

**PUBLIC ACCOUNTS COMMITTEE
1959-60**

TWENTY-FIRST REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Railways), 1957-58 and Audit
Report (Railways), 1959]

VOL. I—REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 1959/Agrahayana, 1881 (Saka)

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C O R R I G E N D A

! Twenty-first Report of Public Accounts Committee (1959-60) on Appropriation Accounts (Railways), 1957-58 and Audit Report (Railways), 1959.

- Page 11, para 14, line 24, for ' 2 items' read '42 items'
- Page 18, line 12, for 'will be well-advised to' read 'should'
- Page 25, first line, for 'of ' read 'or'
Para 48, line 8, insert 'late' before the word 'payments'
- Page 54, line 3, for 'this' read 'these'
- Page 84, para 175, in the statement in Col. 2 read 'Contractors' in Col. 3 for 'Quansity' read 'quantity' in Cols. 5&6 for 'uality' read 'Quantity'
- Page 98, Col.2, against S.No. 12 for 'Introduction' read 'Introduction'
- Page 109, Col. 5, against S.No. 26, line 13, for 'tendere' read 'tenderer'
- Page 124, Col. 5, line 23, insert 'has been' after the word 'recommendation'
- Page 136, Col. 4, line 20, for 'lat r' read 'later'
- Page 145, Col. 4, against S.No. 34, line 2, for 'direc to' read 'directly'
line 5, for 'Departmentslly' read 'Departments of'

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†Other Appendices referred to in the body of the Report are being printed separately as Volume II.

PUBLIC ACCOUNTS COMMITTEE 1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
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21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959, [*Vice* Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister] and was appointed as the Chairman of the Committee on the 12th September, 1959.

INTRODUCTION

1. The Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-first Report on the Appropriation Accounts (Railways), 1957-58 and Audit Report (Railways), 1959.

2. The Appropriation Accounts (Railways), 1957-58 together with Audit Report thereon were laid on the Table of the Lok Sabha on the 8th May, 1959. The Committee examined these Accounts etc., at their sittings held from the 20th to 24th July, 1959.

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

4. The Committee appointed a sub-Committee to investigate into the case referred to in para 14 of the Audit Report (Railways), 1959—Loss due to short supply of Cast Iron Sleepers ordered on indigenous Sleeper Manufacturers against 1955-56 Programme. The Report of the sub-Committee, which has been approved by the Committee, has been embodied in the Report as Part III.

5. The Committee considered and approved this Report on the 8th December 1959.

6. The Public Accounts Committee (1958-59) had commented in their Fifteenth Report on cases of regrettable delays on the part of the Railway Administration which resulted in considerable loss of revenue and wasteful expenditure. This year also the Committee came across similar cases. In one case tenders for certain items of stores, to be purchased from abroad, were opened on 6th March, 1957. It was known to the Ministry that a price increase of 10 per cent. would have to be paid in respect of certain items after 31st May, 1957 and yet they did not finalise their orders till 21st October, 1957. This resulted in extra expenditure of Rs. 1.76 lakhs. In another case Government orders reducing the minimum wages payable to certain categories of casual labour issued in December, 1954, reached the appropriate quarters, through usual channel, in June, 1956, after eighteen months. The Committee deplored these cases of delays for which they could get no convincing explanation.

7. The Committee also observed cases of inordinate delays and lapses on the part of supply organisations under the Ministry of Works, Housing and Supply. They would like to be informed of the

steps taken by the Ministry of Works, Housing and Supply to reform the procedure for purchase of stores and the processing of indents in the light of suggestions made by the Committee from time to time.

8. The Committee have on previous occasions emphasised that disciplinary action in order to be effective should be very prompt. A case came to the notice of the Committee where the report of a Departmental Enquiry Committee submitted to the Railway Board in April, 1957 remained under consideration for more than two years and thereafter it was returned to the Railway Administration in June, 1959 for review. The Committee were surprised at the halting manner in which the Railway Board were dealing with disciplinary cases.

