

**PUBLIC ACCOUNTS COMMITTEE**  
**1958-59**

**FIFTEENTH REPORT**  
(SECOND LOK SABHA)

[Appropriation Accounts (Railways), 1955-56 and 1956-57  
and Audit Reports (Railways), 1957 and 1958]

**Vol. II—APPENDICES**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**  
*April, 1959*

*Price Rs. 1.10 nP.*

## CONTENTS

	PAGES (iii)
<b>Composition of the Public Accounts Committee (1958-59)</b>	
<b>APPENDICES</b>	
*III. Memorandum from the Railway Board regarding para 16 of Audit Report, 1957—Central Railway—Infructuous Expenditure on freight charges . . . . .	1—6
IV. Office Memorandum from the Railway Board regarding para 17 of Audit Report, 1958—Supply of inferior quality brushes . . . . .	7—13
V. Memorandum from the Railway Board regarding para 18 of Audit Report, 1958—Western Railway—Extra-expenditure on the supply of blankets to Class IV staff . . . . .	14
VI. Memorandum from the Railway Board regarding para 20 of Audit Report, 1958—Delay in the preparation of Completion Reports . . . . .	15—21
VII. Remarks of the Railway Board on para 9 of the 17th Report of P.A.C.—Overpayment to Manufacturing Company . . . . .	22—27
VIII. Memorandum from the Railway Board regarding paras 23—28 of 17th Report of P.A.C.—Supply of Defective Cylinders . . . . .	28—30
IX. Further remarks of the Railway Board on paras 23—28 of 17th Report—Supply of Defective Cylinders . . . . .	31—33
X. Remarks of the Railway Board on para 71 of 17th Report—Non-payment of Railway Dues by a commercial concern . . . . .	34-35
XI. Remarks of the Railway Board on para 9 of 4th Report—Howrah-Sheakhala Light Railway Company . . . . .	36—42
XII. Memorandum from the Railway Board regarding para 20 of Audit Report, 1956—Overpayment made to casual labour engaged on the C.P.C. scales . . . . .	43—45
XIII. Note from the Ministry of Works, Housing and Supply regarding purchase of British Standard Locomotive components and fittings in dollars (hard currency) instead of sterling . . . . .	46-47
XIV. Note from the Ministry of W.H. & S. on the system of purchases from abroad [cf. para 5 (Introduction) of the 4th Report of P.A.C.] . . . . .	48—50
XV. Remarks of the Railway Board on para 16 of 4th Report of P.A.C.—Overpayment to a handling contractor . . . . .	51
*XVI. Remarks of the Railway Board on paras 22 and 23 of Fourth Report of P.A.C.—Supply of Defective Springs in all metal Metre Gauge Coach body shells . . . . .	52
XVII. Remarks of the Railway Board on para 27 of the 4th Report of P.A.C.—Construction of a Colliery siding for a private company without settlement of terms . . . . .	53-54
XVIII. Memorandum from the Railway Board regarding para 30 of 4th Report of P.A.C.—N.E. Railway—Sale of grass and fishing rights . . . . .	55-56
XIX. Memorandum from the Railway Board regarding para 36 of the 4th Report of P.A.C.—Western (ex-Saurashtra) Railway—Non-recovery of interest and maintenance charges for sidings . . . . .	57—59

\*NOTE.—Appendices Nos. I & II are appended to Vol. I.

	PAGES
<b>XX.</b> Remarks of the Railway Board on para 44 of Fourth Report of P.A.C.— • Purchase of defective axle boxes . . . . .	60—62
<b>XXI.</b> Note from the Railway Board on para 20 of Audit Report, 1956—Western Railway—incorrect levy of wharfage charges at Carnac Bridge . . . . .	63
<b>XXII.</b> Remarks of the Railway board on para 47 of Fourth Report of P.A.C.— Delay in adjustment with a State Government . . . . .	64-65
<b>XXIII.</b> Remarks of the Railway Board on para 68 of Fourth Report of P.A.C.—Purchase of Barsi Light Railway . . . . .	66
<b>XXIV.</b> Note from the Ministry of W. H. & S. on para 74 of fourth Report of P.A.C.—Avoidable expenditure on freight on 150 locomotives . . . . .	67—70

## PUBLIC ACCOUNTS COMMITTEE 1958-59

\*Shri N. G. Ranga—*Chairman.*

### MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
10. †Shri Raghubar Dayal Misra
11. Shri H. C. Dasappa
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16. Rajkumari Amrit Kaur
17. Shri Amolakh Chand
18. Shri T. R. Deogirikar
19. Shri S. Venkataraman
20. Shri M. Govinda Reddy
21. Shri Rohit Manushankar Dave
22. Shri M. Basavapunnaiyah:

### SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

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\*Shri N.G. Ranga was appointed as Chairman of the Committee on the 11th September, 1958 for the unexpired portion of the term of the Committee ending on the 30th April, 1959 *Vice* Shri T. N. Singh resigned from Lok Sabha.

†Elected on the 23rd September, 1958 *vice* Shri T. N. Singh resigned from Lok Sabha.

**APPENDIX III**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**  
**MEMORANDUM**

*Para 16 of Audit Report, 1957—Central Railway—Infructuous  
expenditure on freight charges*

*Was the Chief Engineer aware of the proposal to run De-Luxe trains on the Delhi-Mathura line at the time of ordering the movement of tie-bars on 10th October, 1955? How far his action was justified without making arrangements for immediate recoupment?*

It has been ascertained from the Central Railway Administration that Railway Board's letter No. 55/W/221/7 dated the 12th October, 1955 (copy enclosed) referring to the introduction of fast vestibuled air-conditioned De-Luxe trains was received by that Administration on 15-10-1955 and was seen by the Chief Engineer only on 20-10-1955. It is, therefore, clear that the Chief Engineer was not aware on 10th October, 1955 of the proposal to run the De-Luxe trains on the Delhi-Mathura line.

As regards the justification for moving the tie-bars without making arrangements for their recoupment, it is stated that such a recoupment could have been effected either—

- (a) by placing an indent on the D.G.S.&D. or
- (b) by diverting 22000 tie-bars to Kosi-Kalan from the supply of 46000 sent by the firm during the months January to June, 1956 to Mandwa P.W. Depot.

As regards (a) it is pointed out that even if an indent had been placed on the D.G.S.&D. at that time, the supply would not have been received by February, 1956, when they were actually required for Delhi-Mathura relaying, because in the year 1955-56 the production of P. Way fittings by indigenous firms was not at all satisfactory on account of the great difficulties experienced by them in obtaining raw material. Hence this alternative was, perhaps, not followed by the Chief Engineer.

In regard to (b) it is stated that in view of the difficult production position if the Central Railway had informed the D.G.S.&D. in October, 1955 that they proposed to divert the tie-bars in question

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\*Appendices Nos. I and II are appended to Vol. I.

to Kosi Kalan and asked him to issue an amendment to consignment instruction to this effect, there would have been delay in the issue of the amendment. Naturally the firm would not have waited for the amendment to consignment instructions especially in those difficult days and would have diverted these tie-bars to some other railway whose final consignment instructions were available with them and which would have also helped the firm in obtaining quick payment.

It would, therefore, be appreciated that under those circumstances if the Chief Engineer had resorted to either of the above alternatives there was a definite risk of the Central railway either not being able to obtain the material even for the Delhi-Mathura relaying or the supply therefor being unduly delayed resulting in postponement of the relaying programme and in continuation of the speed restrictions, involving loss in line capacity with consequential loss in earnings.

The Audit have seen this Memorandum and have commented as under:—

“The diversion of tie-bars from Kosi Kalan to Poona-Raichur Section as per Chief Engineer's order of 10-10-1955 should have been followed by immediate arrangement for recoument of these materials particularly because the work on Delhi-Mathura relaying assumed extreme urgency on account of the Railway Board's decision of 12-10-1955 to run De-Luxe trains on Delhi-Bombay route from 2-10-1956. If the Admn. were vigilant and had acted with promptness arrangements could have been made to obtain the tie-bars at Kosi Kalan from the Foundry at Kanpur over the shorter and direct route by resorting to any one of the following alternatives:—

- (a) The consignment instruction could have been got changed by the D.G.S.&D. within the time available, by emphasizing the special urgency of the case and by taking up the matter at higher level, if necessary.
- (b) If the Railway Administration had issued a letter to the firm, who had their office and foundry in Kanpur, requesting for a change of the destination and informed the D.G.S.&D. simultaneously, the firm could have despatched the material to Kosi Kalan and then waited for the amendment to the Acceptance of Tender as a matter of formality.

- (c) The material could have been taken delivery of at Kanpur by the Railway Administration for despatch to Kosi Kalan; or the Station Master, Kanpur might have been asked to rebook the consignment to Kosi Kalan, when tendered by the firm for despatch to Mandwa."

The Board, however consider that all the three alternatives suggested in the audit comments for the recoument of 22,000 tie-bars at Kosi Kalan, were not practicable of realisation in the day to day working of the Railway Admn. on account of the following reasons;—

- (a) The change of the consignment instructions through the D.G.S.&D. could not have been effected possibly within the short time available. The statement is based on the actual experience of the Central Railway Administration. Also please see remarks against item (b) below.
- (b) Even if the Railway Administration had issued a letter to the firm who had their office and foundry in Kanpur, requesting for a change of the destination and informed the D.G.S.&D. simultaneously, the firm would not have despatched the material to Kosi Kalan merely on that Authority but would have waited for D.G.S.&D's. confirmation of this change. As this would have apparently entailed some delay, the firm would not have waited for this amendment to consignment instructions, especially in those difficult days and would have diverted these tie-bars to some other railway whose final consignment instructions were available with them and which naturally would have helped the firm in getting quick payment.
- (c) In the day-to-day working of the Railways, it is difficult to isolate a particular case and to take delivery of the material, in question, at the originating station, especially because the indent is placed by the Department concerned and the Railway receipts are sent to, as well as the material is received by the P. Way depots concerned.

NEW DELHI;

Director, Finance, Railway Board.

Dated 20-11-1958.

## GOVERNMENT OF INDIA

## MINISTRY OF RAILWAYS (RAILWAY BOARD)

No. 55/W/221/7.

New Delhi, dated 12th October, 1955.

To

The General Managers,  
Central and Western Railways.

*SUB: Fast Vestibuled Air-conditioned De-Luxe Train Service*

It has been proposed to introduce a fully vestibuled air-conditioned train service between Delhi and Howrah with effect from the 2nd October, 1956. The train will comprise 2 A.C. sleeping coaches, 4 A.C. seating coaches, 1 A.C. restaurant car and 2 brake luggage and generating cars, making up a total composition of 9 coaches equivalent to 450 tons.

2. For the present, 4 rakes will be built and placed in service on the scheduled date.

3. It is further proposed to run the service with the same rakes on the Delhi-Bombay route on alternate days. For the Delhi-Bombay run, the service will be on the route of the present Frontier Mail. The Board desire that a time table should be prepared for the above-mentioned service by the two railways in co-ordination with each other and the Northern Railway.

4. For this purpose the following basic features should be taken into account:—

- (i) The proposed booked speed for the train will be 58·5 miles per hour.
- (ii) Not more than 10 halts should be provided including Surat, Ratlam, Kotah, Bayana, Bharatpur, Mathura and New Delhi. The total period for the halts including the extra time provided for acceleration and deceleration must not exceed two hours.
- (iii) Consistent with safety considerations, the minimum possible time should be provided for engineering restrictions, including those over turn-outs. It is hoped that they will not exceed a total of 1½ hours.



- (iv) It is the intention that this fast train should at either of the terminal stations keep clear of the suburban train groupings. The time table proposed for the Delhi-Howrah service is given below. A time table for the Delhi-Bombay service should now be drawn up allowing for the fact that the distance is somewhat less and the overall time can, therefore, be curtailed accordingly.

Dep: 21·00 hrs. Howrah Arr: 6·30 hrs. Delhi.

Next day Arr: 18·00 hrs. Delhi Dep: 9·30 hrs. Howrah.

The train will be hauled by a WP steam locomotive and on account of the booked speed of 58·5 M.P.H., the maximum permissible speed will be 65 M.P.H. subject to local speed restrictions. In view of the nominal increase in the maximum speed by only 5 M.P.H., it is presumed that no wholesale strengthening of bridges or permanent way will be necessary although standards of maintenance will have to be improved. As indicated above, the total time allowed for the temporary engineering restrictions for the execution of open line works is not likely to be more than about 1 hour plus about half-an-hour additional time for engineering restrictions of a more or less permanent nature due to curves, bridges, track and so on.

2. The Board desire that a report embodying the Railways concrete proposals for the introduction of this train service be submitted within 15 days of the receipt of this letter. The report, amongst other things, should indicate:—

- (i) the local speed restrictions required and the time lost on each;
- (ii) any work with details of nature and cost that may have to be carried out to permit the operation of the train to the schedule proposed; and
- (iii) whether any of these works feature in the 1955-56 Works Programme or have been included in the 1956-57 programme.

7. On receipt of this report, it is proposed to carry out a controlled trial by a special train over the route in which representatives from the Board and Heads of Departments of the Railways concerned will travel and the nature of the restrictions examined and spot decisions taken on the extent of works to be carried out and on the target dates by which they are to be completed.

8. Three spare copies of this letter are enclosed.

SD/-M. N. BERY,

*Joint Director, Civil Engineering.,*

(P),

DA: 3 spare copies.

No. 55/W/221/7.

*New Delhi, dated 12th October, 1955.*

Copy to the General Manager, Eastern Railway in continuation of this office letter of even number dated 5/7th July, 1955 and his No. OMT/484 dated 26-8-1955 in which further details have been called for. Owing to the limitations of line capacity on the Grand Chord it is now proposed that the Howrah-Delhi service should be run *via* the Main Line. The report required may please be furnished at once on these lines as it is proposed to organise the trial run by a special train referred to in the concluding paragraph above on the Delhi-Howrah route very shortly.

Copy to the General Manager, Northern Rly.

SD/-M. N. BERY,

*Joint Director, Civil Engg. (P),*

*Railway Board.*

## APPENDIX IV

COPY OF MINISTRY OF RAILWAYS (RAILWAY BOARD) O.M. No. 58-B  
(c) 3074 DATED THE 10TH MARCH, 1959 ADDRESSED TO LOK SABHA  
SECRETARIAT

**SUBJECT:** *Public Accounts Committee—consideration of Appropriation Accounts (Railways) 1956-57 and Audit Report, 1958*

The undersigned is directed to invite a reference to Lok Sabha Secretariat O.M. No. 2(IX) (2)-PAC/58 dated 28-2-1959 on the above subject and to forward herewith a copy of the findings of the Joint Enquiry Committee with reference to the six lots of defective brushes received by the South Eastern Railway Administration and referred to in para 17 of Audit Report (Railways) 1958, together with that of the conclusion of that Committee, as desired.

