been incurred when the work was abandoned. There were perhaps many more such cases. Evidently, the discontinuance of work on such projects was either due to improper selection or financial constraints imposed by indiscriminate sanction of far too many Projects unrelated to the available resources. There are instances of waste of scarce resources particularly when the Railways are complaining of shortage of fund. The Committee deplore the lack of proper planning in selection and execution of these projects which has resulted in locking up of colossal sums of money without any prospects of return in the foreseeable future. The Committee would like

to be apprised of the details of all such projects in respects of which work has been frozen/slowed down/abandoned, indicating specifically in each case whether the Railways propose to revive them or not and if so, when.

[S. No. 18 para 2.41 of 212th—Report of P.A.C. 1983-84
(VII Lok Sabha)]

Action taken

The observations of the P.A.C. are noted. The reasons for slowing down the various projects have already been explained, e.g. to concentrate on a few of the works with a view to deriving the maximum benefits from the investments. Naturally, therefore a number of the projects have necessarily to be slowed down for the present.

As desired by the P.A.C. the details of the projects in respect of which the works have been slowed down are given in the Annexure.

Audit observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84—BC—PAC/
VII/212 dated 15-2-1985].]

ANNEXURE

List of New Lines and Gauge Conversion Projects which have been slowed down

(Cost in crores
of Rs.)

Sl. No.	Name of Project	Year of W.P.	Length (Kms)	Anticipated Cost	Remarks
<i>New Lines</i>					
1.	Budge Budge-Namkhana incl. Lakshmikantapur-Kulpi	81-82	100.39	20.77	
2.	Howrah-Sheakhala	72-73	17.40	7.00	
3.	Kalka-Parwanoo	82-83	4.31	1.60	
4.	Sakri-Hasanpur	74-75	74.9	10.38	
5.	Bagaha-Chhitauni (restoration)	74-75	28.41	23.59	Bagaha-Valmiki-nagar Rd. (9.14 Kms) opened to Traffic
6.	Gauhati-Barnihat	78-79	26.70	18.50	
7.	Alleppey-Kayankulam	82-83	43.10	11.10	
8.	Bringing old Madhavnagar on the main line (restoration)	80-81	7.00	1.22	

9. Miraj-Sangli (restoration)	80-81	7.77	2.40	
10. Jakhapura-Banspani	74-75	176.0	75.0	Jakhapura-Daitari (33 Kms) opened to goods traffic.

Gauge Conversions

Samastipur-Darbhanga (MG to BG)	74-75	38.00	12.00	
Bhojipura-Kathgodam incl. parallel BG line from Bhojipura to Barcilly (MG to BG)	81-82	107.00	24.67	
Kashipur-Lalkua and Lalkua-New Haldwani BG (MG to BG)	74-75	72.00	15.60	
Gauhati-Dibrugarh (MG to BG)	81-82	580.00	145.00	
Katihar-Barsoi-Siliguri-New Jalpaiguri (MG to BG)	81-82	209.00	73.00	
Guntur-Macherla (MG to BG)	74-75	130.32	32.26	
Delhi-Sabarmati	77-78	925.00	231.00	

Recommendation

The Chairman, Railway Board stated in evidence that "Now we are wise enough and we will necessarily afford the necessary priority to the project". It was further stated by him that ultimately the necessity of taking up the work upto Raxaul is 'positively there' as the trend of movement essentially is upto Raxaul, but considering the financial constraints it will have to be projected phase after phase and not in one stroke. The Committee feel that since this project has already been taken up it should be ensured by the Ministry of Railways that it is progressed to completion at an early date without any interruption.

[S. No. 19 Para 2.42 of 212th Report of P.A.C.—1983-84
(VII Lok Sabha)]

Action taken

The observations of the Committee have been noted. However, the progress of the project would depend on the overall availability of funds—specifically for plan head Gauge conversion, and its relative priority *vis-a-vis* other Gauge conversion projects already taken in hand.