9. The Public Accounts Committee also considered the question whether the Indian Railway Conference Association, which was founded in 1905, when the majority of the railways were owned or managed by private companies, should be continued in the present set-up. The Committee examined broadly the working of this organisation. Their comments have been embodied in Chapter V of this Report.

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

UPENDRANATH BARMAN,
Chairman,
Public Accounts Committee.

NEW DELHI—1.
The 8th December, 1959.

Agrahayana 17, 1881 (Saka).

CHAPTER I

General Review of the Financial Working of Railways during 1957-58

During the year 1957-58, the eighth Zonal Railway, namely the North-East Frontier Railway was formed as a result of bifurcation of the North-Eastern Railway. (Although the new Zonal Railway started functioning from 15th January, 1958, it was decided that the new N.E. and N.E.F. Railways should be considered as one unit for the purpose of accounts during the period 15th January to 31st March, 1958.)

Financial Results

2. *Receipts*.—During the year under review, the gross traffic receipts amounted to Rs. 3,79·78 crores against the budget estimate of Rs. 3,77·90 crores. There was thus an increase of Rs. 1·88 crores.

Working Expenses.—The ordinary working expenses excluding appropriation to Depreciation Reserve Fund and payments to worked lines, amounted to Rs. 3,06·22 crores and exceeded the budget of Rs. 2,84·46 crores by Rs. 21·76 crores.

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

Development Fund.—A sum of Rs. 13·38 crores representing the surplus at the end of the year was allocated to the Development Fund.

Operating Ratio.—The operating ratio for the year 1957-58 was 81·21 as against 79·90 for the previous year.

CHAPTER II

Budgeting and Control over Expenditure

Savings over Voted Grants and unnecessary Supplementary Grants

3. There were savings in 9 out of the 19 Grants during 1957-58 as against 14 during 1956-57. The total amount of these 9 Grants (Final) was Rs. 147 crores and the total amount of savings was Rs. 27 crores, the percentage of savings being 18.50. The following table shows the net savings (separately under Revenue and Capital) during 1957-58 as compared with the previous year 1956-57:—

(In lakhs of Rupees)

Year	Total Grant and Appropriation	Saving or Excess	Percentage of Col. 3 to Col. 2
<i>Expenditure met from Revenue</i>			
1956-57	3,95,30	-8,26	2.09
1957-58	4,36,30	-14,26	3.27
<i>Expenditure met from Capital, Depreciation Reserve Fund and Development Fund</i>			
1956-57	4,27,41	-26,43	6.18
1957-58	5,13,62	+ 4,07	.79

The above figures indicate that in 1957-58 while in the case of expenditure met from Capital, Depreciation Reserve Fund etc., the Railways incurred expenditure in excess of what was granted by Parliament, in the case of revenue expenditure the percentage of savings had increased from 2.09 to 3.27. The percentage of savings under individual Grants ranged from .04 to 56.60. The largest saving of 56.60 per cent. was in Grant No. 20-Revenue-Appropriation to Development Fund; this was due to a reduction of the surplus which in turn was due to excesses under working expenses without corresponding increase in earnings.

The Committee observe that control over expenditure during the year under review in so far as it was to be directed to the prevention or limitation of excesses over grants and appropriations was less effective than in the previous year.

4. While commenting upon the savings disclosed in the Railway Accounts for the years 1955-56 and 1956-57, the Public Accounts Committee in para 4 of their 15th Report had expressed surprise as to how

despite the maintenance of 'Liability Registers', the Ministry of Railways were not in a position to assess their total requirements of funds accurately. In a Memo. submitted to the Committee pursuant to action taken on this recommendation of the Committee, it was *inter alia* pointed out that "at the instance of Audit, instructions to Railway Administrations were issued in October, 1958, reiterating the importance of maintaining Liability Registers both on the works and the revenue sides". In the course of their examination of the representatives of the Ministry of Railways (Railway Board), the Committee were informed that in a number of cases where expenditure had been incurred in excess of the Voted Grants, the Liability Registers had not been maintained by the Accounts staff concerned properly. The Committee were surprised at this. *In their opinion, mere issue of instructions will have no meaning unless disregard of instructions is dealt with suitably.*