After consideration of the findings of the Enquiry Committee, the Ministry of Works, Housing & Supply proposed that the defective brushes in question may be accepted by the South Eastern Railway Administration with suitable price reduction on the merits of each case. This proposal has been concurred in by the Ministry of Railways and necessary instructions have since been issued to the South Eastern Railway Administration to accept the brushes, in question, on this basis.

*Extracts of the findings of the Joint report of the Committee constituted by the representatives of the Directorate General of Supplies & Disposals, New Delhi, represented by Shri P. R. Parker, Director of Inspection, and of South Eastern Railway Administration represented by Shri K. P. V. Menon, Dy. C. M. E. (Shops) in respect of supplies of brushes made to the South Eastern Railway through the agency of the D.G.S. & D.*

Serial No.	Description of Stores	Suppliers' name A/T No. Ind. Ref. and date	A/T Qty.	Quantity rejected
1 and 2	Brushes Paint and Varnish, Flat 1" and 2"	SM2/2 4125-F/II/ 4022 d'9-10-56 on M/s. Brushware Ltd., Kanpur, aga- inst Indent No. SC/ B/GA/Brushes' BN/ 56-57 195 of 31-5-55.	11859	11859

### **Findings of the Committee.**

During the current enquiry, Shri P. R. Parker, Director of Inspection, D.G.S.&D., New Delhi, produced the Inspection Report of the Government Test House, Alipore, in connection with the samples sent to them from the lot under dispute, and the report indicated that the 'Bristles are not straightened but appreciably curved and as such unacceptable. Bristles show marked curving when immersed for 6 hours in distilled water maintained at 70° plus or minus 5°C' and in the general remarks that 'Bristles of the brush as received are appreciably curved and after test showed marked curving. The sample is unacceptable against I.S. 384-54'.

The Committee inspected the storage conditions of these brushes and the Director of Inspection, New Delhi, took 8 samples of 1" brush from 2 different boxes and 8 samples of 2" brush from 2 different boxes selected at random. The samples in question were picked from the original cartons and in all cases the original packing of the brushes was found intact. He had no adverse comments to make about the storage condition. The samples selected were, however, visually examined against the approved sealed sample and the visual examination according to the Director of Inspection revealed that the supply was not very much different from the approved sample. In view of the marked curving tendency of the bristles as indicated in the Railway Laboratory Test Report and the findings of the Government Test House more or less confirming the same, the supply made is considered as not in accordance with the specification for this particular defect, and hence the rejection of the supply of this count was justified.

The Director of Inspection, however, stated that the bristles are a natural product and have inherent tendency to curve. Besides, India has to-day to depend upon her own resources with regard to the bristles for the manufacture of brushes. The Indian bristles are not as fine as Chinese bristles and to give a fillip to our own Industry it may be necessary to allow a certain amount of relaxation in the standards. In the circumstances, he felt that this could be a matter for consideration by the Railway Administration whether the brushes as supplied could be accepted under deviation with a proviso for reduction in price commensurate with the deviation as found.

Shri Menon, DCME, stated that this was a matter on which he could not offer any comments but that a decision will have to be obtained from the Chief Mechanical Engineer, and the Controller of Stores, Calcutta. It was decided that further discussion on this

Issue will be pursued by the Director of Inspection with the CME and the COS, Calcutta.

Item No.	Description	Name of Supplier and A/T No.	A/T Qty.	Qty. rejected
3	Brushes, Paint & Varnish, Flat 3"	Messrs. Army Brush Factory, New Delhi A/T No. SM2/24125- F/ II/ 4045 dated 25-10-56.	12850	6052

#### *Findings of the Committee*

The Committee, on examination of the test reports, are satisfied that the action on the part of the Railway Administration to reject the lot due to the samples tested not meeting the requirement of the specification, was justified.

The D.O.I., however, stated that the Brush Manufactured Industry is still in a state of infancy in our country and is being developed more or less on a cottage industry basis. Lack of technical 'know-how' in the matter of cement setting, etc., by untrained labour deserves special consideration. Inasmuch as the failure of brushes at the G.T.H. level amounted to only 25 per cent he was of the opinion that this is another case worthy of consideration by the Railway Administration for acceptance of supplies under deviation with a proviso of reduction of price, so that the Industry has a chance of developing. This suggestion also to a great extent would fill the vacuum which would be caused by summary rejection and delay in procurement of replacement which may take several months for the Railway Administration and might upset the recoupment programme for months ahead. It was also emphasized that the practical test on brushes is not a condition of specification or terms of contract as such no serious cognisance could be taken of the apparent failure of brushes in actual performance. He is of further opinion that in the case of Brush Industry as they stand to-day, there is room for exercising flexibility rather than rigidity.

Shri Menon, DCME(S), however, stated that these points could be considered and decided only by the CME and COS.

Item No.	Description	Name of supplier and A/T No.	A/T Qty.	Quantity rejected
4	Brushes, Paint & Varnish 2/o Rd.	M/s. Anglo American Brush Mfg. Co. SM2/24125-F/II/3992 dated 22-8-56.	1650	1650

#### *Findings of the Committee*

The Committee also examined the test reports submitted by the Government Test House as produced by Shri Parker, Director of Inspection, New Delhi, and it was revealed that out of 6 brushes that were selected at random by the representative of the D.I., Calcutta, 4 brushes had passed all the tests while 2 had failed in heat test and were found to have the bristles coming out. While examining the records, it was found that the above lot was put up for inspection by the firm to the Inspector under the Dy. Director of Inspection, N.W.I., Inspection Circle, New Delhi, on 5-1-1957 and the remarks of the Inspecting Officer in the relevant case were perused. The Inspecting Officer has stated that 5 samples were drawn by him and on examination found satisfactory. The details of tests carried out by him were not available on the case. It was, however, stated by Shri Parker, Director of Inspection, New Delhi, that these samples were not sent to Government Test House, Alipore, Calcutta, for test but the tests were apparently carried out in the testing facilities available with the firm and the laboratory attached with the D.D.I., N.W.I., I. Circle, New Delhi.

It was agreed by the Committee that the G.T.H. report, more or less, falls in line with the observations by the S.E. Rly., and the rejection of the lot by the Rly. Administration is justified.

In order to assess the extent of defective supply, the Committee drew further 3 samples and subjected them to heat test. It was revealed that out of 3, 2 had failed and 1 had passed. This is a fit case for a summary rejection of the full consignment and due replacement by the supplier.

Item No.	Description	Name of supplier and A/T No.	A/T Qty.	Qty. rejected
5	Brushes, Paint & Varnish 2'o in Vulcanised Rubber Set.	M/s. Kewalraj Co. Limited, Bombay A/T No. SM-2/24076-G/24090-G/II/4156, dated 5-2-57.	477	477

*Findings of the Committee*

Shri Parker, Director of Inspection, New Delhi, however, produced the approved sample against the above A/T and also the covering test certificate issued to the Firm by the Government Test House, Alipore, under which the sample was approved. The test report indicated that the approved sample itself showed colouration of water in the distilled water test and the bristles showed slight tendency to curve. Shri Parker pointed out that although the approved sample did not conform to the ISI specification with regard to the distilled water test, the sample submitted by the firm was accepted as approved sample with the relaxation indicated above.

The Railway Administration pointed out that the results of the test conducted by the Railway, more or less, confirmed the test results of the approved sample by the G.T.H., Alipore, and the Railway Administration not having been supplied with a copy of the test report or informed of the relaxation permitted on the approved sample, could not possibly accept responsibility for relaxation in respect of the failure in the distilled water test particularly in view of the fact that colouration of water may mean use of dye by the Manufacturers. In view, however, of the clarification by Shri Parker that the bulk supply, on further spot examination, conforms to the approved sample, which, it is accepted was of a substandard (only for the distilled water test), the Railway Administration have agreed to accept this supply as a whole. It was, however, pointed out to Shri Parker that had these facts of the relaxation allowed in the approved sample been made known to the Railway Administration, such a situation could have been avoided much earlier.

Item No.	Description	Name of Supplier and A/T No.	A/T Qty.	Qty. rejected
1/2 6	Brushes, Paint & Varnish, round, copper wire bound, 3/0.	M/s. Anglo American Brush Manufacturing Co. Delhi, A/T No. SM2/24125 F/II 4115, dated 14-12-56.	2898	1738

Shri Parker produced the test report submitted by the G.T.H. which revealed that out of the first lot of 6 brushes subjected to heat test, one failed and out of the 6 brushes from the second lot one out of 3 failed in the benzine test and 2 out of 3 failed in the heat test. The G.T.H's remarks against these were "that the brushes were unacceptable."

The above report of the G.T.H. more or less confirms the test report of the S.E. Rly., and as such the rejection of the lot by the Railway was justified.

On examination of records it was observed that the lot of 1738 released to the Railway by the D.D.I. New Delhi, under Inspection Note as stated above the samples from this lot were not sent to the Government Test House for confirmatory test before they were released by the Inspecting Officer but in the remark on the file it is stated that these brushes were tested for I.S.I. 487—54. Shri Parker was of opinion that necessary tests were perhaps carried out by the Officer in the Laboratory attached to the D.D.I., New Delhi, and also testing facility as was available in the Manufacturers premises. However, details of these tests were not available or recorded in the case.

Shri Parker further stated that this size of brushes, viz. 3/0 are about the largest size turned out by the Brush Industry which is still in its infancy, for painting purposes, and therefore, deserves special consideration. The ferrule being wire bound there is chance of getting unduly heated, and also during vulcanization process scorching will be apparent just above the edge of the ferrule. Therefore, there will be no limit to the number of bristles which can be flirtd out. Therefore, the filling at the end of the ferrule, must receive its fair share of rubber solution. More brushes collapse at the end than anywhere else. This defect is also due to somewhat inadequate provision made in the covering requirement of the standard specification. Until this aspect of the specification requirement can be reinvestigated, the brushes as are commonly manufactured may continue to suffer from this defect without any apparent improvement and the existing supply of brushes as made is, therefore, worthy of further consideration for acceptance by the Railway Administration on the merit of the case.

Shri Menon, DCME(S), was of the opinion that this aspect of the case may be pursued with the Controller of Stores and Chief Mechanical Engineer, South Eastern Rly., Calcutta, for their special consideration and decision.

#### *Conclusion.*

The detailed investigations carried out in each individual case by the Joint Enquiry Committee have revealed that the consignments of brushes under dispute are fully accounted for in the Stores Depot and are also stored in satisfactory condition as not to give any room for deterioration from their original condition. In all cases where the Railway reported to the D.G.S.&D. about the unsatisfactory test results, the D.G.S.&D. have taken action to carry out further tests in the Government Test House, Alipore, which is the accredited body for such tests. Certain procedural delays for making cross



references between the Railway and the D.G.S.&D. on certain points of dispute were inevitable. Besides, testing of the samples in G.T.H. must also take its own time. Therefore, the delay in finalisation of cases, to a great extent, was unavoidable. The present Committee of investigation were, however, able to come to decisions through discussions and on-the-spot examination. A fresh approach to the problems connected with the supply of brushes is being pursued and when a decision is finally arrived at, complications of this nature are not likely to arise. In any case the fear that is expressed in the draft para that the Railway Administration is faced with a possible loss of about 1.23 lacs is not justified.

Shri P. R. Parker would like to place on record his appreciation for the courtesy extended to him and his team and for the excellent co-operation given by the Railway Administration during the investigation of the case.

**APPENDIX V**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**  
**MEMORANDUM**

*Para 18 of Audit Report, 1958—Western Railway—Extra expenditure  
on the supply of blankets to Class IV staff*

*When were the Kamblies purchased? What arrangements were  
made for their storage and when were these finally disposed of?*

The kamblies, in question, were purchased and supplies received by the Western Railway Administration from February to May, 1951. Normal precautions, as in the case of blankets etc., were taken by storing the kamblies in airy and lighted places. Naphthalene balls were sprinkled between the kamblies and they were also periodically sprayed with non-greasy insecticides in order to prevent pest attacks.

The 1,847 kamblies, which could not be issued to staff, were disposed of at the auctions held in December, 1957 at Mahalaxmi and in April, 1958 at Bhavnagar.

This has been seen by Audit.

**NEW DELHI;**  
Dated the 5th September, 1958  
(Case No. 58-B(C)-3076)

**DIRECTOR, FINANCE,**  
**Railway Board.**

**APPENDIX VI**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**  
**MEMORANDUM\***

*Para 20 of Audit Report (Railways) 1958—Delay in the preparation of Completion Reports*

*Statement showing the latest position regarding the preparation of Completion Reports*

A statement showing the position regarding the preparation of the Completion Reports, as on 30-6-1958 is placed below at Annexure 'A'. It will be seen that the number of Reports Outstanding on that date (i.e., not prepared) was 11,547. Out of this total number 4,833 pertain to the years 1955-56 and earlier as against 8,279 shown in the Audit para as pertaining to the same period. Every effort is being made to expedite preparation of the Completion Reports for these 4,833 works also.

2. The figures in italics in the attached statement (Annexure 'A') show the position on 30-6-1958 in respect of the earlier Reports while the figures shown alongside within brackets are the figures according to the position as shown in the Audit para. It will be seen that there is improvement on every Railway; though relatively small on the Central Railway (For the purpose of comparison, allowance has been made in the enclosed statement for a number of outstanding Completion Reports which were apparently omitted to be reported in the Audit para, but which are included in the figure of 1,074). On the Eastern, North Eastern-cum-North East Frontier and Western Railways, the position including even the Completion Reports due up to 1957-58 and 1958-59 shows an improvement over the figures shown in the Audit para, and this is a clear indication that no fresh arrears are accumulating while the old arrears are being cleared.

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\*Advance copy not vetted by Audit received under Ministry of Railways (Railway Board) endorsement No. 58-B (c)-3077, dated the 13th October, 1958.

*Statement showing the position regarding the preparation of completion reports as on 30-6-1958*

**CENTRAL**

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1945-46 . . . . .	*65	3,34,56,583	3,37,95,614
1946-47 . . . . .	24	5,79,94,483	5,73,64,732
1947-48 . . . . .	35	89,11,800	77,96,161
1948-49 . . . . .	59	74,55,046	69,68,246
1949-50 . . . . .	74	5,54,77,994	5,67,18,241
1950-51 . . . . .	94	3,50,75,074	3,38,26,113
1951-52 . . . . .	138	9,62,51,921	8,44,26,351
1952-53 . . . . .	117	5,46,11,975	5,58,46,837
1953-54 . . . . .	142	5,85,00,912	4,16,30,889
1954-55 . . . . .	326	4,44,93,554	4,24,08,635
	<u>1074 (1125)</u>		
1955-56 . . . . .	437	7,42,74,788	5,19,61,968
1956-57 . . . . .	534	9,22,38,602	7,74,37,843
1957-58 . . . . .	776	8,93,19,367	4,71,38,158
1958-59 . . . . .	..	..	..
<b>TOTAL</b> . . . . .	<b>2821</b>	<b>70,80,62,099</b>	<b>59,73,19,788</b>

\*1945-46 and prior to that.