Audit observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M.No. 84—BC—PAC/
VII/212 dated 15-2-1985.]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLYES RECEIVED FROM GOVERNMENT

Recommendation

The fabrication of steel girders should have synchronized with the completion of the sub-structure of the bridges. It is, however, seen that while the work of the sub-structures was completed by the contractor in september 1977, the fabrication of the girders was not done by the Railway Workshop, Manmad. It was stated in extenuation that there were breaches during the monsoon of 1976 on the Western Railway, and the Railway bridges over the Daman Ganga was washed away. For restoring traffic, the two spans of 45.7 an which had been fabricated by Manmad Workshop at that time were ordered to be diverted for this bridge. In addition, four more spans which were under fabrication or were due to be taken up for fabrication shortly were also ordered to be diverted for restoration of traffic on Western Railway. While the Committee appreciate the extenuating circumstances in which the Manmad Workshop could not deliver the fabricated girders, they cannot help observing that the Railway Administration had failed to monitor the progress of the fabrication of steel girders and there was communication gap between the Railway Administration and the Manmad Workshop. Had the Railway Administration kept a proper watch on the progress of fabrication work in the Manmad Workshop, they would have come to know much earlier that the Manmad Workshop would not be able to deliver the girders as per schedule. In such a case, the project authorities could have tapped alternative sources much earlier such as the Mughalsarai workshop or any outside agency fabricating such girders.

[S.No. 10 para 1.99 of 212th Report of PAC—1983-84
(VII Lok Sabha)]

Action Taken

The observations of the P.A.C. are noted. It is, however, submitted that a watch was being kept on the progress of manufacture of girders in the Manmad Workshop and as soon as it became known that due to other heavy commitments it would no longer be possible for the Workshop to meet the requirements of this bridge, action was initiated to obtain the girders from alternative source viz. South Central Railway. Incidentally, the other bridge workshop at Mughal-sarai was also working beyond capacity, and there also it would not have been possible to take on an additional load for this project. Efforts to get the girders from S.C. Railway also did not succeed and, therefore, tenders were invited for fabrication of the girders.

Audit Observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-PAC/VII/212 dated 15.2.1985]

Recommendation

In November 1977, the Railway Administration made efforts to obtain girders from the market by open tenders, but they were not successful. In August 1978, the Chief Bridge Engineer had stated that the Railway Workshop at Manmad could supply the girders by December 1979 at a fabrication cost of Rs. 1800 per tonne. The Railway Administration did not accept this offer but decided to get the work done by contract. On the basis of the lowest tenders, the work was awarded in April 1979 to a public sector undertaking, M/s. Bridge & Roof who offered to supply the girders by August 1979 at the rate of Rs. 2700 per tonne plus escalation charges on account of revision of wages, subject to a ceiling of Rs. 540 per tonne. Thus, in effect, the Railway Administration agreed to pay Rs. 3240 per tonne as fabrication charges to M/s. Bridge & Roof as against Rs. 1800 per tonne offered by the Manmad Workshop. The explanation given in evidence by the representative of the Railway Board for not awarding

the contract to the Manmad Workshop was that "Manmad would not have been able to supply them during this period. Manmad would have produced it later." The Committee are not convinced by this explanation. Considering the usual time required for finalisation of tenders and the stipulated period of execution of contracts and the extensions likely to be given, the Railway Administration could have foreseen that there would not be any material difference in the delivery dates of the Railway Workshop and the contractor. The Administration had an added advantage in the case of the former, in as much as it could exercise pressure at a higher level to get the work executed departmentally. As it actually turned out, on account of delay on the part of the Railway Administration in supply of material to the contractor, nearly 1/5th of which was found defective, the contractor could complete the delivery in September 1980—i.e. about 10 months after the Chief Bridge Engineer, Manmad Workshop had offered to do. The extra payment made to the contractor—M. s. Bridge & Roof works out to Rs. 8.43 lakhs. The manner in which the Railway Administration had handled this case hardly redounds to their credit.

[S.N 11 para 1.100 of 212th Report of P.A.C.—1983-84
(VII Lok Sabha)]

Action Taken

The observations of the P.A.C. are noted. It is, however, submitted that the work order placed on Manmad Workshop was never cancelled. It was only when it was realised that the Manmad Workshop would not be able to supply the girders for this project alternative arrangements were made by calling tenders which were awarded to M/s. Bridge and Roof, a Government of India Undertaking. Incidentally, the Manmad Workshop did supply the girders long after they were received from M/s. Bridge and Roof and after the same had been erected at site. Subsequently, when the girders were received from the Manmad Workshop they were transferred to another project, where they were also required and as such erected at site on the project.