5. The Committee took special note of Grants Nos. 14 (Open Line Works—Revenue—other than Labour Welfare) and 18 (Open Line Works—Development Fund) under which savings to the extent of Rs. 1.70 crores and Rs. 6.68 crores respectively, had occurred. Savings had occurred in these two Grants during the last three years. In extenuation, it was urged that the savings under these Grants were due to less expenditure owing to slow progress of works as a result of non-availability of materials to the extent required, delay in finalisation of schemes, sanction of plans and expenditure on certain works being transferred to other Grants owing to change of allocation. The items included in these Grants (Nos. 14 and 18) covered a wide range such as providing/improving goods facilities, crossing facilities, inter-locking arrangements etc. for which a number of categories of materials were to be obtained. It has been explained that while every effort was made to prepare the estimates as accurately as possible, the receipt of stores did not materialise as anticipated. The main items of stores covered by Grant No. 14, which were affected in this manner were signal, tele-communication and inter-locking equipments. A portion thereof related to certain imported items, the purchase of which had to be deferred due to foreign exchange difficulty. On the general question of procurement of stores, the Committee were told that the recommendations made by them in para. 5 of the 15th Report (*viz.*, submission of regular reports and returns by the Purchase Organisations abroad) would facilitate accurate budgeting. It was also suggested that a similar procedure might be introduced in respect of stores procured indigenously by the D.G.S.&D. *The Committee desire that the feasibility of implementing this suggestion might be examined by the Ministry of Works, Housing and Supply as early as possible.*

6. As regards budgeting lapses due to delays in finalisation of schemes, allotting funds prematurely in advance of preparation of plans and estimates etc., the Committee would invite attention to their recommendations contained in the Eighth Report (Second Lok Sabha) and suggest that the Ministry of Railways should also follow suit and include in the Budget Estimates to be presented to Parliament only such of the schemes which are finally approved and are ready for execution. *In respect of schemes and projects which have not been finalised at the time of framing the budget estimates of a year but are likely to be approved and taken in hand during that year, the Ministry of Railways may obtain the approval of Parliament by means of a token grant and later on, when the details are worked out, ask for a Supplementary Grant for executing the work. Such a procedure would, in the opinion of the Committee, reduce over-budgeting on the Railways to a great extent.*

7. *Excesses over Voted Grants and Charged Appropriations.*—In the year under Report, there were excesses in 9 Voted Grants as against 5 during 1956-57, as shown in the statement sub-joined in Table I below:—

TABLE I

(i) Excess over Voted Grants as shown in *Summary of the Audit report, 1959* as well as excesses after taking into account misclassifications.

No. and name of the grant	Original grant	Supplementary grant	Final grant	Expenditure	Excess	Real excess after taking into account misclassifications	Percentage of excess to 4 ¹ (Cols. 6 to 4)	Percentage of real excess (Cols. 7 to 4)
1	2	3	4	5	6	7	8	9
4-Revenue—Working Expenses—Administration.	30,71,16,000	1,03,91,000	31,75,07,000	32,21,61,785	46,54,785	44,66,228	1.47	1.41
5-Revenue—Working Expenses—Repairs and Maintenance	93,91,68,000	6,75,28,000	1,00,67,25,000	1,04,57,18,255	3,89,92,255	3,67,54,149	3.87	3.65
7-Revenue—Working Expense—Operation (Fuel)	50,76,00,000	3,09,61,000	53,85,67,000	54,34,89,538	49,22,538	56,04,858	0.91	1.04
8-Revenue—Working Expenses—Operation other than staff and fuel	16,84,36,000	1,19,82,000	18,04,18,000	19,37,71,340	1,33,53,340	1,13,29,285	7.40	7.94
9-Revenue—Working Expenses—Miscellaneous Expenses	24,99,60,000	2,12,55,000	27,12,15,000	27,36,15,827	24,00,827	15,88,214	0.89	0.59
12-Revenue—Dividend payable to General Revenues	43,78,73,000	45,46,000	44,24,19,000	44,32,93,370	15,74,370	15,71,370	0.36	0.36
15-Construction of New Lines	18,13,23,000	2,20,43,000	20,33,66,000	20,45,55,205	11,89,205	15,55,279	0.58	0.76
16-Open Line Works—Additions	3,71,72,16,000	19,60,37,000	3,82,32,53,000	3,87,41,43,813	5,08,90,813	5,09,15,374	1.33	1.33
17-Open Line Works—Replacements	63,96,35,000	14,62,04,000	78,58,39,000	84,12,02,131	5,53,63,131	5,66,95,048	7.05	7.21