**EASTERN**

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1945-46 . . . . .	8	15,74,498	7,33,733
1946-47 . . . . .	8	17,87,541	13,34,010

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1947-48	5	11,37,130	10,88,652
1948-49	6	1,48,674	84,114
1949-50	17	16,80,820	5,70,333
1950-51	2	3,52,574	15,696
1951-52	5	90,060	2,140
1952-53	9	24,95,885	21,87,062
1953-54	20	3,41,92,840	1,84,70,057
1954-55	69	4,55,03,516	4,74,11,441
1955-56	101	15,80,72,708	13,17,56,205
	250 (703)		
1956-57	71	1,28,68,226	95,71,840
1957-58	151	84,10,042	59,85,217
1958-59	11	20,81,747	15,24,029
<b>TOTAL</b>	<b>483</b>	<b>27,03,96,261</b>	<b>22,07,34,529</b>

## NORTHERN

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1945-46	..	..	..
1946-47	1	7,000	7,000
1947-48	7	2,60,000	2,15,315
1948-49	1	63,282	48,415
1949-50	..	..	..
1950-51	5	1,17,000	95,000
1951-52	4	67,000	1,83,254
1952-53	17	9,56,255	4,18,791
1953-54	18	26,65,350	15,71,549
1954-55	34	19,96,316	19,85,770
	87 (104)		

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1955-56 . . . . .	96	56,64,588	32,75,936
1956-57 . . . . .	46	16,33,190	14,64,436
1957-58 . . . . .	..	..	..
1958-59 . . . . .	..	..	..
<b>TOTAL . . . . .</b>	<b>**229</b>	<b>1,34,29,981</b>	<b>92,65,466</b>

#### NORTH EASTERN AND NORTH EAST FRONTIER

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1945-46 . . . . .	..	..	..
1946-47 . . . . .	..	..	..
1947-48 . . . . .	..	..	..
1948-49 . . . . .	..	..	..
1949-50 . . . . .	..	..	..
1950-51 . . . . .	160	44,80,629	35,33,862
1951-52 . . . . .	*97	70,91,357	35,18,145
1952-53 . . . . .	*112	50,50,463	23,28,771
1953-54 . . . . .	‡805	4,90,63,401	2,58,30,100
1954-55 . . . . .	249	1,83,29,430	1,05,03,661
1955-56 . . . . .	327	1,53,66,139	92,95,151
	1,650 (4,208)		
1956-57 . . . . .	527	2,33,41,038	1,46,07,065
1957-58 . . . . .	884	5,61,39,731	3,37,87,817
1958-59 . . . . .	59	82,98,463	47,25,855
<b>TOTAL . . . . .</b>	<b>3,120</b>	<b>18,71,60,651</b>	<b>10,81,30,427</b>

\*\*26 since drawn up and another 56 works are still to progress and therefore their completion Reports are not due.

†1950-51 and prior to that.

\*Only N.E. Rly. figures.

‡Includes N.E. Rly. figures for the years prior to 1950-51 also.

## SOUTHERN

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual Expenditure
1945-46 . . . . .	*1	1,40,338	1,07,268
1946-47 . . . . .	2	7,54,091	6,22,737
1947-48 . . . . .	2	7,22,104	5,14,512
1948-49 . . . . .	2	63,848	17,806
1949-50 . . . . .	8	9,84,965	9,44,789
1950-51 . . . . .	1	1,75,656	1,72,540
1951-52 . . . . .	28	54,32,577	47,58,211
1952-53 . . . . .	35	61,60,515	35,21,653
1953-54 . . . . .	135	1,51,77,241	1,27,72,756
1954-55 . . . . .	247	2,33,19,721	1,61,45,538
	361 (1193)		
1955-56 . . . . .	335	3,18,12,127	2,11,93,221
1956-57 . . . . .	621	2,15,35,839	1,52,31,942
1957-58 . . . . .	1685	3,28,90,449	2,33,23,695
1958-59 . . . . .	244	47,49,178	41,34,351
<b>TOTAL . . . . .</b>	<b>3346</b>	<b>14,39,18,649</b>	<b>10,34,61,019</b>

\*Pertains to the year 1943-44.

## SOUTH EASTERN

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1945-46 . . . . .	..	..	..
1946-47 . . . . .	..	..	..
1947-48 . . . . .	..	..	..
1948-49 . . . . .	..	..	..
1949-50 . . . . .	..	..	..
1950-51 . . . . .	..	..	..
1951-52 . . . . .	..	..	..

Years in which Completion Reports were due	Total No. of completion Reports.	Estimated cost	Actual expenditure
1952-53 . . . . .	10	28,08,894	26,49,766
1953-54 . . . . .	17	9,47,428	8,23,490
1954-55 . . . . .	34	15,23,289	14,55,006
1955-56 . . . . .	76	1,02,52,048	84,20,379
	137 (170)		
1956-57 . . . . .	273	2,98,53,343	2,58,52,472
1957-58 . . . . .	411	2,57,07,377	2,01,58,214
1958-59 . . . . .	..	..	..
TOTAL . . . . .	821	7,10,92,379	5,93,59,327

## WESTERN

Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1945-46 . . . . .	..	..	..
1946-47 . . . . .	..	..	..
1947-48 . . . . .	..	..	..
1948-49 . . . . .	..	..	..
1949-50 . . . . .	*7	18,10,906	4,30,058
1950-51 . . . . .	4	6,23,454	2,04,211
1951-52 . . . . .	21	56,73,240	47,72,674
1952-53 . . . . .	11	4,23,510	4,80,099
1953-54 . . . . .	16	47,35,095	40,39,091
1954-55 . . . . .	46	76,89,373	69,04,499
1955-56 . . . . .	201	2,12,32,505	2,32,16,755
	306 (776)		

\*1949-50 and prior to that.



Years in which Completion Reports were due	Total No. of Completion Reports	Estimated cost	Actual expenditure
1956-57 . . . . .	280	1,53,30,256	1,02,42,518
1957-58 . . . . .	139	60,72,408	52,92,807
1958-59 . . . . .	2	97,234	92,826
<b>TOTAL</b> . . . . .	<b>727</b>	<b>6,36,87,981</b>	<b>5,56,75,538</b>

## NOTES:—

(a) The Audit para apparently intended to include some of the outstanding Completion Reports and this has been rectified in the present statement. This explains why the total number of Completion Reports against some of the earlier years is now higher from the number for the same year shown in the audit para.

(b) Northern Railway—The yearwise break up is with reference to the Completion Reports over one year old, as on 31-12-1957 on which no expenditure was booked after 30-6-1956. These are provisional figures.

(c) For facility of comparison with the position shown in the Audit para which adopted the figures of former united N.E. Rly. the figures of the present N.E. and N.F. Railways have been combined.

(d) North East Frontier Railway's figures (combined with N. E. Railway's figures are) provisional.

(e) South Eastern Railway—Excludes Bulk-Order items.

**APPENDIX VII**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**

*Overpayment to a Manufacturing Company—Para 9 of  
Seventeenth Report P.A.C.*

At a much earlier stage, the matter was discussed by the Financial Commissioner, Railways, with the Comptroller and Auditor General, in apprising the then Chairman, P.A.C., of these discussions, the Comptroller and Auditor General indicated in March 1956 that the matter was complicated and not susceptible of an easy solution but that one possible line of persuading the Company to make a refund would be tried. This line of approach was explained in detail in the Railway Ministry's previous Memorandum. It was put to the Company that even though the payment made to them was in accordance with the contract, they might in equity consider revising the contract now so as to make the prices conform to other contemporary contracts of other Central Government Departments with the same Company and that this would mean a refund of Rs. 2·57 lakhs to the Railways. It was also put to the Company, as a subsidiary issue, that the deduction from prices permissible under the contract on account of freight disadvantage should have been made at Rs. 15 per ton—the rate of deduction applied to supplies made from 1-11-1949 (this rate having been notified officially as the freight disadvantage on the introduction of control from 1-11-1949) and that the deductions already made, namely at Rs. 11/11/- per ton for supplies from 1-4-1948 to 31-3-1949 and at Rs. 11/2/6 per ton for supplies from April 1949 to October, 1949, should be enhanced accordingly, which would result in a refund by the Company to the Railways of Rs. 3·73 lakhs.

2. It was reported, in the Ministry of Railways last Memorandum to the P.A.C., that the Company had initially shown some inclination to come to a settlement but eventually took the stand that no refunds were due from them in law. It was also reported, in the last Memorandum, that the Railway Board's claims were being further pressed on the Company. The Company have not, however, resiled from their stand, and have suggested that, if the Railway Ministry prefer to go to arbitration for the settlement of the case, the Company would have no objection to such a course. The Company's arguments in not agreeing to make any refund are that the Ministry of Railways

should, in all fairness, conform to the terms of the contract in relation to the prices payable, and that the Company cannot also agree to the freight disadvantage figure of Rs. 15 per ton introduced from 1-11-1949 being retrospectively for the purpose of deductions from the prices for supplies made during the earlier period 1-4-1948 to 31-10-1949. In fact, the Company have argued that "there is not such thing as final freight disadvantage figure".

3. The Ministry of Commerce and Industry (now Ministry of Steel, Mines and Fuel, Department of Iron and Steel) who have been consulted, have stated that there was no statutory control over the price of pig iron during the period from 1-1-1948 to 31-10-1949, and commercial prices were fixed, by the Company themselves which were also FOR Port prices. They have further added that there was no occasion to fix a freight disadvantage figure prior to 1-11-1949, as the prices became statutorily fixed FOR Ports from 1-11-1949 only and that only War contract rates were approved by the Government of India from time to time before 1-11-1949. That Ministry's final view is that, in the circumstances, there was no need of "approving the final increased freight disadvantage figure" as provided in clause 5 of the agreement, dated 7th September, 1948 with the Indian Iron and Steel Co. Ltd., and that the freight disadvantage, which is a necessary corollary to statutory Port prices from 1-11-1949 cannot have any retrospective effect prior to 1-11-1949. The Ministry of Steel, Mines and Fuel have gone on to suggest categorically that the figure already adopted on the advice of the old I. & B. Ministry for deductions from the prices payable to the Company (viz., Rs. 11/11/- per ton for supplies from April 1948 to March 1949 and Rs. 11 2/6 per ton for supplies from April 1949 to October 1949) should now be treated as final.

4. The Ministry of Law also have been consulted on the point whether there is a reasonable chance of successfully maintaining, in arbitration, the Railway Ministry's claim in respect of freight disadvantage, and whether this claim will be prejudiced if linked with the other claim for a retrospective revision of the contract with the Railway Board to conform to other contemporary Government contracts. The Ministry of Law have advised that the order fixing the freight disadvantage figure for Rs. 15 for one year from 1-11-1949 is not in retrospective effect in relation to transactions prior to the imposition of the control and that, therefore, there is no case for arbitration to claim a reduction in the prices at this figure of Rs. 15 per ton for supplies prior to 1-11-1949. The Ministry of Law have further stated that the claim for the Ministry of Railways in respect of the rate of deduction for freight disadvantage is weak in itself.

and that this would be prejudiced further if it is linked with other still weaker claim for a retrospective revision of the price structure in the Railway Board's contract with the Company to conform to other contemporary Government contracts. The Ministry of Law had already advised in 1956 that the claim for refund on account of "place extra" part of the commercial price would not be legally maintainable, alluding to this earlier advice, that Ministry have suggested that if the Ministry of Railways still wish to have recourse to arbitration, this may be confined to the claim on account of freight disadvantage figure, but have reiterated that the chances of success even in respect of this claim are extremely slender and remote.

5. The Ministry of Railways (Railway Board) have considered the pros and cons of the opinions offered by the Ministries of Law and Steel, Mines and Fuel, and keeping in view the remote chances of any outcome favourable to the Railways and the expenses likely to be incurred in arbitration, have come to the conclusion that the question of pressing a claim through arbitration should be dropped. While admittedly, there has been delay in reaching the aforesaid final conclusion, which confirms the view expressed by the Railway Board before the Public Accounts Committee in January 1956, this is largely unavoidable in the circumstances of the case. As it could not be claimed that the Company had received excess payment with reference to the contract, it was necessary to explore all possible avenues of persuasion, on grounds of equity, and to examine fully the Railway Board's likely chances of success in arbitration.

6. It is necessary to draw attention to the fact that the excess payment of Rs. 10.03 lakhs mentioned in the Audit para was worked out on the basis that no more than the ex-works retention prices should have been paid. As explained, however, in the earlier Memorandum submitted to the P.A.C., this figure may require revision as ex-works retention price was paid under contemporary D.G.I.&S. contracts only in respect of supplies made between 1-2-1948 and 31-10-1949, whereas for supplies made on and after 1-11-1949, even against D.G.I.&S.'s contracts executed earlier, the D.G.I.&S. paid higher prices than admissible under the Railway contract. These higher prices were according to the price structure which came into force from 1-11-1949 under the Control Order—namely, port price (which itself consisted of ex-works retention price plus freight disadvantage) plus place extra which was expressly indicated for each destination station. On this basis of comparison with prices paid under D.G.I.&S. contracts of the same period, it might be said that the Railways made an excess payment to the Company of Rs. 7.77 lakhs for supplies made prior to 1-11-1949, but on the other hand

saved Rs. 5.20 lakhs on supplies made on and after 1-11-1949; it so happens that in the net there is an excess payment of Rs. 2.57 lakhs over the period of this contract.