Audit Observations

The matter is under reference with Directors of Audit, Centrla

and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-PAC/VII/212 dated 15.2.1985]

Recommendation

The foregoing paragraphs show that in the execution of this project there were numerous acts of omission and commission on the part of the project authorities and the Railway Board. Apart from lack of proper planning and poor management which had resulted in as many as 27 disputes in 33 sections, there was incomprehensible indecisiveness and ambivalence in deciding the mode of traction to be adopted. These, together with the heavy out in the allotment of funds just when the work on the project had started, resulted in the commissioning of the line in over 10 years instead of three years, envisaged in the estimate. The cost also shot up from Rs. 12.73 crores to Rs. 28.80 crores. And more importantly, the main objects for which the project was undertaken, i.e. to avoid detention caused to wagons interchanged at Dadar and to provide relief to suburban services of both the Central and Western Railways, remained unfulfilled from March 1976 (when the project was expected to be completed) till April 1983 (when the line was commissioned with DG traction.) The Committee expect the Railways to draw appropriate lesson from this case so as to be more careful in future while handling execution of such projects. In particular, the Committee would like the Ministry of Railways (Railway Board) to examine whether the existing system of contracts under which disputes had arisen in 27 contracts in 33 sections needed to be overhauled.

[S No. 12 para 1.101 of 212th Report of P.A.C. 1983-84
(VII Lok Sabha)]

Action Taken

While the observations of the P.A.C. are noted, it is submitted that a large number of problems had arisen in view of the unstable economy and rising trend in market rates which could not have been anticipated.

As regards the question regarding the overhauling of the system of contracts it is further submitted that these disputes in this case had also arisen mainly in view of the escalation in rates and the contractors adopting various tactics for getting enhanced rates one of which was to put up exaggerated claims. It would be observed that in a number of cases, the Railway had succeeded, by negotiations, to reduce the extent of claims drastically. To ensure that the element of escalation is taken care of in future, instructions have already been issued that an escalation clause may be provided for all future contracts valued over Rs. 25 lakhs.

Audit Observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-PAC/VII/212 dated 15.2.1985]

Recommendation

The Committee note that the Railway Administration, at the instance of the Ministry of Railways (Railway Board), examined the financial viability of conversion of Samastipur—Raxual Branch line from Metre Gauge (MG) to Broad Gauge (BG) via Muzaffarpur and via Darbhanga in May 1964 and again in April 1969. The investigations by the Administration on both the occasions established that the conversions was not financially viable. Yet, the Ministry of Railways subsequently sanctioned Engineering-cum-Traffic survey of the entire line. The survey report was submitted by North Eastern Railway to the Ministry of Railways in 1971, for both the alternative routes. After a period of more than three years the Ministry of Railways approved the part conversion of the section 'Samastipur—Raxual' in the budget of 1974-75 at an approximate cost of Rs. 4.75 crores. The Committee observe that this part conversion was not recommended either by the General Manager or by the Financial Adviser and Chief Accounts Officer of the Railway. The reasons given by them for not recommending this part conversion project were : Firstly, the existing MG line capacity on samastipur—Darbhanga section was not utilized

fully; as against the capacity of 18 trains each way only 14 trains were running; secondly, the part conversion from MG to BG would create transshipment problems at Darbhanga in respect of large scale international traffic for Nepal moving through Maxual; and thirdly, the return on capital would have been only 3.58 per cent as against the general norm of 10 per cent of financial viability. It is inexplicable how in the face of such cogent reasons given by the General Manager and Financial Adviser and Chief Accounts Officer against the part conversion project, the Railway Board sanctioned the project.

[S. No. 13 para 2.36 of 212th Report of PAC—1983-84
(VII Lok Sabha)]

Action Taken

The observations of the Committee have been noted. It is, however, submitted that the gauge conversion of Samastipur--Darbhanga from MG to BG was approved and taken up as a first phase of Samastipur--Darbhanga--Raxual Gauge conversion project which was included in the perspective plan on Gauge conversion on all Indian Railways. Moreover, the construction of the Sakri-Hasanpur new line was also approved at the same point of time with a view to avoid dislocation of the MG section in North Bihar and also simultaneously obviate the need for transshipment facilities at Darbhanga. The idea was to execute both the projects simultaneously.