NOTE :—Detailed statements showing how the figures of real excesses after taking into account misclassifications have been arrived at under various Grants are at Annexures to Appendix III.

TABLE II

Excesses over charged appropriations.—During the period under report, excesses occurred in the following three cases as compared to two in the previous year which require regularisation:—

(Figures in units)

No. and name of the grant	Original appropriation	Supplementary appropriation	Final appropriation.	Expenditure	Excess	Percentage of excess
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	
6—Revenue—Working Expenses Operating Staff	54,962	54,962	100
15—Construction of New Lines	45,002	45,002	100
16—Open Line Works—Additions		5,000	5,000	10,801	5,801	116.02

The detailed reasons for the excesses under each Grant/Appropriation have been set forth in the notes (Appendix III) submitted to the Committee by the Ministry of Railways (Railway Board). It has been stated in the explanatory note that according to the principle enunciated by the Public Accounts Committee in their Ninth Report (Second Lok Sabha), *viz.*, the Committee might take into account at the time of recommending the regularisation of excesses such of the misclassifications in the accounts which either attract or avoid the necessity of regularisation of the expenditure by Parliament, the amounts requiring the vote of Parliament should be amended as indicated in Col. 7 of the statement given in Table I above.

8. The Committee considered the memoranda furnished by the Ministry of Railways (Railway Board) giving the reasons for the above excesses. The excesses in Grant Nos. 7, 9, 12 and 15 were quite small, being below 1 per cent., while the excesses in Grants Nos. 4 and 16 also were only 1.47 per cent. and 1.33 per cent. respectively. The only significant excesses were in Grants Nos. 5, 8 and 17.

In the case of Grant No. 5 (Revenue—Working Expenses—Repairs and Maintenance), the excess of about Rs. 3.90 crores was about 3.9 per cent. over the final grant of Rs. 100.67 crores. Of this, it was admitted by the Railway Board that excess of about Rs. 86½ lakhs related to items in respect of which closer estimation was possible. In extenuation, the Railway Board urged that there were practical

difficulties in making accurate forecasts of expenditure under this Grant even during the closing months of the year. With the large increase in the size of the Railway assets as a result of successive Plans, forecast of expenditure on repairs and maintenance had become more difficult. It was admitted that the situation called for fresh and improved methods of estimating and control of expenditure and the Railway Board hoped that the remedial measures already taken by them at the instance of the Committee (c.f. paras 5-6 of the 9th Report—Second Lok Sabha) would result in improvement in controlling this Grant in future years.