7. It is also necessary to review the background in which this contract was given to the Company—M/s. Indian Iron and Steel Co. Ltd.—who had been supplying Cast Iron Sleepers to the Railways since 1931. The standing agreement entered into with the Company for the supply of Pig Iron and its subsequent conversion into Cast Iron Sleepers was originally for a period of 2 years from 1-10-1940, and was extended by the Railway Board for further periods of 2 years at a time. When the extension of 2 years was sanctioned from 1-10-1946, the Railway Board agreed to allow, by way of profit, 10% on the billed prices of the supplies of Pig Iron with reference to the original "base rate" of Pig Iron of Rs. 40/13/9 per ton plus extras, namely, increases in the cost of manufacture sanctioned on receipt of Auditors' Certificate from the Company. On this basis, the price of Pig Iron paid by the Railways under the contract of 1946 to 1948 worked out to Rs. 82/12/4½ per ton for the period from October 1947 to March 1948. The Company, however, after first asking for an increased price of at least Rs. 86 per ton, eventually in November 1947 gave 3 months' notice of termination of the contract on the ground that the price allowed to them under the contract was so unworkable that no other alternative was feasible. After discussion, it was agreed that the agreement would be continued until 31-3-1948. The response to the tenders which the Railway Board invited in the meantime was poor, in that the offers from tenderers other than this Company aggregated only to a total output of 1,26,598 numbers of sleepers against a total demand of 4,18,943 numbers of sleepers during 1948-49, for which tenders had been called, apart from the outstanding of about 9,33,300 numbers of C.I. sleepers at the end of 1947-48. In the circumstances, the Railway Board had very little option left but to negotiate with the Indian Iron and Steel Co. Ltd. In agreeing to pay the Company "commercial prices FOR works less freight disadvantage" the Railway Board acted in the knowledge of the accepted and generally known practice in vogue even before control prices for pig iron were promulgated from 1-11-1949 (and in fact even before 1-4-1948, the date from which the contract under consideration became operative)—namely, that it was usual for firms to notify to the Iron and Steel Controller the "current commercial rates" of Pig Iron separately FOR Calcutta, FOR Tatanagar, FOR Hirapur, etc. In a notification issued by this firm on 9-12-1946, for instance, the commercial price of Pig Iron Grade I FOR Hirapur was shown as Rs. 101 against FOR Calcutta (Port) price of Rs. 94 per ton. The difference of Rs. 7 per ton between the two rates apparently represented the

element of freight from the port (Calcutta) to Hirapur ("place extra"), taking the port prices as the basic commercial selling prices (being higher than the cost of production ex-works to the extent of freight disadvantage); but the difference was not shown as a distinct component of the price, and the commercial rate FOR Works was quoted as a composite figure of Rs. 101. The Iron and Steel Controller, Calcutta, in a letter, dated 31-5-1948 to the Provincial Iron and Steel Controller, Kanpur made it clear that as statutory rates for Pig Iron had not been fixed, producers were "allowed to charge on the basis of their commercial rates" which, he further explained, had increased by Rs. 20 per ton compared to the rates prevailing prior to 1-2-1948. In the same letter, the rate per ton of Pig Iron foundry grade No. 2 FOR Kanpur was indicated as Rs. 130/12/-. The commercial prices of Pig Iron before, and on and after 1-2-1948, thus stood as under:—

Foundry Standard	Prior to 1.2.48 f.o.r		On & after 1.2.48 (upto 31.3.49) f.o.r	
	Calcutta	Hirapur	Calcutta	Hirapur
	Rs.	Rs.	Rs.	Rs.
Gr. I	94	101	114	121
Gr. II	92	99	112	119
Gr. III	90	97	110	117
Gr. IV	88	95	108	115

8. Against the foregoing "commercial prices" charged to other consumers for a prolonged period prior to 1-2-1948, the Railways had paid the Company only a rate of Rs. 82/12/4 per ton of Pig Iron, under the terms of the earlier contract of 1946—48, and this should be borne in mind before any conclusion is drawn in regard to even the net excess payment of Rs. 2.57 lakhs mentioned at the end of para 7 above. It is an indisputable fact that the commercial price prior to control was composed of (1) FOR ex-works retention price, (2) freight disadvantage and (3) place extra, even in cases of deliveries at the place of the work itself. The fact that the Company offered to forego the freight disadvantage element does not mean that excess payment resulted from their not foregoing the other element of "place extra". The criticism in the Audit para that "the Government paid to the Company for the Pig Iron at a rate which was made up of (a) Works' cost plus profit and (b) place extra, is an analysis of the position in retrospect, as the contract itself was not expressed in these terms but was based on "commercial price FOR works less freight disadvantage". Taking all the circumstances, the Ministry of Railways are of the view that it is difficult to hold that the Government has suffered any avoidable loss or that the Railway

Board were in a position to negotiate a contract better than the one which is the subject matter of Audit criticism.

This has been seen by Audit, who have observed as under:—

“The full implication of the term ‘commercial price’ was not taken into account at the time before signing this contract. The commercial price contained an element representing ‘place extra’ but no freight had to be paid by the Company on the pig iron supplied for conversion into sleepers. There is nothing on record to show that an attempt was made by the Ministry of Railways to secure the exclusion of this item from the commercial price.”

APPENDIX VIII  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)  
MEMORANDUM

PAC's 17th Report—App. III

*Item No. 11—Supply of defective cylinders. The Committee desire to know whether legal advice in the matter was taken and if so what it was. They would like to be apprised of further progress of the case.*

Legal opinion was obtained in this case by the DG, ISD, London.

This was to the effect that, under the English Law, although the Company might contend that Government have no right of action because of the opportunities given under the contract to approve or disapprove the design of the cylinders or reject the cylinders because of bad workmanship, this contention might not succeed in relieving the Company from the responsibility of making a good design and executing it with care and skill. The position was stated as not materially different if Scottish law applied to the case. In regard to the period of limitation, it was stated that it would be six years from the date of delivery under the English law but this period would not apply under Scottish law if there had been no undue delay. It was also suggested that, after taking steps to guard against the application of limitation, the North British Locomotive Co. should be approached either to settle the matter or agree to arbitration, in the anticipation that this might bring an improved offer. The immediate advice was for negotiation with a view to improving on the offer while guarding against the application of limitation.

This advice was given when the cost of repairs to and replacement of the cylinders was estimated at £60,000. A re-assessment of the expenditure on repairs and replacement of cracked cylinders was, however, made, since there was such a wide variation in the cost of replacement of and repairs to cylinders carried out as reported by the different railways that it might not stand detailed scrutiny in the event of legal action or arbitration. In this reassessment, the book-value of the cost of cast iron cylinders obtaining at



CLW and the cost of repairs to cast iron and cast steel cylinders at CLW was adopted, since a proper system of costing obtains in Chittaranjan and does not obtain in the other workshops from which figures were received. The re-assessment showed that the total cost of repairs and replacement of cast iron cylinders came to £20,307. It was also held that only 50 per cent of this cost could legitimately be taken into account, in consideration of the fact that the cast iron cylinders design was evolved at the request of the CLW to facilitate indigenous manufacture and accepted by the Central Standards Office of the Indian Railways. This figure came to £10,153 for the 45 cast iron cylinders replaced and the 24 cast iron cylinders repaired. The total cost of repairing 194 cast steel cylinders on the basis of the cost at CLW was worked out at £8,293.

Against this figure of about £18,400 had to be balanced :—

- (i) the offer of £10,000 made by the firm in final settlement;
- (ii) the possibility of the firm withdrawing this offer; and
- (iii) the cost of the legal proceedings and the possibility of the ultimate financial result being unfavourable.

On a consideration of all these circumstances and factors, it was decided that it would be advisable to accept the offer of £10,000 made by the firm in final settlement of the case, rather than face the uncertainties of litigation or arbitration. The D.G., I.S.D. has now informed that a credit note for £10,000 has since been received from the firm and that this sum will be deducted from amount owing to the firm in respect of other contracts.

A statement is attached giving details of the assessment of the cost of repairs and replacement of cracked cylinders.

NEW DELHI;

Dated April, 1958.

(Case No. 56-B(C)-2498/XVII/11). Director, Finance (Expenditure),  
Railway Board.

*Revised assessment of cost of repairs and replacement of cracked cylinders*

	C.I.	C.S.	Total
N.B.L. . . . .	20	151	171
L.M.& Co. . . . .	49	43	92
	<hr/>	<hr/>	
Replaced . . . . .	69	194	
	45	—	
	<hr/>	<hr/>	
	24	194	
Cost of replacement of 45 C.I. Cylinders @ Rs.5,713/- each (Book rate of C.L.W.) .	Rs. 257,085	£19,281·4	
Cost of repairs to 24 C.I. Cylinders @ Rs.570/-each . . . . .	Rs.13,680	£1,026	
Total cost of repairs and replacement of C.I. Cylinders. . . . .	Rs.270,765	£20,307·4	
50% of the total cost. . . . .		£10,153·7	
Total cost of repairs to 194 C.S. Cylinders @Rs.570 -each . . . . .	Rs.110,580	£8,293·5	
	Total cost involved	Total cost that may be claimed allowing for 50% less on C. I. Cylinders.	
	<hr/>	<hr/>	
C.Iron . . . . .	£20,307·4	£10,153·7	
C.Steel . . . . .	£8,293·5	£8,293·5	
	<hr/>	<hr/>	
	£28,600·9	£18,447·2	

Notes :—(a) The cost of Cast Iron Cylinders has been taken as Rs. 5,713/- based on the book rate of C.L.W. manufactured cylinders. The cost of repairs of one cylinder as intimated by C.L.W. is Rs. 570/- and this has been adopted in preference to the widely varying figures furnished by the Railways. The figures of Chittaranjan have been preferred as a proper costing system obtains in C.L.W.

(b) 50 % of the cost of repairs and replacement of cast iron cylinders has been taken into account as the cast iron cylinder's design was evolved at C.L.W.'s request to facilitate indigenous manufacture and accepted by the C.S.O. for the Railways and it would be equitable to debit only half of the cost to the manufacturers.

## APPENDIX IX

### MINISTRY OF RAILWAYS

(RAILWAY BOARD)

#### *Supply of Defective Cylinders (Paras 23—28 of Seventeenth Report) of P.A.C.*

The Ministry of Railways' final remarks in respect of sub-paras 1 and 2 of the recommendation which *inter alia* explain the legal liability of the manufacturers have already been furnished to the Public Accounts Committee *vide* another memorandum sent by the Ministry of Railways to the Lok Sabha Secretariat on 5th May 1958, on this subject.

As regards the responsibility of the Consulting Engineers, the legal aspect of this question was examined by the Director General, India Store Department, London and an extract of the reply received from him is enclosed for the information of the Committee. It will be seen that the opinion of the Counsel to the High Commissioner for India in London in respect of the liability of the Consulting Engineers is not entirely conclusive. At the same time, in a case of this type it would seem difficult to hold the Consultants responsible for acceptance of defective stores to the extent that it was not intentional. In this connection para 4 of the Indian Stores Department letter (extract enclosed) to the effect that the National Railways of the various countries on the Continent of Europe to whom inspection was off-loaded recently by the India Stores Department, refused to accept liability for loss due to any unintentional acceptance of defective stores is relevant. The general position in law also being the same, it is not possible to bring home responsibility against the Technical Consultants for any unintentional omission and commission on their part so long as generally they have supervised inspection reasonably satisfactorily.

The services of M/s. Rendel, Palmer and Tritton, the Consulting Engineers, were finally terminated on 1st March 1955 and they are no longer the technical consultants to the Govt., of India.

This has been seen by Audit.

*Extracts from letter No. S46/53CB/Rly. dated the 11th December, 1957 from the Director-General, India Store Department, London. W. 3 to the Director Railway Stores, Railway Board, New Delhi, India, etc.*

\* \* \* \* \*

3. It will be seen from the enclosure that the Counsel's advice on R.P. & T. is most inconclusive. The L. A. has stated that he is unable to express any opinion regarding limitation for claim in the absence of contract documents. The Board are aware that M/s. Rendel, Palmer and Tritton were appointed as Consulting Engineers to the Government of India over 80 years ago by the then Secretary of State for India in the United Kingdom and papers relating to their appointment are not available in this office. In this connection your attention is invited to letter No. S112/37. RJH dated 29th May, 1945, addressed by this office to the Secretary, Railway Board, in which he was informed that there was no formal agreement with the firm and that the terms under which they acted as Consultants were contained in nine letters copies of which were enclosed with the letter mentioned above. It will be seen that these letters only dealt with the subject of remuneration to the firm and the scheme for rendering their accounts for work done. A perusal of the correspondence does not reveal any provision defining the responsibilities of the Consultants.

4. In attempting to assess whether R.P. & T. is liable for compensation it would be as well to bear in mind the following extract from the legal Adviser's noting dated 10th December, 1955:—

"The practice of a profession which demands some special skill, ability, and experience, carries with it a representation that the person practising or exercising it possesses to a reasonable extent, the amount of skill, ability, and experience which it demands. Such a person is liable for injury caused to another to whom he owes a duty to take care, if he fails to possess that amount of skill and experience which is usual in his profession or calling, or if he neglects to use the skill and experience which he possesses or the necessary degree of care demanded or professed. His duty is honestly and diligently to use that care which would be used by others in the same profession or calling. He will not, however, generally be held liable for loss resulting either from a mere error or judgment on a difficult point or from want of skill in performance of some act which is

not appropriate to be performed by the members of his particular profession. Thus the question is whether there had been such a want of competent care and skill leading to the bad result as to amount to negligence (Halsbury's Laws of England, Hailsham Edition, Vol. 23, PP. 577—579)."

Further, it may also be borne in mind that when the Director General with his Advisers (composed of the Railway and Financial Advisers and the Chief Railway Inspecting Officer) visited various European Capitals in connection with the "off-loading" of inspection to the National Railways of the respective countries they were categorically informed by the Railways concerned that they were not prepared to accept responsibility for any loss due to unintentional acceptance of defective stores and the only assurance that the Negotiating Team received was that they would help the Indian Railways in getting suitable redress from the manufacturers.

5. Rendel, Palmer and Tritton's services were finally terminated on the 1st March, 1955 (after 5 years notice) but we still have occasions to refer to them old Contracts on which inspection had been carried out by them. It must be stated in all fairness that they have always been cooperative whenever an approach was made to them. Although the Indian Railways have severed connections with them. Rendels are still the Consultants to Public bodies in India such as the Calcutta Port Trust, etc.

\* \* \* \*

*Extracts of the Counsel's opinion dated 18th October, 1957 in respect of Rendel, Palmer and Tritton*

\* \* \* \*

*M/s. Rendel, Palmer and Tritton*

I still think that if litigation were to be commenced the better course would be to go against the manufacturers in the first instance. Their's is, after all, the primary liability. If in their pleadings they were to put the blame on M/s. Rendel, Palmer and Tritton, the question of pursuing the claim against the firm could be re-considered.

\* \* \* \*

#### *Limitation*

As I pointed out in my opinion, the law of limitation may prevent claims being successfully pursued in the present case. This applied equally to a claim against M/s. Rendel, Palmer and Tritton.

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**APPENDIX X**  
**MINISTRY OF RAILWAYS**

(RAILWAY BOARD)

*North Eastern (ex-Assam) Railway—Non-payment of Railway Dues by a commercial concern—Para 71 of Seventeenth Report of P.A.C.*

During the course of negotiations with M/s. Commercial Carrying Co. (Assam) Ltd. for the recovery of Rs. 1,07,145-7-0 due from them, it became necessary to agree to the request of the Company to waive a sum of about Rs. 32,000, as under:—

- (i) Rs. 15,420-12-0, representing amounts demanded from the Company against bills issued during the period 1949 to 1951, which had become time-barred; and
- (ii) Rs. 17,648-7-0, representing amounts deducted from the bills of the Company by the Railway Clearing Accounts Office, long after the office of the Company had been dismantled and their record dispersed.

2. In regard to the balance of Rs. 75,000, in round figures, it has been agreed that another firm, namely M/s. Malda Transport Co. Ltd., Calcutta, whose directorate is intimately connected with the directorate of the Commercial Carrying Co. (Assam), Ltd., should take over the responsibility of clearing this amount, on condition that that Company is allotted the contract for running the Malda Out-agency, for which it had been negotiating. This was the only method of recovery of the arrears due, as the Commercial Carrying Co. itself has no assets to enable us to recover any amounts.