Audit Observations

The matter is under reference with Director of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-
PAC/VII/212 dated 15.2.1985]

Recommendation

The Committee note in this connection that according to the policy regarding construction of new Railway lines furnished to the Committee by the Railway Board in August 1975, a project for gauge conver-

sion is taken up (i) when a section becomes saturated and is incapable of handling additional traffic, (ii) when the magnitude of transshipment involved is such that it is uneconomical or is not feasible at all, or (iii) when it is needed for providing speedy and uninterupted means of communication to areas which have potential growth. However, in the case of Samastipur—Darbhanga section none of these criteria was satisfied.

[S. No. 14 para 2.37 of 212th Report of PAC—1983-84
(VII Lok Sabha)]

Action Taken

The observations of the Committee have been noted. In respect of Samastipur—Darbhanga section, however, the gauge conversion would have provided speedy and uneterrupted means of communication upto Darbhanga which had hitherto been under developed and was located in a backward region of North Bihar so as to provide the necessary infrastructure for its growth and development.

Audit Observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-
PAC/VII/212 dated 15.2.1985]

Recommendation

The Committee find that after the approval of this conversion project in 1974-75, it did not receive any priority for six years as only Rs. 1000/- were allotted to it by the Railway Board till 1979-80. Suddenly, in December 1980, this section became important and deserved top priority when Railway Board decided to sanction an urgency certificate for Rs. 60 lakhs. Accordingly, Railway Administration at the instance of Railway Board submitted the urgency certificate in December 1980, and the latter sanctioned it in March 1981. But barely ten months after the sanction of the urgency certificate, this work was completely ignored and deferred as it did not fall within the category

of 'important projects' prepared by the Ministry of Railways (Railway Board), in consultation with the Planning Commission (January 1982). Thus, the total investment of Rs. 65.24 lakhs incurred on the project till then became unproductive. The manner in which the order of priorities went on changing in the Railway Board from time to time in the case of this project creates a doubt whether the priorities were at all given on the basis of objective criteria and considerations. The very fact that the project was originally sanctioned in 1974-75 in the fact of very sound reasons given by the local Railway Administration against it as also the facts that the proposal regarding the urgency certificate emanated from the Railway Board and not from the concerned Railway and the urgency certificate was given when it did not satisfy any of the conditions required to be satisfied therefor add to the Committee's doubt.

[S. No. 15 para 2.38 of 212th Report of P.A.C.—1983-84
(VII Lok Sabha)]

Action Taken

While noting the observations of the P.A.C. it is submitted that slowing down of certain projects in January, 1982 was not because these projects were not 'important' projects but in recognition of the fact that the resources available were limited to progress all the on-going projects and, therefore, only those projects which had made substantial progress till that date were considered as 'priority' projects so as to concentrate on these projects with a view to deriving the maximum possible benefit from the investments made.

The investment of Rs. 65.24 lakhs which was charged against Samastipur—Darbhanga gauge conversion should not really be treated as unproductive as the materials were diverted and utilised against other projects. When Samastipur—Darbhanga had been given a comparatively lower priority due to reasons given above.

As regards the question of urgency certificate for Samastipur—Darbhanga gauge conversion it has been clarified earlier that the Railway Board had treated this as an instrument for authorising the Railway to start the work without sanctioning the project estimate which at that point of time needed operation.

Audit Observations

The matter is under reference with Directors of Audit, Central and North Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board's) O.M. No. 84-BC-PAC/VII/212 dated 15.2.1985]

Recommendation

The Ministry of Railways have contended that the financial viability or the operating necessity are not the only criteria for conversion of this section. The North Bihar region suffers from backwardness and high population density. To satisfy the aspirations of the people of this backward region, a decision was taken to approve this work in 1974-75. However, as the Committee observe the fact remains that for all practical purposes there has been little progress on the work and the line remains as it was 10 years back. It has also been stated that one of the considerations on which part conversion was taken up was that it would serve the Air Force Headquarters at Darbhanga. However, it is surprising to note from a reply furnished by the Ministry of Railways that no specific request was received for this conversion project from the Air Force Headquarters at Darbhanga. It is, therefore, not clear to the Committee how it was concluded that the project was needed by the Air Force Headquarters at Darbhanga.