From the note (Appendix IV) furnished in this connection the Committee, however, observe that not only is there no ascertainable basis on which provision for maintenance and repairs of residential buildings is made in the budget, but also each Railway Administration spends on maintenance of such buildings without regard to the availability of funds. The Committee understand that the actual expenditure on the maintenance of railway residential buildings far exceeds that permissible on the Civil or the Defence side. The Committee have been informed that a proposal to introduce a uniform procedure for providing funds for repairs and maintenance of residential buildings of railways with reference to capital cost etc. and fixation of suitable ceilings in this respect on lines similar to the system obtaining in the Central P.W.D. and M.E.S. is under the examination of the Railway Board. *The Committee would urge that an early decision should be taken on this question as the introduction of such a procedure will not only help the Railway Administrations to frame their budget estimates on a more realistic basis but also ensure uniform and economic standards of maintenance of buildings.*

9. As regards excesses over "charged" appropriations under Grants Nos. 6 and 15, it was explained that the excesses were due to certain expenditure on account of payments decreed by courts, provision for which was made under voted grants. *The Committee regret to observe that the Railway Administrations had overlooked the statutory provisions in Article 112 of the Constitution under which such payments are treated as 'Charged'.*

10. *Subject to the above observations, the Committee recommend that the excesses referred to in para 7 above may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.*

CHAPTER III

Losses, Nugatory Expenditure, Financial Irregularities and Other Topics of Interest

Avoidable expenditure on sea freight—para 15 of Audit Report

11. The D.G.I.S.D. entered into a contract with a continental firm for the supply of 2050 'O' type railway wagons. The firm was called upon to furnish its packing specification which it sent on 21st March, 1956. The shipping arrangements were finalised soon thereafter. Subsequently it was noticed that the packing specification of this firm covered more shipping space than that under the methods adopted by the two other firms—one British and the other Austrian—which were also supplying similar wagons. On the 5th July, 1956, i.e. about four months later, the firm was advised to follow the shipping specification adopted by the Austrian firm to which it readily agreed. By this time, however, 400 wagons had already been packed which resulted in an extra freight charge of £9,200. The packing specification of the British firm was even more economical from the point of view of freight; but the Railway Adviser in London attached to the India Store Department was not sure whether the economy in freight by the change in packing specification would not be offset by the extra cost involved in re-erecting the wagons in India. He, therefore, wrote to the Inspecting Officer, Vienna on 14th December, 1955 and endorsed a copy to the Railway Board seeking their advice in the matter. On 5th July, 1956, he sent a reminder to the Railway Board and asked for instructions. The Railway Board informed the India Store Department on the 24th August, 1956 that the cost of erection of wagons in India would remain the same irrespective of the method of packing and that the most economic shipping specification should, therefore, be adopted for all future consignments. No action was, however, taken in this matter by the D.G.I.S.D. as the communication was not traceable in his office. Had the directive of the Railway Board been implemented even at that stage (August, 1956) there would have been a saving of at least £8,800 on the freight of 800 wagons shipped thereafter.

12. In evidence, the Committee were informed that the packing specifications received from the firm on the 21st March, 1956 and the quotations received from the shipping agents on 21st April, 1956

were referred to the Railway Adviser by the D.G.I.S.D. for technical acceptance on the 4th May, but the file reached him only on the 26th June. The Committee wanted to know the reasons for this delay of seven weeks. The Ministry of W.H. & S. have furnished a note to the Committee (Appendix V) according to which the packing specifications were referred to the Railway Adviser on the 4th May by the D.G.I.S.D. Although there is no record of the Railway Adviser having seen the file on that date or immediately thereafter, further minutes recorded on the file indicated that the shipping specifications had been under consideration by the Railway Adviser all the time till he recorded his decision on the 5th July, 1956, suggesting the adoption of the Austrian specification for the first 750 wagons pending instructions from the Railway Board. The Committee find from one of the minutes (extracts furnished to them) that in respect of supply of C. R. type wagons, the more economical system of packing (from the point of view of freight) was decided to be adopted at a discussion in May at which the Railway Adviser was also present. If so, the Committee do not understand why a similar decision could not have been taken in respect of 'O' type wagons also. *In their opinion, a thorough enquiry is called for in this case with a view to fixing the responsibility for the delay and consequent loss.*