3. The amount of Rs. 75,000 is to be cleared by an immediate payment of Rs. 30,000 and the balance in 3 annual instalments, commencing from 1st January, 1959.

4. The conditions under which the Malda Out-agency has been agreed to be allotted to Malda Transport Out-agency are:—

- (1) The Board of Directors of Malda Transport Co. should pass a binding resolution, making that company responsible for the clearance of Rs. 75,000 due from the Commercial Carrying Co.
- (2) A security deposit of Rs. 20,000 should be given.

(3) The earnings of the Out-agency must be remitted to the Railway daily.

5. The negotiations with the Malda Transport Co. have, however, not yet been finalised.

This has been seen by Audit.

NEW DELHI;

Dated the 15th July, 1958.

Director, Finance, Railway Board.

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**APPENDIX XI**  
**MINISTRY OF RAILWAYS**

(RAILWAY BOARD)

*Howrah-Sheakhala Light Railway Company—Para 9 of Fourth  
Report of P.A.C. (Second Lok Sabha)*

In para 9 (page 6) of the 4th Report (2nd Lok Sabha) of the P.A.C., it has been stated that the Committee were not convinced of the reasons put forth by the Railway Board for the Railway continuing to make payment of compensation after 1st April, 1946, without the sanction of the Railway Board, regardless of the Audit objection first in August 1946 and again in January, 1948, pointing out the need for the approval of the Railway Board. It has also been stated that when it is admitted that the payment in question was *ex gratia* and not a legal liability, any review of this case should have been addressed first to the continuance of the payment and then to the quantum thereof.

2. It is necessary to explain that the objection raised by the Chief Auditor in August 1946 referred primarily to the technical requirement that the Railway Board's sanction was necessary to the payment being continued in respect of period beyond 31st March, 1946, as will be seen from the following extract from the letter of 27th August, 1946 from the Chief Auditor, East Indian Railway, to the Chief Accounts Officer :—

“In Railway Board's letter No. E43WA2194/2 dated 12th March, 1946, the official date of termination of war has been declared to be 1st April, 1946. In the circumstances the sanction contained in Railway Board's No. 7057-F, dated 5th March, 1941 is no longer operative. Fresh sanction may kindly be obtained. In the meantime, the payments made to the Light Railway from 1st April, 1946 may be treated as having been held under objection in this office.”

There was thus no suggestion that payment should not be made, but only that payments, if any made, would be formally held under objection. When the Chief Auditor enquired in January, 1948 why it had been decided to make provisional payments without obtaining Railway Board's orders, he was duly informed that the Railway Board would be approached as soon as the revised quantum of com-



compensation was settled with the Light Railway; he was also furnished with a copy of the minutes of the meeting with the Light Railway's representative held on 17th March, 1948, following which a suggestion was made for reducing the rate of compensation further.

3. Generally speaking, provisional payments to an outside party without orders from the Railway Board would be incorrect. In this case however, it is significant that even on previous occasions when payments had to be continued beyond the periods upto which payments had been sanctioned by the Railway Board, the same had been so continued under General Manager's authority and this was subsequently confirmed by the Board in 1936 and again in 1941. At an earlier stage (about 1936), the then Chief Auditor, after a review of the legal position, observed as under:—

"Thus the principle of compensation as agreed to between the East Indian Railway and M/s. Martin & Coy., has been approved by the Railway Board. The liability having been admitted and acted upon, it is too late in the day to raise the question of legality of the liability of the East Indian Railway under Common Law or Law of Torts."

In the above background, there was a justifiable assumption that while negotiations should be carried out with the Light Railway from time to time, for fixing the quantum of the compensation payable, the liability of the payment itself was never in doubt, and that there was no fundamental objection in the meantime to making provisional payments subject to subsequent adjustments on the settlement of the rate, and on receipt of the formal sanction of the Railway Board. The payment was recognised as being *ex gratia* only in the sense of being justified on grounds of equity, apart from any considerations of legal liability and in the background of such thinking over several decades, there was no occasion for the Railway to raise the question as to whether the payments were to be continued at all. In the circumstances, it would not perhaps be correct to hold that provisional payments pending Railway Board's sanction should have been avoided, merely because of a subsequent decision taken by the Board that compensation payments need not be made at all. This subsequent decision was advised to the Light Railway in 1954 in time to enable the Railway to re-adjust their ways and means position for the year 1954-55, and the payment was, therefore, stopped from 1st April, 1954. Even if provisional payments had not been made by the East Indian Railway, the payments to the Light Railway would still have had to be made for

the same period i.e., up to 31st March, 1954, as obviously the decision to discontinue payments of compensation which was strictly not due under the Law but had been made on equity considerations for 30 years, could only have prospective and not retrospective effect.

Summarising, the Ministry of Railways would observe that the provisional payments made by the East Indian Railway Administration in January 1948, August, 1951 and August, 1952, before obtaining Board's sanction, were not due to any error of judgment or to any irresponsible attitude, but were due to the historical background of events, viz., that the compensation had been regularly paid for about 30 years and there were also instances where, on earlier occasions, similar provisional payments had been made pending Board's sanction which was subsequently confirmed by the Board. It cannot be said that the provisional payments in themselves prejudiced the position, and the stoppage of the payments in any case was possible only after a decision had been taken by the Railway Board and communicated to the Light Railway.

A reference has been made by the Public Accounts Committee to the time taken from July 1952 to January 1954, in the Railway Board's office to reach a decision and to the fact that, on account of this delay, the payments had to be continued for a further period of two years. It is necessary to explain that the period from 1946 to 1952 was taken by negotiations at the Railway level, which had the result of getting the Light Railway to agree to receive a reduced quantum of compensation. A percentage of 45 per cent—later 60 per cent—had held the field for nearly three decades, and reduction to 31 per cent could by no means be effected without protracted meetings and negotiations. As regards time taken in the Board's office, a sequence of events between July 1952 and January 1954 is given in the enclosed statement. It was obviously not possible to stop straightaway a payment which the Light Railway had been receiving year after year since 1919, and fresh examination had to be carried out from the legal angle which involved collection of some basic information from the Railway and reference more than once to the Solicitor. That the case was intricate is clear from the fact that after giving his preliminary opinion, the Central Government Solicitor at Calcutta requested that the opinion of a senior Counsel should also be taken, which was done. As will be seen from the attached statement, the final reply from the Solicitor was despatched from Calcutta on 5th January, 1954 and the final orders of the Board were issued on 19th January, 1954. The Board therefore feel that the views expressed by the Committee in the

concluding portion of their recommendation do not seem to be corroborated by the facts stated above.

Audit has seen the Memorandum and has observed as under:—

“Audit does not see any reason to change its views in the matter which have already been furnished to P.A.C. The objection raised by the Audit in August, 1948 covered both the questions of technical requirement of a sanction from a higher authority and the propriety of the payments.”

*Director, Finance, Railway Board*

*Enclosure: 1 statement.  
(in 5 pages).*

NEW DELHI;  
*The 14th July, 1958.*

## Annexure A

*Statement indicating inchronological order the events between July 1952 and January, 1954 (pertaining to the correspondence between E.I.Rly. and Railway Board on the subject of payments to the Howrah Sheakhala Light Railway Company).*

Item No.	Date	Time taken	Events
1	17-7-1952		The request was made by the Eastern Railway for approval to the compensation computed by the Railway.
2	22-8-1952	1 month (Board's office)	The case was submitted by office.
3	17-9-1952	25 days (Board's office)	Consideration of the case by T.G. and Finance leading to the issue of Board's letter dated 17-9-52 calling for certain data together with the details and analysis thereof.
4	21-10-1952		General Manager, Eastern Railway reminded for a reply to his letter of 17-7-52 (Item 1).
5	29-10-1952		The Eastern Railway's attention was invited to Board's letter of 17-9-52 (Item 3). A copy of this letter was also sent.
6	2-12-1952		The Eastern Railway was again reminded for a reply to Board's letter of 17-9-52 (Item 3).
7	11-12-52		The Eastern Railway said that Board's original letter of 17-9-52 was not received and that a final reply to the letter received with Board's letter of 29-10-52 (Item 5) would be sent shortly.
8	10/13-1-53	4 months (17-9-52 to 13-1-53) (Eastern Rly's office).	The date of the final reply of the Eastern Railway to Board's letter of 17-9-52 (item 3).

Item No.	Date	Time taken	Events
9	25-2-53	42 days(13-1-53 to 25-2-53) (Board's office)	After consideration of the Railway's reply, the Board suggested a reference being made to the Eastern Railway on the question whether the compensation was liable to be payable in perpetuity and the law under which it was so payable.
10	16-3-53		The Eastern Railway acknowledged the letter of 25-2-53 (item 9).
11	30-5-53		A reminder sent to the Eastern Railway for a reply to Board's letter of 25-2-53 (item 9).
12	16/24-6-53		The Eastern Railway informed the Board that the Chief Commercial Superintendent had been requested to arrange for obtaining the opinion of the Solicitor to the Central Government at Calcutta regarding issues raised in Board's letter of 25-2-1953 (item 9).
13	23-7-53		A.D.O. reminder to the General Manager Eastern Railway (Shri K. B. Mathur) requesting to depute one of the officers of the Railway to discuss the case with the Solicitors personally and obtain their views as early as possible.
14	28/30-7-53		D. O. reply from Shri M. N. Chakraborty, S. D. G. M. to DFE informing that the matter was being pursued to a conclusion in conjunction with others concerned including that Solicitor to the Central Government
15	13-9-53		Reminder to G. M. Eastern Railway enquiring when the final reply might be expected.
16	19-9-53	7 months (from 25-2-53 to 19-9-53) (Eastern Rly.'s office).	Shri M.N. Chakraborty (S.D.G.M.)replied demi-officially that the case was referred to the Solicitor to the Central Govt. at Calcutta on 7-9-53 by the Chief Commercial Superintendent. The delay was due to the draft letter to the Solicitor having had to be revised twice before it was approved by the FA & CAO.  It was also mentioned that the Solicitor was asked to fix a date for discussion

Item No.	Date	Time taken	Events
17	20-10-53		D. O. reminder to Shri M. N. Chakraborty, S.D.G.M. to look into the case personally.
18	28-10-53		Shri M. N. Chakraborty forwarded the preliminary opinion of the Central Govt. Solicitor who also requested that the opinion of a Senior Counsel should be taken. This was approved by the Eastern Railway.
19	5-12-53		Reminder to Shri M. N. Chakraborty, S.D. G.M. as to the further development in the matter.
20	6-1-54		Reminder to the G. M. Eastern Railway as to how the matter stood.
21	4/5-1-54	4 months (from 19-9-53 to 5-1-54)(Eastern Railway office including 3 months in Solicitor's office).	Shri M. N. Chakraborty, SDGM forwarded the final opinion of the Central Government's Solicitor at Calcutta dated 23-12-53. This was in reply to Railway's reference dated 12-10-53.
22	19-1-54	14 days (from 5-1-54 to 19-1-54) (Board's office)	The G. M., Eastern Railway was instructed that the payment of compensation should be stopped w.e.f. the year 1946-47

*Analysis of the time taken*

	Board's office			Eastern Railway			Solicitor's office		
	Y.	M.	D.	Y.	M.	D.	Y.	M.	D.
	0	1	0	0	4	0			
	0	0	25	0	7	0			
	0	1	12	0	1	0	0	3	0
	0	0	14	0	..	0		..	
				0					
<b>TOTAL</b>	0	3	21	1	0	0	0	3	0

## APPENDIX XII

### MINISTRY OF RAILWAYS

(RAILWAY BOARD)

### MEMORANDUM

*Railway Audit Report, 1956*

Para 20.—Other cases of losses—Western Railway (I)—Overpayment made to casual labour engaged on the C. P. C. Scales.

Reference appendix to Office Memorandum No. 96/PAC, 57 of 25-9-57 from Lok Sabha Secretariat calling for information regarding points on which notes/memoranda are desired by the Public Accounts Committee.

In May, 1951 the Railway Board issued certain instructions redefining casual labour. These instructions read as under:—

“The Railway Board have reconsidered the orders issued in their letter No. E48CRC/150 dated 12/1/49 and have, with the sanction of the President, decided as follows:—

- (i) Staff paid from contingencies—except those retained without limit of tenure—should be treated as casual labour.
- (ii) Labour on projects, irrespective of duration, should be treated as casual labour except those transferred from other temporary or permanent employment.
- (iii) Seasonal labour who are sanctioned for specific works of less than six months' duration should be treated as casual labour, but if such labour is shifted from one work to another of the same type e.g., relaying, and are maintained in gangs and the total continuous period of such work at any one time is more than six months duration, they should be treated as temporary after the expiry of the first six months of the continuous period.

2. These orders have effect from the date of issue of this letter.”

2. On receipt of these instructions, the Western Railway considered the matter and issued a circular to all concerned in September 1952. Para 2(a) of the circular read as under:—

“Staff paid from contingencies —except those retained without limit of tenure—should be treated as casual labour.

Staff paid from contingencies if engaged for specific periods should be treated as casual labour. Watermen engaged at stations during the hot weather, punkha coolies engaged in offices etc. will, therefore, be treated as casual labour. A waterman engaged against a permanent post or a temporary post which is likely to continue i.e. is not a seasonal demand, will not be treated as a casual labour and will be engaged on the prescribed scales of pay etc.”

It came to notice, however, that watermen engaged at stations during the hot weather and punkha coolies engaged in offices were not paid from contingencies but were included among station staff under Demand No. 6. This had been the practice all along in the Traffic Department on that Railway. The question whether hot weather establishment should continue to draw their pay as Station Staff or should be treated as casual labour and paid from contingencies was considered at length by the Railway and it was decided in October, 1952 by the Headquarters Personnel Officer, after, taking the advice of the Deputy Financial Adviser that such staff, charged to Grant No. 6, will not be treated as casual labour and would be engaged on the prescribed scales of pay etc.

3. This led to the appointment of Watermen, Punkha Coolies, Bhisties and Khalasis as part of the hot weather establishment for periods of less than 6 months at stations on Prescribed Scales of pay instead of the current market rates all over the Western Railway. The matter was taken up by Audit in April, 1953 at the Regional level, and was referred to the Headquarters Office in June, 1953. The matter remained under consideration of the Railway Administration for considerable time and in spite of reminders from Audit was not finalised early. A reply as from the FA & CAO over the signature of an Assistant Accounts Officer, requesting Audit to drop the objection was issued in December, 1953. Although there is no recorded evidence of any earlier or subsequent discussions having taken place, it appears the matter was later informally discussed between the Chief Auditor and the Dy. Financial Adviser and Chief Accounts Officer and the Financial Adviser and Chief Accounts Officer when the Chief Auditor further pressed this objection in February, 1954. A note on Chief Auditor's letter of February, 1954 was put up by the Assistant Accounts Officer in August, 1954 addressed to the Deputy Financial Adviser and passed on by the latter on the same day to the F.A. & C.A.O. The F.A. & C.A.O. eventually accepted the audit view and replied demi-officially to Chief Auditor in February 1955, the intervening delay being apparently due to the F.A. & C.A.O.'s preoccupation as a member of the Enquiry Committee dealing with the case against the ex-Saurashtra Railway officers. Instructions to the Departmental officers were, however, issued by the administration only in October, 1955, after the connected file, which had been misplaced, was retraced in August 1955. The instructions issued in October, 1955 provided *inter alia* that watermen engaged at stations during the hot weather charged to Grant No. 6 would be treated as casual labour if the period for which they were engaged was less than six months.