[S. No. 16 para 2.39 of 212th Report of P.A.C.—1983-84
(VII Lok Sabha)]

Action Taken

While the observations of the PAC are noted it is clarified that the reasons for slowing down the progress of this work was due to severe constraint on resources necessitating fixing of relative priorities amongst the on going projects on the basis of the progress already achieved on those projects with a view to deriving the maximum benefits from the investments. Further, the reasons for mentioning that the Air Force Headquarters at Darbhanga would also benefit by the gauge conversion was merely a recognition of the fact.

Audit Observations

The matter is under reference with Directors of Audit, Central and North Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-PAC/VII/212 dated. 15.2.1985.]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS THE REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee also find that Ministry of Railways do not have any priority list for new conversion projects. This is a sad commentary on the State of planning in the Railways. The Committee are surprised to learn this. The Committee desire that the Ministry of Railways should, after detailed feasibility and viability surveys, draw up a priority list of new projects in the light of object criteria with a view to avoiding ad hoc selection of new projects. They would urge upon the Railway Board to sanction new conversion projects strictly as per their placement in the priority list and in such number as can be taken up for execution within the reasonably anticipated financial resources.

[S. No. 17 para 2.40 of 212th Report of PAC—1983-84
(VII Lok Sabha)]

Action Taken

While the observations of the P.A.C. are noted, it is submitted that the 19 gauge conversion on going projects would cover a length of 4800 Kms of gauge conversion requiring an overall outlay of Rs. 1132 crores for their execution. Since the annual outlay on gauge conversion projects has been more or less of the order of Rs. 50 crores, the present list of on going projects itself constitutes a list of projects which have to be executed during the course of the next 5 to 10 years. Further, selection of projects is based on results of detailed Engineering-cum-Traffic surveys and are approved in consultation with the Planning Commission. No priority list for future gauge conversion projects can be prepared too much in advance as it would soon get out of date due to change in circumstances. The new projects are, therefore,

taken up on various well known considerations after examining the results of surveys.

Audit Observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-PAC/VII/212 dated. 15.2.1985.]

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF
WHICH GOVERNMENT HAVE FURNISHED INTERIM
REPLIES.

Recommendation

It is inexplicable why the Railway Administration, after appointing two serving Railway Officers as Arbitrators in January 1978, should have failed to submit their claims/counter claims even though repeated extensions had been given to them by the Arbitrators. The explanation given by the Ministry of Railways (Railway Board) for the Railway's failure to do this was 'the pre-occupation of the concerned Executive Engineer during the busy season'. The Committee are surprised at this. Another explanation given during evidence was that if "we had submitted (the claim)" it would have been taken that "we were submitting to the jurisdiction" of the Arbitrators. The Committee find this explanation as unacceptable as the first one. When questioned in evidence, the representative of the Railway Board conceded, "I do agree that the (contractor's) claims should have been refuted. They (the Railway Administration) should have submitted their counter claims. We could have filed it (our counter-claims) saying we are doing so under-protest." It appears to the Committee that it is not a case of mere negligence. It is something more than that. The Committee desire that the matter should be investigated in depth by an independent authority as to why the Railway officials had allowed the claims of the Railways to go by default and responsibility fixed. The Committee would like to be informed of the results of the investigations within a period of six months from the presentation of this Report.

[S. No. 6 para 1.95 of 212th Report of PAC—1983-84 (VII
Lok Sabha)]

Action Taken

The observations of the Committee have been noted. An Enquiry

Committee has been appointed to enquire into the matter. P.A.C. would be informed about the results of the investigations after completion of the enquiry.