The Mechanical Engineer, Vishakhapatnam (who was in charge of re-erection of wagons in India) had written to the Railway Board on the 18th July, 1956 that it would be economical to get all the wagons packed according to the British specification as the charges payable for their erection in India would be the same. A copy of this letter was also endorsed by the Mechanical Engineer to the D.G., I.S.D., London; but the latter took no action on it. The letter was not even brought to the notice of the Railway Adviser by the D.G., I.S.D. It was urged in extenuation that the letter of the Mechanical Engineer was considered to be only a recommendation to the Railway Board. It was also contended that the recommendation of the Mechanical Engineer, Vishakhapatnam "was another view opposed to that of the Railway Adviser about the relative charges of the re-assembly of wagons in India." The Committee deplore the manner in which the Ministry of W.H. & S. chose to defend an obvious lapse on the part of the Mission. It was clear from the letter of 14th December, 1955 from the Railway Adviser that he wanted to ascertain the overall costs of re-erection of wagons in India with a view to deciding the manner of their packing which would be the cheapest from the point of sea freight. The letter from the Mechanical Engineer answered precisely the doubts of the Railway Adviser.

In the opinion of the Committee there was a serious omission on the part of the D.G., I.S.D. in not taking action on this letter. This requires investigation by the Ministry.

Further no action was taken on the letter dated the 24th August, 1956, from the Railway Board to the D.G., I.S.D. In extenuation the Secretary to the Ministry of Works, Housing and Supply stated that although the letter in question was entered in the Central Registry of the D.G., I.S.D., London, and marked to the Inspection Branch, it did not appear to have reached that Branch. Since the system of diarising letters and files sent to various Branches had been abolished in 1953 no responsibility could be fixed in the matter. *The Committee regret to observe that the case indicates defective working of the organisation of the D.G., I.S.D., London and needs to be looked into.*

13. The Committee consider that the Railway Board cannot escape their share of the responsibility for the loss. It was urged* that the Railway Board did not take action on the letter of the Railway Adviser of 14th December, 1955, as a copy thereof was sent to them for information only. The Committee deplore the way in which the Railway Board explained the inaction on their part. A perusal of the letter would, in the Committee's view, have clearly indicated the nature of the action required and by whom it should be taken.

Also the reminder of the 5th July, 1956, from the Railway Adviser was not dealt with by the Railway Board expeditiously. The letter was received in the Ministry on 21st July, 1956. It was examined in various Directorates and the final decision was communicated to the D.G., I.S.D. one month later on 24th August, 1956. *The Committee regret to observe that the urgency of the matter and the consequence of delay entailing financial loss were not appreciated by those who dealt with the case in the Railway Board.*

The Committee are informed that the order for the erection of these wagons at a flat rate irrespective of the degree of assembly of the component parts was placed by the Railway Board as early as July, 1955. That being so, the Committee would like to point out that the concerned officer in the Railway Board could himself have cleared the doubt raised by the Railway Adviser in his letter of 14th December, 1955. *The Committee desire that the Railway Board should investigate why this was not done.*

*See Appendix VI.

Extra expenditure in the purchase of locomotive component parts and assemblies—para 16 of Audit Report.