4. Subsequently in August, 1956, the Railway Administration issued further instructions that casual labour as already defined in their earlier circulars should be engaged at market rates and not given the prescribed scales of pay. It was also stated that watermen engaged at stations during the hot weather should be treated as casual labour even if the period is over six months. In the meantime, an overpayment of Rs. 1,93,379/- had already been made due to the engagement of watermen and other hot weather establishment at stations on the prescribed scales instead of the current market rates.

5. As will be noticed, the overpayment in this case occurred because expenditure on casual labour at stations was charged differently as a result of advice obtained from Accounts (the Deputy Financial Adviser). It has been pointed out to the Railway Administration that, in view of the doubt which had arisen, the matter should have been referred to the Board for their clarification so that the ambiguity could have been cleared promptly.



6. The Board consider that there have been the following specific shortcomings on the part of the Western Railway Administration in dealing with this case :—

- (a) Giving an incorrect interpretation of the orders conveyed in the Board's letter No. E48CPC/150 Pt. I dated 15-5-1951 ; and
- (b) inordinate delay in rectifying the wrong interpretation of the orders after it was questioned by Audit.

After a careful consideration of the whole case the Board have held that the then Deputy Financial Adviser, Western Railway, was primarily responsible for the wrong interpretation of the Board's orders. It has also been considered that this officer, after receipt of the audit objection, should have shown special alertness in obtaining a decision quickly and getting revised orders issued with the least possible delay. The Board have, therefore, asked the General Manager, Western Railway, *vide* their letter No. E (o)158 PU2/13 dated 5-8-1958, (i) to call for this officer's explanations to show cause why the penalty of 'censure' should not be imposed on him for these failures; and (ii) to investigate the reasons for the inordinate delay, referred to at (b) above, in dealing with this case, and obtain the explanations of the different officers concerned for the delay caused by each one of them, and forward the same to the Board for further orders.

7. The General Manager, Western Railway has also been asked to write off, under his powers, the amount of overpayment of Rs. 1,93,379.

8. Instructions have also been issued to Railways that in cases where audit have questioned a payment, prompt action should be taken to resolve the audit objection instead of letting overpayments accumulate over an extended period.

This has been seen by Audit.

NEW DELHI;  
Dated 3-10-1958.  
[Case no. 56-B (C)-2951 ]

Director, Finance,  
Railway Board.

## APPENDIX XIII

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND SUPPLY

**Note for the Public Accounts Committee—Para 18 of Audit Report (Railways), 1955—Purchase of British Standard Locomotive components and fittings in dollars (hard currency) instead of sterling**

Question	Remarks
<i>Was the question regarding the delay in the delivery of the locomotives taken up with the manufacturers? if so, with what results? if not, why not? Whether any attempt was made to claim damages from them? If so, what was the outcome of that?</i>	<p>The contract contained liquidated damages clause but the question of levy of liquidated damages was not specifically considered by the India Supply Mission, Washington, perhaps due to the following circumstances:—</p> <ul style="list-style-type: none"><li>* (a) The total delay involved in delivery of the majority of the locomotives ranged from 1 to 5 months, and this was not considered as unreasonable taking into account the fact that the specifications had to be amended a number of times to suit the requirements of the Railway Board or which became necessary during the manufacture of the locomotives.</li><li>(b) Delay in receipt of sheets, castings and British Specialities by the manufacturers from the respective suppliers of these stores.</li><li>(c) The manufacturers' proposals contemplated following standard Canadian practice in the construction of</li></ul>

\*Vide their O.M. No. 58-B (C)-2498/II, 4th Report, dated the 29th January 1959, addressed to the Ministry of W.H. & S., the Ministry of Railways (Railway Board have observed as follows:

It is observed that para 1 (a) of the note gives the impression that the minor changes made at the Railway Board's instance were also responsible for the delay in the delivery of the locomotives. This does not seem to be correct. In this connection, it may be reiterated again that the changes in the specifications called for by the Board were to a large extent made to suit the requirements of the loco builders and were of a minor nature and did not in any way affect the delivery of the locos. The fact that the builders readily accepted these modifications without demanding changes in prices and delivery schedule is very much relevant and goes to prove that the changes called for by the Board were not such as would affect the rate of production of builders. This is the reason why the builders did not ask for a change in the delivery schedule.

these locomotives but in many instances, this was not suitable to our Inspector and it took considerable time on the first one or two locomotives for the manufacturers to know what exactly the inspectors required.

2. The question of levy of liquidated damages for delay in the delivery of the locomotives has been *de novo* examined by the India Supply Mission but Government are advised that these claims have become time-barred and as such nothing further can be done in the matter.

(The exact date on which the claims for liquidated damages became time-barred is, however, difficult to determine. According to the Legal Adviser to the India Supply Mission, the claims became time-barred 6 years after the contract delivery date. As shipments were complete in 1950 the claim became time-barred sometime in 1956.)

3. It may be mentioned that the Railway Board in this case brought certain specific claims to the notice of India Supply Mission, namely (i) arising out of bad material and bad workmanship and (ii) claims for freight and fitting charges on the deficient British Specialities that were flown to India. The Board have now furnished details of these claims (these amount to \$ 27,395) to India Supply Mission and these are being finalized by the Mission.

4. In this case, Audit remarks are also reproduced below :—

“There is no decision on record detailing the circumstances in which the I.S.M., Washington did not consider the question of the levy of liquidated damages. The reasons adduced by the Ministry in support of the inaction of the I.S.M. are, therefore, surmises which are not susceptible of verification by Audit.”

NEW DELHI;  
Dated 20-12-1958.

Secretary to the Govt. of India

## APPENDIX XIV

No. PII-12(11)/57

GOVERNMENT OF INDIA

### MINISTRY OF WORKS, HOUSING AND SUPPLY

**SUBJECT** :—*Supplementary Note on the system of Purchases from abroad indicating measures taken to guard against losses due to defective inspection or defective terms of contract.*

Attention is invited to this Ministry's Note dated 16-10-1957, on the system of purchases from abroad indicating measures taken to guard against losses due to defective inspection or defective terms of contract. It may be stated that this Note has since been examined by Audit, who, whilst confirming (in consultation with the Directors of Audit in London and Washington) that the position as stated therein was generally correct, nevertheless desire that we should send a supplementary note to the P.A.C. This is to make it clear that (i) a decision has since been taken to restrict departmental inspection of Railway stores and off-load such inspection to the National Railways of the countries concerned (as the Indian Railways were no longer able to spare the technical personnel necessary if departmental inspection were to continue) and (ii) to include certain further cases (as observed by Audit) wherein losses have been caused to Government due to defective inspection etc., carried out by the Commercial inspection agencies on behalf of India Store Department, London and India Supply Mission, Washington.

2. As regards (i), namely, the procedure for inspection of stores, it may be mentioned that the position stated in para 6 of the earlier note was correct, at the time, the note was submitted, as the decision to off-load inspection of Railway stores to the National Railways of the countries concerned/commercial Agencies was taken subsequently. In this connection the note recorded by Director of Audit, U. K. is pertinent and is reproduced below :—

“Except in the case of the U.K. recently the inspection of railway stores has been or will shortly be off-loaded to the National Railways of the countries concerned (e.g. Austria, Belgium, Germany, Italy, Poland, Switzerland and Yugoslavia) from where stores of substantial value are procured. This “Change over” has been made as the Indian Railways are no longer able to spare the technical personnel for inspection. It may be mentioned, however, that the India Store Department team which negotiated these transfers were informed by the Governments concerned that they were not prepared to accept responsibility for any loss due to unintentional acceptance of defective stores and the only assurance that the negotiating team was able to obtain was that they would help the Indian Railways in getting suitable redress from the manufacturers.”

It will be seen from above that the commercial inspection agencies do not accept any liability for unintentional defective inspection of stores,

though they have agreed that they would help the Purchase Organisation in getting suitable redress from the manufacturers, where such defects are noticed subsequently.

As regards (ii) it may be stated that besides the cases mentioned in Annexure III to this Ministry's note dated 16-10-1957, there were two further cases, namely, those for Cylinders for W. G. Locomotives and Rajasthan rails wherein losses were caused to Government. In the former case, the loss occurred due to defective inspection carried out by the Technical Consultants-M/s Rendel, Palmer and Tritton, for which evidently the I.S.D. cannot be held responsible. As regards latter, the inspection in this case, too, was done by an outside agency, as I.S.M. have no facilities for departmental inspection. Besides this case had peculiar features in that new rails as such were not purchased. The extent of loss suffered by the Government in these cases is indicated in Annexure I.

NEW DELHI;  
Dated 18-7-1958.

*Secretary to the Government of India.*

## ANNEXURE I

*Statement giving particulars of further contracts, placed by the India Store Department, London and India Supply Mission, Washington, where losses have been caused to Government*

<i>Store</i>	<i>Contract Value</i>	<i>Approximate loss</i>
Cylinders .	£ 2,990,680 (Subject to Locomotive Manufacturer's Association's safeguarding clauses regarding price).	* £ 8,447/-
Rails .	\$ 798,220	* Rs. 3,35,383/-

\* The figures of net losses indicated above are based on information furnished by the Ministry of Railways.

## APPENDIX XV

### MINISTRY OF RAILWAYS

#### (RAILWAY BOARD)

*Overpayment to a handling Contractor—Para 16 of Fourth Report of P.A.C. (2nd Lok Sabha)*

The disciplinary aspect of the case has been considered by the Board with reference to the consideration that extra payment had occurred due to non-realisation of the full implications of the terms of the contract in proper time.

During the years 1947 to 1953, a number of officers had worked as Goods Supdt. of the Goods Depot concerned. In regard to these officers, excepting one officer, it has been held that in the course of the day-to-day working, they may not have been aware that a small batch of 8 departmental *hamals* were doing reweighment work, and that they could hardly be blamed if they did not notice this and that it was not in conformity with the agreement executed by the Handling Contractor. While it would have been creditable on the part of the officers if they had discovered the irregularity no blame as such could be attached to them. Accordingly, in the case of officers concerned, excepting one, the Board have come to the conclusion that no specific punishment as such is called for.

The officer who failed to rectify the irregularity even though he was aware that departmental labour was being utilised for reweighment of inward goods having retired from service, the Board have passed orders withholding 25% of the Special Contribution to Provident Fund otherwise payable to him.

This has been seen by Audit.

**APPENDIX XVI**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**

*Supply of Defective Springs on all metal Metre Gauge coach body Shells—  
Paras 22 and 23 of Fourth Report of P.A.C. (2nd Lok Sabha)*

The Ministry of Railways wish to clarify that the expression "safety margin of approximately 1½ tons" in the earlier note submitted to the Public Accounts Committee referred to as Appendix VI in para 22 of the Committee's Report under reference did *not* mean that without this margin there is risk to the lives of the passengers. The provision made against breakage of a spring is the provision of safety spring stops, against one of which a spring comes to rest if a hanger or if the top spring plate breaks. The design of the bolster springs in the case of MG coaches under reference provides such a spring stop, which automatically prevents deflection of the springs beyond a certain limit under overload condition. The decision of the Central Standards Organisation to stiffen springs was, however, taken to prevent discomfort in riding under extra-ordinarily heavy loading conditions such as were not originally envisaged.

2. The Ministry of Railways submit with all due respect, that, for estimating the tare weight including of furnishings, the Central Standards Organisation adopted what appeared at the time to be a reasonable basis and that therefore the question of fixing responsibility does not arise.

3. It is necessary to mention that the design of the units as adopted by the Organisation, including the entire suspension and spring gear, was prepared many years earlier by M/s. Rendel, Palmer and Tritton, Consulting Engineers of long standing and repute. In deference, however, to the Public Accounts Committee's desire that "an investigation should be made into this case and responsibility fixed", the Ministry of Railways have appointed a high level team of officers to examine the case fully and to submit a report. The results will be reported to the Public Accounts Committee in due course.

4. The Public Accounts Committee's further conclusion that "the working of the Central Standards Office requires looking into" is based on this case and another case both going back to 1954 and earlier. The Central Standards Office has been re-organised and strengthened recently as part of the new Research, Development and Standards Organisation which is currently under the close supervision of the Railway Board. The high-level team of officers referred to in the preceding paragraph will, however, *inter alia* generally, review the working of the Central Standards Office in the *past period*.

This has been seen by Audit.

NEW DELHI;  
Dated, the 15th July, 1958.

*Director, Finance, Railway Board.*



## APPENDIX XVII

### MINISTRY OF RAILWAYS

#### (RAILWAY BOARD)

*Central Railway —Construction of a Colliery Siding for a private Company without settlement of terms—Paras 26 and 27 of Fourth Report of P.A.C.*

In regard to the last sub-para of the recommendation, it is stated that the uniform basis which had been recommended by the Commercial Committee and which had been accepted by the Railway Board, in levying siding charges, was as under :—

- (i) Interest, maintenance, and depreciation charges to be recovered separately as an annual lump sum payment; and
- (ii) Siding charges to be based at Re. 1/- per loaded 4-wheeled wagon, subject to a minimum charge per trip arrived at by multiplying the average time taken per shunt by the cost of shunting Engine Hour.

In drawing up phased programmes for change over to the above uniform procedure for charging siding charges in respect of existing sidings, several difficulties have been encountered by the different railways. Some of which are as follows :—

- (i) In several cases, existing sidings are governed by siding agreements, which make it difficult for the existing charges to be changed, without negotiations.
- (ii) In some cases, several sidings are being served by the same shunting engine, making it difficult for a minimum per trip for each siding to be specified separately.

In view of these difficulties, it has not been possible to introduce uniformity on all railways by the end of June, 1958. The matter is being pursued vigorously, and it is expected that a uniform basis in respect of existing sidings would be introduced on all railways by about 1st April, 1959. Such uniformity has, however, been adopted in regard to new sidings, in the cases of all of which, the siding charges are being fixed in accordance with the above formula. Also the practice on some of the railways has already been conforming to the uniform basis proposed.