Audit Observations

The matter is under reference with Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-PAC/VII/212 dated 15.2.1985]

Recommendation

The work on the Diva-Bassein project was executed in 33 sections under various contracts. How badly the Railway Administration had managed their affairs may be gauged from the fact that out of these 33 contracts, disputes arose in 27 contracts. The claims referred by various contractors totalled Rs. 504.09 lakhs (approximately). In six disputed contracts, as against Rs. 110.52 lakhs claimed by the contractors, Rs. 37.39 lakhs were paid by the Railway as a result of Arbitration awards. In 12 other contracts, the dispute was settled by discussion and the amount paid was Rs. 6.69 lakhs as against of Rs. 206.74 lakhs claimed by the contractors. As regards the remaining nine contracts involving claims of Rs. 186.83 lakhs by the contractors the Ministry of Railways (Railway Board) have stated that these claims relate to excepted matters or matters outside the scope of the contracts and for this reason the claims were not accepted by the Railways. The Committee are informed that the contractors have now approached the Bombay High Court for appointment of Arbitrators and the Railways are contesting the cases. The Committee would like to be informed of the decision of the High Court in this regard.

[S. No. 7 para 1.96 of 212th Report of PAC- 1983-84 (VII Lok Sabha)]

Action Taken

The observations of the Committee have been noted. The decision of the High Court will be intimated to the PAC when received.

Audit Observations

The matter is under reference with the Directors of Audit, Central and North-Eastern Railways. Further communication in this regard will follow in due course.

[Ministry of Railways (Railway Board)'s O.M. No. 84-BC-PAC/VII/212 dated 15.2.1985]

NEW DELHI ;

4 March, 1986

13 Phalguna, 1907 (Saka)

E. AYYAPU REDDY,

Chairman,

Public Accounts Committee.

PART II

MINUTES OF THE 47TH SITTING OF THE COMMITTEE ON PUBLIC ACCOUNTS HELD ON 27 FEBRUARY, 1986 (AN)

The Committee sat from 15.30 hrs. to 16.45 hours.

PRESENT

Shri E. Ayyapu Reddy—*Chairman*

MEMBERS

Lok Sabha

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
5. Shri Vilas Muttemwar
6. Shri G. Devaraya Naik
7. Shri Rajmangal Pande
8. Shri H.M. Patel
9. Shrimati Jayanti Patnaik
10. Shri Simon Tigga
11. Shri Girdhari Lal Vyas

Rajya Sabha

12. Shri K.L.N. Prasad

SECRETARIAT

1. Shri K.H. Chhaya—*Chief Financial Committee Officer*
2. Shri Krishnapal Singh—*Senior Financial Committee Officer*
3. Shri Brahmanand—*Senior Financial Committee Officer*
4. Shri O.P. Babal—*Senior Financial Committee Officer*

REPRESENTATIVES OF THE OFFICE OF C & AG

1. Shri T.M. George—*Adl. Dy. C & AG of India*
2. Shri D.K. Chakrabarty—*Director of Audit (Central Revenue)*
3. Shri M. Parthasarathy—*Director of Audit (Defence Services)*
4. Shri V. Sundaresan—*Director of Receipt Audit-I*
5. Shri Gopal Singh—*Joint Director of Audit*
6. Shri B.S. Gill—*Joint Director of Audit (Defence Services)*
7. Shri P.N. Misra—*Joint Director (Railways)*

2. The Committee considered the following draft Action Taken Reports and adopted them with certain modifications as shown in Annexure IV respectively.

× × × ×

(4) Draft Report on Action Taken on recommendations contained in 212th Report (Seventh Lok Sabha) regarding Central Railway—Construction of broad gauge line between Diva and Bassein Road Stations and North Eastern Railway—Gauge conversion from Samastipur to Darbhanga.

× × × ×

The Committee authorised the Chairman to finalise the draft Reports in the light of the above modifications and other verbal and consequential changes arising out of factual verification by Audit and present them to the Parliament.

The Committee then adjourned.

ANNEXURE IV

Amendments/Modifications made by Public Accounts Committee in Draft Report on Action Taken on 212th Report (7th Lok Sabha) at their sitting Held on 27 February, 1986.