14. In November, 1956, tenders covering 59 items were invited for the purchase of certain locomotive component parts and assemblies by the Ministry of Railways from established manufacturers abroad. The tenders were opened on the 6th March, 1957, and the offers were open for a period of 90 days from 16th February, 1957, the last date for the receipt of tenders. As the orders to be placed could not be finalised within the above validity period of the offer, the firms were requested to keep their offers open upto 30th June, 1957. All the firms except a British Firm whose quotations were lowest for 7 items technically acceptable agreed to do so. The British Firm informed the Railway Board in its letter dated the 11th May, 1957, received by the Board on the 14th May, 1957 that the offer would not be kept open beyond the 31st May, 1957. Subsequently, however, in its letter of the 16th May, 1957 the firm agreed to extend the validity period of its offer subject to a price increase of 10% after the 31st May, 1957. The technical report for all the quotations was received from the Central Standards Office on the 27th April, 1957 and the Ministry of Finance was approached on 14th May, 1957 for the first time to release the necessary foreign exchange of £3,94,038 which was required for the purchase of these items. On the 21st May, 1957, the Ministry of Finance suggested that the number of items to be purchased should be curtailed, if possible, in view of the acute foreign exchange position. The requirements were, therefore, reviewed by the Ministry of Railways within a couple of days and a revised list for 2 items (as against 59 items for which tenders were received) involving £ 3,43,000 in foreign exchange was furnished to the Ministry of Finance on the 23rd May, 1957. The sanction from the Ministry of Finance for the foreign exchange was received on 28th June, 1957. The tender Committee met on the 9th October, 1957, and the decision to place orders on the firms (including the 7 items on the British firm) was taken by the Railway Board on the 21st October, 1957. The order on the British firm was placed on the 26th October, 1957. As the order on the British firm was not placed before the last date of the validity of the offer (31st May, 1957) the price accepted was 10% more than the price quoted in the tender, which resulted in an extra expenditure to the extent of Rs. 1.76 lakhs.

15. What struck the Committee in this case was the routine manner in which it had been dealt with by the Railway Board at all stages. The explanation furnished by the Railway Board (Appendix VII) in regard to the time taken in preparing a note to the Ministry of Finance for the release of foreign exchange is hardly convincing. In the opinion of the Committee all the necessary information should

have been collected by the Ministry of Railways much before calling for tenders for the stores.

16. It was known to the Railway Board on the 14th May, 1957 that the British offer for 7 items valued at £ 146,677 (more than a third of the total value of the stores to be imported) would not be kept open beyond the 31st May, 1957, and on the 17th May, they knew of the price increase to be charged after 31st May, 1957. It passes the comprehension of the Committee why the Railway Board did not press the Ministry of Finance for the immediate release of foreign exchange required at least for these 7 items. Failure on the part of the Railway Board to do so had led to an extra expenditure of £13,201 or Rs. 1.76 lakhs. The Committee would urge that the responsibility for the failure to take appropriate action on the British firm's letter of the 11th and 16th May, 1957 should be fixed.

17. The Committee are also not satisfied with the procedure followed by the Railway Board in indenting for foreign stores as has been revealed by this case. On a suggestion from the Ministry of Finance, the Railway Board within two days revised the list of items from 59 to 42 involving a reduction of expenditure of about £51,000. It was explained that the prospects of indigenous production of some of the components were constantly under review which enabled the Railway Board to revise the list. It was also admitted in the course of examination that further reduction in the foreign exchange requirements was possible because of certain items worth £52,000 for which there was no acceptable tender. The Committee are unable to understand why the Ministry of Finance was approached for the release of foreign exchange when there was no acceptable tender for items worth £52,000. In their opinion, had the original needs been assessed on the basis of actual needs and the available tenders therefor, much of the delay (of more than 4 months) in the case could have been avoided. *The Committee, therefore, feel that before inviting tenders for stores from abroad the preliminaries for allocation of foreign exchange and the assessment of indigenous capacity should be settled in advance. They trust that both the Railway Board and the Ministry of Finance will examine the question of streamlining the procedure so as to obviate the kind of loss which has occurred in this case.*

South-Eastern Railway—Erection of imported wagons—Para 17 of Audit Report.

18. An order was placed with a firm for the erection of 8446 wagons which were being imported from abroad, in a semi-knocked down con-

dition. The firm agreed to deliver a minimum of 750 wagons a month in fully-erected-condition ready for service provided the wagon components and materials were offered in required numbers. The firm started receiving wagon components and other materials from October, 1955 onwards, and erection work commenced towards the end of April, 1956. At the agreed monthly average rate of 750 wagons the work should have been completed by March, 1957. However, only 4822 wagons were completed upto March, 1957, 2238 from April 1957 to March, 1958 and 1386 wagons were still to be erected. For each month of delay, the Railway Administration incurred an extra expenditure of Rs. 6,393 on the cost of establishment engaged for supervision apart from the loss of revenue which would have been derived from the wagons had they been put into service earlier. Although the work started in April, 1956, the formal agreement with the firm was executed only on the 11th June, 1958.