As regards this particular case, the sum of Rs. 1,46,630 to be realised from the company towards arrears of interest, maintenance, depreciation charges at 6½% per annum was calculated on the capital cost of the siding borne by the railway for the period 21-3-1947 to 5-7-1954. The firm, however, contended that the colliery had been developed prematurely at the express request of the Government and that normally they would not have developed the colliery until about 1954 and that on normal development, they would not have installed a siding until the colliery had developed its pit works and completed its erection of other installations at the colliery. They, therefore, contended that the arrears assessed by the railway as not fair to the company. Taking this contention of the company into account and also the fact that the result of any legal action to enforce the full payments from the firm was

not quite certain, it was decided, based on legal advice, to compromise, by agreeing to a payment of Rs. 94,000 towards arrears, this figure having been arrived at on the basis of the actual production of the colliery for the period 1947—53. The firm have paid on 2-7-58 the amount of Rs. 94,000 in full and final settlement of the siding charges arrears.

As regards the staff responsibility for the omission to settle the terms with the colliery, before construction of the siding and for the inordinate delay in settlement, the matter is under investigation.

This has been seen by Audit.

NEW DELHI;  
Dated the 14th July 1958.

*Director, Finance, Railway Board.*

## APPENDIX XVIII

### MINISTRY OF RAILWAYS

(RAILWAY BOARD)

#### MEMORANDUM

*Para 14 of Audit Report, Railways, 1956—North Eastern Railway—sale of grass and fishing rights.*

With reference to the above Audit Para, the conclusions of the Public Accounts Committee have been recorded as under, in S. No. 11 of Appendix II of Public Accounts Committee's 4th Report :—

“The Committee appreciate the need for encouraging Co-operative Organisations, but they feel that being a commercial department the Railways should not ignore business principles.

They are also distressed to see the long delays on the part of the Railway Board in taking decisions in this case and desire that the case should be settled without further delay.”

2. As the Committee themselves have recognised in para 28 of their Report, it was on the recommendation of the Ministry of Agriculture that the lease of grass was given to the Bihar Provincial Federation of Goshalas and Pinjrapoles, even though the Federation had not responded to the open tender and even though at the time of the award of the contract for 1950-51, the Federation had not paid for about a fourth of the contract value of the earlier year. The stipulation for both 1949-50 and 1950-51 that the Federation should pay for the contract the same amount as offered by the highest tenderer was made in the genuine belief that this would safeguard the financial interest of the Government. The observations of the Public Accounts Committee in the first sub-para of their aforesaid conclusions are noted for future guidance. In fact, when awarding the contracts subsequent to 1950-51, it was appreciated on the advice of Audit, that the calling of tenders merely to fix the value of lease to be entered into with a pre-determined party was not realistic and contracts were given strictly on the basis of tenders received. The Federation did not tender after 1951, and no contract was let out to them either.

3. In regard to the second sub-para of the Public Accounts Committee's conclusions, it is regretted that there has been some delay in finalising the case due to the efforts which were being made until recently to recover the dues from the Federation. This delay in itself, however, has not affected the case adversely as a registered notice had already been served by the Chief Engineer of the North Eastern Railway on the Federation on 9-1-1953, so that the case is not suit-barred. It is felt, however, that the institution of legal proceedings against a Social Welfare Organisation involving additional legal expenses, however small, would not be in the fitness of things.

4. Having regard to the recommendation of the Public Accounts Committee that the case should be settled without any further delay, the Ministry of Railways have come to the conclusion that, all things considered, action against the Federation should be dropped and that amount shown as due in respect of the contracts of the Federation should be waived.

NEW DELHI;

*Director, Finance, Railway Board.*

*Dated, the 19th February, 1959;*

58/L(c)-2498/11/4th Report/11.

## APPENDIX XIX

### MINISTRY OF RAILWAYS

(RAILWAY BOARD)

#### MEMORANDUM

*Para. 16 of Audit Report, Railways, 1956—Western (ex-Saurashtra) Railway—  
Non-recovery of interest and maintenance charges for sidings*

In regard to the above Audit Para., the following observations have been recorded against serial number 13 of summary of the main conclusions/recommendations of the Fourth Report of the Public Accounts Committee, 1957-58, on the Appropriation Accounts (Railways) 1954-55—*vide* Appendix II to Vol. I of this Report (Para. 36 of the Report).

“The Committee desire that the Railway Board should examine the feasibility of taking over assisted and private sidings on the ex-Saurashtra Railway (now merged in Western Railway) from the Bombay State and bringing them under the control of the Railway Board.”

2. Earlier, when calling for certain notes which the Public Accounts Committee wanted from the Ministry of Railways, the Lok Sabha Secretariat in their Official Memorandum No. 96-PAC/57 of 25-9-57, asked for the following in connection with this subject:

“A note in detail indicating how the accumulating arrears outstanding in respect of ex-Saurashtra Railway are proposed to be recovered by the Railway Board may please be furnished.”

3. The latest position as reported by the Western Railway is indicated below in detail, showing the amounts due to the Railway upto 31-3-1958 and not recovered upto 1-6-1958 (allowing the usual time-lag of 2 months taken in effecting recovery of a month's dues.)

Serial No. of category	Particulars under different categories of sidings	No. of sidings in each of the categories	Dues upto 31-3-1958 outstanding as on 1-6-58
1	2	3	4
1	Sidings for which payment is current.	37	46.43
2	Sidings for which owners have made part-payment	5	6798.24

1	2	3	4
3	Maharaja's sidings . . . . .	9	18216.09
4	Sidings already dismantled . . . . .	7	12261.99
5	Sidings under process of dismantlement . . . . .	5	20871.00
6	Sidings to be dismantled which are under correspondence . . . . .	1	1871.00
7	Sidings for which owners are not making payment . . . . .	5	23817.31
8	Sidings belonging to the ex-Saurashtra Government the ownership of which is under reference with Bombay Government . . . . .	2	2877.06
9	Sidings the ownership of which is <i>subjudice</i> on account of which the cases having already been filed in the court . . . . .	3	28460.50
10	Sidings (Railways) . . . . .	4	..
TOTAL . . . . .		78	1,15,219.62

Note. (a) The amount of Rs. 23,817.31 nP. shown against category 7 (i.e., where owners are not making payment) does not include an amount of Rs. 1,880.31 nP. pertaining to the years 1956-57 and 1957-58, for which bills have not been preferred by the Railways, the matter being under dispute with the parties.

(b) The amount of Rs. 2,877.06 nP. shown against category No. 8 (i.e. Sidings belonging to the ex. Saurashtra Government) does not include an amount of Rs. 2,270.25 nP. relating to one siding from the year 1954-55 to 1957-58, for which bills have not yet been preferred, pending decision of the ownership issue.

4. As a result of special efforts, considerable progress has been made in effecting recovery of arrear charges due in respect of the sidings, in that the total amount of Rs. 1,15,220 (approx.) shown above as outstanding on 1-6-1958 is appreciably less than the amount of Rs. 1,41,449 outstanding on 1st September, 1956 (and a still higher amount of Rs. 1,79,729 outstanding on 31st March, 1957).

5. The detailed analysis of the position which has been made indicates that the arrears in respect of sidings the ownership of which is under reference with the Government of Bombay—as successor to the ex-Saurashtra Government—are quite small excluding sidings under this category already dismantled, there is only one case left out of the two cases shown against category 8 above, and the amount outstanding is also quite small. In the other case, the State Government has agreed to the siding being treated as a railways siding. In the former case, which is still under reference with the Government of Bombay and which is scheduled for discussion at the General Manager's (Western Railways) next meeting with the Chief Minister, Government of Bombay, it has been ascertained that the Associated Cement Co. for whom the former Porbander State had provided the siding, continued to pay charges to the Saurashtra Government even after 1-4-1950.

6. Apart from the case of the siding which is under reference with the State Government the list in para 3 above, includes sidings dismantled or under dismantlement—(categories 4, 5 and 6), in respect of which there will be no further accumulation of charges. Arrear bills of value Rs. 24,913 in respect of sidings shown in category 10 are being withdrawn as it transpires, after examination, that the sidings are really railway sidings ; no amount is, therefore, shown as due against this category in the aforesaid list. Out of the 9 sidings mentioned in category 3, three sidings are not in use and therefore the arrear amounts for these items cannot be said to be due to the railway. As regards the recovery of the railway's dues in respect of sidings shown against categories 1 and 2, the improvement effected so far will be maintained and accelerated. Out of the 5 sidings shown against category 7, parties have disputed the correctness of the charges in respect of two sidings and the matter is under consideration of the Administration. Another siding has neither been handed over to the party nor in use by the railway. In another case the ownership of the siding is disputed and this siding has been closed from 25-2-58. In the remaining case, the General Manager has issued notice to the party for recovering the dues and the siding has been closed from June, 1957. In each of the two cases out of the 3 sidings shown against category 9, one of the parties claiming ownership is making payment currently, even though the recovery for the past periods has to be pursued on settlement of the court cases while the 3rd siding has not been in use for some time.

7. The foregoing analysis of the position will indicate that a substantial portion of even the outstanding amount of Rs. 1,15,220 pertaining to the period upto 31-3-1958 is illusory, and represents dues in respect of sidings which have not been in use for a long time; the recovery of dues cannot, therefore, be strictly enforced for the period subsequent to the date on which the sidings went out of use. The question of recovery of dues for the earlier periods for each siding is in the final stages of examination by the Western Railway and will be pursued vigorously.

8. The detailed analysis which had been made, has indicated that a number of sidings not in use could be dismantled and the material utilized elsewhere. Action in this respect will be processed expeditiously.

The memorandum has been verified by Audit except for verification of the amount of Rs. 1,880·31 referred to in Note (a) under para 3.

NEW DELHI;  
The 6th December, 1958.

*Director, Finance, Railway Board.*

## APPENDIX XX

### MINISTRY OF RAILWAYS

#### (RAILWAY BOARD)

#### *Purchase of Defective axle boxes—Para 44 of Fourth Report of P.A.C.*

The conclusion set forth in this recommendation in regard to perfunctory inspection carried out abroad at the time of purchase is based on the observation in the Audit Report that in this case a visual examination revealed the casting defects. It is necessary, however, to draw attention to a fact, which has not been mentioned in the Audit Report, *viz.*, that 18 of the axle boxes were finish-machined and rejected as defective, since in the process of *finish-machining* defects become apparent making the boxes unfit for service. The results of *finish-machining* 18 axle boxes evidently served as some basis for the visual examination, and this basis was not available when the boxes were inspected as *rough-machined* before despatch to India. Moreover, 25 boxes out of the 75 boxes which had been rejected as being defective as a result of visual examination, were found to be fit for use after *finish-machining*. The visual examination was thus not so clinching or not so wholly successful that it can be said, in comparison, that the initial inspection abroad of the rough machined castings by the inspectors *viz.*, M's. Rendel, Palmer & Tritton, Technical Consultants was perfunctory. Further, according to the legal opinion obtained, it would be difficult to hold the Technical Consultants responsible for the acceptance of defective stores, so long as it cannot be shown that there was any "intentional" neglect in inspection. In any case, as explained in subsequent paragraph, the Railways have ultimately suffered no loss, and there is, therefore, no justification or occasion for pursuing the case against the firm. Incidentally the services of this firm as consultants were terminated in 1955.

The Committee's conclusion that the relevant clauses in the contract should be tightened up is preceded, in paragraph 44 of the Committee's Report, by the observation that "the Railway Board had been needlessly generous to the supplying firm in as much as the prices paid for the (defective) stores were fixed at 50% more than the likely cost of the stores if manufactured in India and the defects were not caused by unforeseen circumstances." In regard to this reference to the "generous" price paid for the imported axle boxes, it is pointed out that the price was in terms of a rate contract which was entered into on the basis of competitive rates submitted and negotiations carried out with continental firms before the orders were placed in 1950. These rates were the best obtainable under the then conditions, when orders had to be placed abroad in view of lack of adequate indigenous capacity; any conclusions on the basis of a comparison with the cost of manufacture in India would, therefore, not be appropriate. In the previous note submitted by the Railway Board (referred to as Appendix VIII in paragraph 42 of the Committee's Report)—it was explained that the firm had "accepted the liability to compensate the Railway to the extent of the loss involved, *viz.*, Rs. 33,600/-, which fully covers the cost of melting and recasting the defective boxes." It



was not intended to suggest by this that *only* the cost of melting and recasting the defective boxes was recovered, as though there was any other amount due. The cost of melting and recasting the boxes, in fact, represents the only loss sustained by the Railway, and no compensation can lie against the firm for the cost of the virgin metal which it was possible to utilise after recasting.

As regards the Committee's recommendation for tightening up the relevant clauses in the contracts so as to fully safeguard tax-payer's money, the contractual provisions themselves did not prove inadequate in the present case. There was failure on the part of the Railway in not complying with the time limit laid down in the warranty clause of the agreement, under which the firm was responsible for defective stores supplied until the expiration of 15 months after delivery of stores of f.o.b. or 12 months after the arrival of ultimate destination in India, whichever shall be earlier. As it turned out, the reporting of the defects to the firm beyond the aforesaid periods has not led to loss to the Government, in view of the readiness of the firm not to take shelter behind any purely legalistic grounds. Instructions, however, are being issued to Railways that in all such cases the material or equipment received must be proved and defects, if any, brought to the notice of the supplier within the time limits laid down in the guarantee or warranty clause of the Agreement. This has been seen by Audit.

NEW DELHI;  
Dated 15-7-1958.

*Director, Finance,*  
*Railway Board*

ANNEXURE 'A'

**COPY OF D.O. LETTER NO. SP/G/315 DATED 11-7-1957 FROM SHRI N. B. BANERJEE, DY. CONTROLLER OF STORES(I), EASTERN RAILWAY, CALCUTTA ADDRESSED TO SHRI V. C. PARANJPE, DEPUTY DIRECTOR, RAILWAY STORES, RAILWAY BOARD, NEW DELHI.**

*RE : Purchase of locos spare parts under Rate Contract from Europe.*

Ref. : Your D.O. No. 56/457/1/RE dated 29-6-57.

I am unable to say why col. 4 × col. 5 does not equal to col. 6, and a reference may please be made to DG ISD/London.

The proof-machining of all the boxes has not been completed, and I shall let you hear further.

I have, however, obtained the present day costs of manufacture (without the metal) which has been duly certified by the Workshop Accounts Officer/JMP, and these are as follows :—

AB 1458 Axle Box . . . . .	Rs. 386.35 each
AB 1302 Axle Box . . . . .	Rs. 584.93 each

**NOTE :** Cost of Manufacturing in Railway Workshop the 68 rejected axle boxes would be Rs. 27,850.60 × Rs. 385.35 + 8 × Rs. 584.93). The amount of Rs. 33,600 paid by the firm, therefore, covers more than the loss the Railway would otherwise incur on the purchase

## APPENDIX XXI

### MINISTRY OF RAILWAYS

(RAILWAY BOARD)

#### NOTE

*Para 20—Western Railway (ii) incorrect levy of wharfage charges at Carnac Bridge*

In continuation of Ministry of Railways' note dated 19-10-57, on the above subject, it is stated that as a result of an enquiry held in December, 1957 the following action has been taken against the officers and staff involved in this case :—

- (i) The Goods Supdt. who approved of the incorrect Dept. order finally retired from service on 17-2-57. Special Contribution to his Provident Fund was withheld by the Railway Administration till the Railway Board directed the Railway Administration on 26-10-57 to communicate the Board's displeasure to him.
- (ii) The Officer in the office of the Chief Traffic Manager who dealt with this case has been informed that he should have represented the facts of the case to the Chief Traffic Manager for a decision as the amount involved was substantial and should not have taken upon himself the decision not to pursue the question of staff responsibility. In placing the facts of the case before the C.T.M. he could have also placed the extenuating circumstances to enable the Chief Traffic Manager to appraise the responsibility taking into account all the circumstances surrounding the case.
- (iii) The Chief Goods Clerk, Carnac Bridge who put up the incorrect draft order for approval retired in 1956. Special Contribution to his Provident Fund was withheld by the Railway Administration. On 5-4-58, the Railway Board, however, directed the Railway Administration that 10% of the special contribution to his Provident Fund (amounting to Rs. 498.75) be withheld.