<i>Page</i>	<i>Para</i>	<i>Line</i>	<i>Amendments/Modifications</i>
1	2	3	4
4	1.7	5-6 from bottom	<i>For "guilty officers" Substitute "concerned officials"</i>
4	1.7	5 from bottom	<i>For "The Committee..... erring officials"</i> <i>Substitute "The Committee reiterate their desire that the matter shall be gone into and appropriate action taken against the erring officials."</i>
6	1.10	10-16	<i>For "The Committee feel..... projects are completed"</i> <i>Substitute "The Committee find that there is no point in taking in hand new coversion projects in the near future without completing expedi- tiously the original projects. The resources available to the Ministry must not spread thin and wide on many projects. Investments must become productive and yield returns within the shortest possible time."</i>

1	2	3	4
7	1.10	5-6	<i>For</i> "some even on extraneous considerations which needs to be avoided." <i>Substitute</i> "on extraneous considerations which must be avoided"
10	1.12	5 from bottom	<i>For</i> "revived" <i>Substitute</i> "activated"

APPENDIX

Statement of Recommendations/Observations

Sl. No.	Para No.	Ministry/Deptt. concerned	Recommendations/Observations
1	2	3	4
1.	1.4	Railways (Railway Board)	The Committee expect that final replies to recommendations and observations in respect of which only interim replies have been furnished by Government so far will be submitted to them expeditiously after getting the same vetted by Audit.
2.	1.7	—do—	In their earlier Report, the Committee had pointed out that due to inclusion of an additional non-standard item 'Extra for Compaction' in the contracts for the earth work, which was though not needed in view of the overall specification No. 202, <i>i.e.</i> embankment with compaction, had resulted in avoidable extra payment of Rs. 5.46 lakhs. The Committee had further observed that extra payment

on account of operation of the non-standard item would be much more, considering the fact that in 5 other contracts, claims amounting to Rs. 16.65 lakhs arising out of disputes over various matters including operation of this non-standard item were awarded by the Arbitrators. The Committee had desired the Ministry of Railways to suitably deal with the concerned officials and to ensure that such lapses do not recur. The Ministry of Railways (Railway Board) have, while noting the observation of the Committee, stated in their action taken note that the Central Railways have revised the specifications and schedules so as to call rates separately for embankments with compaction and without compaction. The Committee find that the reply is silent about the action to be taken against the concerned officials for the lapse. The Committee reiterate their desire that the matter shall be gone into and appropriate action taken against the erring officials.

43

3.

1.10

—do—

The Committee note that there are 19 on-going gauge conversion projects covering a length of 4,800 kms. which may require an overall outlay of Rs. 1132 crores for their execution. Since the annual outlay of gauge conversion projects has been more or less of the order of Rs. 50 crores, these on-going projects are likely to be

executed during the course of the next 5 to 10 years. Considering the time likely to be taken for the completion of these projects, the Committee find that there is no point in taking in hand new conversion projects in the near future without completing expeditiously the original projects. The resources available to the Ministry must not spread thin and wide on many projects. Investments must become productive and yield returns within the shortest possible time.

The Committee are not satisfied with the reply of the Ministry that priority list for future gauge conversion projects can not be prepared in advance as it would soon get out of date due to change in circumstances. The Committee reiterate that Railways should draw up a priority list of new projects taking into consideration the future needs of the area and the likely traffic projections. These projects may then be sanctioned as per their placement in the priority list in consultation with Planning Commission. If at the time of the turn of any project, it is considered that the circumstances have changed, that project may give way to the next in the priority list. The Committee feel that without any priority list the projects

are sanctioned in ad-hoc manner and on extraneous consideration which must be avoided.

4. 1.13 —do—

In their original Report, the Committee had pointed out certain new line and gauge conversion projects which had been frozen/slowed down by Railways after incurring substantial expenditure on them. This had resulted in locking up of colossal sums of money without any prospects of return in the foreseeable future. The Committee had desired to be apprised of the details of all such projects in respect of which work had been frozen/slowed down/abandoned indicating specifically in each case whether the Railways proposed to revive them or not and if so, when. The Department of Railways have furnished a list of 17 such projects. According to them the work on these projects has been slowed down to concentrate on a few of the works with a view to deriving the maximum benefits from the investment. The Department of Railways have, however, not indicated in their reply whether these slowed down projects would at all be activated. The Committee would like the Railways to furnish this information in respect of each such slowed down Project. The reasons for abandoning of any of these slowed down/frozen projects may also be *inter-alia* stated in the action taken note.

45