This has been seen by Audit.

NEW DELHI;

Dated 13-11-1958.

(Case No. 56-B(C)-2982)

Director, Finance,

Railway Board.

**APPENDIX XXII**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**

*Delay in adjustment with a State Government—Para 47 of Fourth Report*

In para 47 of their 4th Report (2nd Lok Sabha) the Public Accounts Committee have stated as under :—

“ From the facts stated above, it is obvious that the responsibility for the delay in adjustment was primarily on the Railways in not having settled the procedure for indenting stores and mode of payment by the Transport Department as a result of the change in the set up. The Committee would like to be apprised of the settlement of the case in due course.”

In regard to the question of settling the procedure for indenting stores etc. with Road Transport Department, it is stated that prior to the integration of the ex-Hyderabad State with the Indian Union, the Road Transport Department of that State was maintained by the ex-Nizam State Railway as a separate Branch in every respect *vis.*, Capital, Account Staff, etc. This Department had a separate officers cadre also except that it was a part of the General Manager's charge and bore a proportion of his emoluments. After integration, it was only on considerable representations from the staff of the Road Transport Department and on the express desire of the Hyderabad State that the Ministry of Railways, in consultation with the Ministry of Law, decided that Ex-Nizam State Railway might continue to manage the Road Transport Department *temporarily*. It was in view of this fact (*vis.*, that the Ministry of Railways would be running the Transport Department on an agency basis for only a short period) that the consideration of the questions like the examination of the financial structure of the undertaking; the technical appreciation of the conditions of the assets, agreement regarding renewal and replacement, and the financial liability appertaining thereto, was deferred (as these were likely to take considerable time), until such time as the alternative could be discussed and an agreement on its future working reached. Subsequently detailed proposals to form the basis for further discussion of the subject, were worked out in July 1948 by the ex-Nizam State Railway and were forwarded to the Board's office for scrutiny.

Complete examination of the various issues covered by these proposals had not yet been finalised when the Hyderabad State Government contemplated a Bill entitled “ Road Transport Corporation Bill 1949 ” which visualised the taking over of the Road Transport Department by the State Government on a date to be fixed later. The then Ministry of States, therefore, informed the Railway Board in April 1951 that the Hyderabad State wanted that the arrangements prevalent in 1950, *vis.*, the Ministry of Railways

working the Road Transport Department on an agency basis, should be continued on the terms existing at that time, for a further period of one year from 1st April, 1951. This arrangement was agreed to by the Ministry of Railways. In October, 1951, however, the State Government communicated their decision to take over the management of the Road Transport Department from 1st November 1951. Even though the idea of setting up a Corporation for the purpose was dropped, the State Government did take over the management of the Road Transport Department on the appointed day. It will thus be clear from the above facts that the Ministry of Railways did not get sufficient time to work out the details for indenting stores for and mode of payment etc. by the Road Transport Department.

Moreover, as between Government departments, the question of framing detailed and exhaustive terms should not arise so long as the arrangements conform to the general pattern of the working agency, *viz.*, the ex-N. S. Railway in this case.

As regards the latest position regarding the settlement of these outstanding dues the matter is still under correspondence at a high level with the Andhra Pradesh Government.

This has been seen by Audit.

NEW DELHI ;  
Dated 14-7-1958.

*Director, Finance,  
Railway Board.*

**APPENDIX XXIII**  
**MINISTRY OF RAILWAYS**  
**(RAILWAY BOARD)**

*Purchase of Barsi Light Railway—Para 68 of Fourth Report of P.A.C.*

The conclusion set forth against this recommendation covers the two items pertaining to deferred renewal of sleepers (para 68 of the PAC report under reference). These were evaluated in the Audit paragraph as Rs. 9.01 lakhs, but a more reasonable assessment is about Rs. 4½ lakhs as referred to in the penultimate paragraph of the Railway Ministry's earlier Memorandum which is referred to as Appendix II in paragraph 66 of the PAC's Report.

2. In the aforesaid Memorandum of the Ministry of Railways, it was fully explained that even though there were certain remarks in the report of the Central Railway's special inspection of the Barsi Light Railway in 1952 pertaining to cracked steel trough sleepers, all other factual evidence on record pointed to a generally satisfactory condition of the Light Railway's permanent way. In the face of such repeated, unqualified certificate of maintenance in good working order, there were no reasonable grounds, either for the Railway Board or for the Central Railway, even as a measure of prudence or caution, to serve a notice against the Company prior to 1-1-54 which would have been the basis for a claim later. This position would not, in the opinion of the Ministry of Railways, be altered by the considerations on which the Barsi Light Railway Co. had drawn up a scheme of phased renewals in 1950, or by the fact that the proposals for renewal in 1955-56 were deferred to be taken up after the question of the purchase price was settled.

3. The Ministry of Railways also submit with all due respect that there was no oversight or lack of proper and timely thought to the matter. In fact the Light Railway Company had addressed the Ministry of Railways on 28-2-53 mentioning, amongst other things, the stand taken by the Directors of the Company that no deduction was due under clause 28 of the 1895 Indenture "as the undertaking has been maintained up to the standard of efficiency required by the Act and to the satisfaction of the Government Inspector of Railways and the local Government Engineer in so far as the Railway and the Road are concerned respectively." The noting in the files of the Ministry of Railways in connection with this letter from the Company recorded explicitly that the special report of the Central Railway disclosed nothing to warrant a claim for repairs, etc., being lodged; the same noting also indicated that the latest report of the Government Inspector of Railways for the year ending 31-3-1953 confirmed the Company's contention. It will be seen, therefore, that the matter was given due attention at a sufficiently early stage.

This Memorandum has been seen by Audit, who has observed as under:—

"Audit still sees no reason to change its views which have already been furnished to the Public Accounts Committee."

NEW DELHI ;  
Dated 12-7-58.

*Director, Finance,  
Railway Board.*

## APPENDIX XXIV

No. PII-211(43)

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND SUPPLY

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*Note for the Public Accounts Committee—P. A.C.'s 17th Report—Appendix III  
Item No. 12—Avoidable expenditure on freight on 150  
Locomotives*

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- (a) The view expressed by the Secretary, Works, Housing and Supply, that in November/December, 1951 the higher rates were accepted because the rates were going up has been contested by Audit. The correct position in this regard may please be stated.
- According to the information now furnished by the India Store Department, the higher freight rate was accepted in January 1952 by the India Store Department and not in November/December 1951 as assumed earlier. That Department have also pointed out that this decision to accept the higher freight rate offered by the Conference lines was taken on 11-1-1952 only after ascertaining from Belships that they were not in a position to submit a quotation earlier than March-April 1952. In fact in recommending the action, the then Deputy Director General in the India Store Department recorded a note on 3-1-1952 as follows :—
- “ It is by no means certain that we shall get a definite offer from Belships or that it will be cheaper one than the offer of the Conference. In fact there is every indication to show that if an offer is forthcoming it is likely to be more than the Conference rate as experienced in the case of ‘WM’ Locomotives. Moreover, the wages of seamen are going up from April as well as the cost of fuel oil. If we postpone our decision on the

acceptance of Conference offer any longer, it is more than likely that we shall be faced with a further rise of freight quoted by Conference. In the circumstances, it is recommended that the Conference rate be accepted. However, Behr Behrend will try to keep the original Conference rate of £ 24,000 per locomotive valid for all shipments during this year and the higher rate of £ 2,475 as now demanded by Conference be restricted to shipments beyond 1952."

Further, efforts were made by the India Store Department through their Brokers to persuade the Conference to agree to the rate of £ 2,400 for shipments during 1952 and £ 2,475 for subsequent shipments during 1953. The Conference, however, were adamant and accordingly the rate of £ 2,475 per locomotive was accepted on 11-1-52 by the I. S. D. in consultation with the accredited Finance Officer of the Department. In taking this decision, consideration was given to the possibility of increased freight rates as a result of anticipated increase in seamen's wages and cost of fuel. As it happened, in fact, there was subsequently a seamen's wage award and rise in price of fuel. In view of this, the possibility of freight rates going up could not be discounted and should be recognised.

(b) Was it inevitable to extend the shipping period on account of which the higher rates of freight charges had to be accepted?

The shipping period inevitably had to be extended in view of the fact that the Conference's original quotation covered only shipments upto a certain period. Accordingly on the delivery schedule being revised as advised by the suppliers the I. S. D. had necessarily to ensure that the Conference quotation would apply to shipments during the extended delivery



period, particularly as the Conference offer had not been accepted by them. It was, therefore, only appropriate that Conference was advised of the revised deliveries when the Department came to know of the same as the Conference in any case had the right to revise their quotation on the expiry of the cover period for the balance of the locomotives outstanding for shipment. In fact, it is reasonable to assume that, in view of the anticipated rise in freight rates, the Conference would have increased the freight rate in such a manner that it would have covered even those locomotives shipped prior to the expiry of the original cover period, and in such an event the quotation could not have been rejected as the Conference quotation was on an "all or none basis".

(c) What were the specific reasons for delays in accepting the earlier and lower offer of the Shipping Co. ? Auditor General's note states that it was owing to the immediate delay that took place in accepting the Shipping Lines offer of June, 1951 that the rates were increased from £ 2,400 to £2,475 ?

In this particular case, as the original offer of the Conference was considered high by the I. S. D. as compared with the freight paid for previous shipments of a heavier and bigger type of "W G" locomotive, it was necessary for the I. S. D. to consider the offer carefully with a view to satisfying themselves that it was reasonable. The Shipping Agents were accordingly requested by the I.S.D. to negotiate with the Conference Lines and to obtain a reduction if possible, and also to enquire from non-Conference Shipping Companies if any of them would be able to lift these locomotives at a cheaper rate. Meanwhile, when the Conference were informed of the revised deliveries of the locomotives, they withdrew their offer and submitted a revised quotation. The attempt to arrange freight with non-Conference lines did not also materialize as by then the non-Conference Lines (Belships) had informed the I. S. D. that they were unable to quote for shipment

of these locomotives, at that time, though they might be able to do so at a later date, sometime in March or April 1952. The I. S. D., therefore, decided not to wait any longer, but to accept the Conference quotation, as wages and the cost of fuel oil were also expected to go up. In the circumstances, it will appear that the acceptance of the higher offer from the Conference could not be attributed to the delay in dealing with the earlier and lower offer, particularly, if it is recognised that the revised shipping schedule had in any case to be intimated to them to the extent that the shipping period had to be extended.

(d) Why did the I. S. D. not consult the authorities in India regarding port facilities at Madras in proper time ?

As stated earlier (in our note of 19th June, 1956) the I. S. D. was fully aware of the crane facilities available at Madras at that time, and, therefore, it was not considered necessary by them to consult the authorities in India. The fact that subsequently 10 locomotives were delivered in Madras was due to the reason that *at a later stage* Hansa Lines were allowed to call at Madras Port, which had suitable lifting derricks.

2. This note was sent to Audit for their comments and they have stated that they have nothing further to add to the note which has already been sent by the Comptroller and Auditor General in response to paragraph 32 of the Public Accounts Committee's 17th Report.

NEW DELHI;  
The 9th September, 1958.

Secretary to the Government of India.

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1.**

Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
2.	Kitabistan, 17-A, Kamlā Nehru Road, Allahabad.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	51.	S. Krishnaswamy & Co., P.O. Teppakulam, Tiruchirapalli-1.
3.	British Book Depot, 84, Hazaratganj, Lucknow.	28.	City Book-sellers, Sohan-ganj Street, Delhi.	52.	Hyderabad Book Depot, Abid Road (Gun Foundry) Hyderabad.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	54.	C. V. Venkatchala Iyer Near Railway Station, Chalakudi.
6.	H. Venkataramiah & Sons Vidyavidhi Book Depot, New Statue Circle, Mysore.	31.	A. H. Wheeler & Co., (P) Ltd., 15, Elgin Road, Allahabad.	55.	The Chidambaram Provision Stores, Chidambaram.
7.	International Book House, Main Road, Trivandrum.	32.	M.S.R. Murthy & Co., Visakhapatnam.	56.	K. M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	57.	The Swadesamitran Ltd., Mount Road, Madras-2.
9.	Atma Ram & Sons, Kashmir Gate, Delhi-6.	34.	The Goods Companion, Baroda.	58.	The Imperial Publishing Co., 3, Faiz Bazar, Daryaganj, Delhi-6.
10.	Book Centre Opp. Patna College, Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	Azeez General Agency, 47, Tilak Road, Tirupati.
11.	J. M. Jaina & Brothers, Mori Gate, Delhi-6.	36.	Students Stores, Raghunath Bazar, Jammu—Tawi	60.	Current Book Stores, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	A. P. Jambulingam, Trade Representative & Marketing Consultant, Prudential Bank Building, Rashtrapati Road, Secunderabad.
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. G. Aseervandam & Sons, Clonghpet, P.O. Ongoli, Guntur Dist. (Andhra).
14.	The New Book Depot, 79, The Mall, Simla.	39.	E. M. Gopalkrishna Kone, (Shri Gopal Mahal) North Chitrai Street, Madura.	63.	The New Order Book Co. Ellis Bridge, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M. U., Aligarh.	64.	The Triveni Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi-5.
18.	The New Book Depot, Modi No. 3, Nagpur.	43.	People's Book House, B-2-8-829/1, Nizam Shahi Road, Hyderabad Dn.	67.	Bookland, 663, Madar Gate, Ajmer (Rajasthan).
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.	44.	W. Newman & Co. Ltd., 3, Old Court House Street, Calcutta.	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.	69.	Makkala Pustaka Press, Balamandira, Gandhinagar, Bangalore-9.
21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	46.	Hindustan Dairy Publishers, Market Street, Secunderabad.	70.	Gandhi Samriti Trust, Bhavnagar.
22.	International Book House, Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narain Agarwal, Hospital Road, Agra.		
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers, Trichinopoly-3.	49.	D. B. Taraporevala & Sons Co. Private Ltd., 210, Dr. Nisroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W.E.A., Karol Bagh, Delhi-5.				

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