19. In the course of evidence the Committee were informed that the delay in executing formal agreement was due to the attempts made by the firm to evade the issue owing to certain labour troubles and other factors. The contract had since been finalised and signed by the firm with retrospective effect. It was also stated that although no security deposit was obtained from the firm in the first instance, a sum of Rs. 3.5 lakhs had been held back from its "on account" payment bills. The question of claiming liquidated damages from the firm according to the terms of the contract was also under consideration. *The Committee trust that the Railway Board will pursue the question of claiming liquidated damages from the firm and arrive at a final settlement at an early date.*

Purchase of Railway Stores at higher cost for reasons of early delivery
—Para 18 of Audit Report.

20. Tenders were invited in February, 1955 by the Director General, India Store Department, London, for the supply of certain machined and unmachined bar frames which were required to be delivered to the Chittaranjan Locomotive Works at the rate of 7 to 8 sets per month commencing from August, 1955. It was notified that punctual delivery was the essence of the contract. The lowest offers for the machined frames were from two U.K. firms, both under the same management, for the supply of 55 sets and 15 sets respectively, at a price of £1100 per set, the deliveries commencing in one case from June 1955 and in the other from August, 1955. Acceptance of the two offers was communicated to the firms on the 23rd March, 1955. On the 30th March, 1955, the firms wrote back that they would not be able to comply with the terms

previously offered and that instead of June 1955 one of the firms would start supplying the sets from September, 1955. The revised terms were referred to the Chittaranjan Locomotive Works, the indentors, who desired that the firms might be asked to guarantee the deliveries. The firms, however, could not offer this guarantee and the order for 55 sets placed on one of the U.K. firms was cancelled. (The order on the other U.K. firm for 15 sets was not cancelled). The Director General, India Store Department then started negotiations with a German firm who guaranteed to supply 55 sets before 31st March, 1956 at the rate of 7 to 8 sets per month commencing from August 1955. The firm also agreed to reduce the price from £1200 to £1150 per set. This offer was accepted. Actually, however, the German firm delivered only 36 sets by the 31st March, 1956 and supplied the remaining by August, 1956. According to Audit, although a higher price as compared to the lower rate of the U.K. firm was allowed to the German firm solely in consideration of early delivery, the usual 'price preference clause' was not incorporated in the contract. Thus it was not possible to recover from the firm the difference between the contract amount and the lower offer. It was also not possible to recover any liquidated damages from the firm in view of the certificate recorded by the Chittaranjan Locomotive Works, the indentor, that it suffered no losses owing to the delay in the supply of the bar frames.

21. In the course of evidence the Committee were informed by the Secretary to the Ministry of Works, Housing and Supply that the contract entered into with the German firm was a negotiated contract not related to its earlier offer and since there was no other party (after the cancellation of the contract on the U.K. firm), the question of inclusion of a price preference clause in the contract did not arise. As regards the performance of the German firm, the Committee were informed that the firm had represented that the work was held up for some time owing to certain reasons beyond its control viz., strike in its establishment, very severe winter conditions during the year which had affected the production of several other firms also. These explanations were considered by the Ministry of Works, Housing and Supply in consultation with the Ministries of Finance and Law and it was felt that due to the *force majeure* clause in the contract no damages could be claimed from the firm.

22. *The Committee feel that the India Store Department did not sufficiently safeguard the interests of Government in putting through this deal.* The German firm was aware that punctual delivery was the essence of the contract and it guaranteed the

supplies accordingly. The Director General should have incorporated the usual price preference clause in the contract with this firm. The plea put forth before the Committee is not convincing as, according to Audit, there was nothing on record to show whether this aspect was considered by the India Store Department before finalising the contract. *Although it is stated that the Chittaranjan Locomotive Works did not suffer any losses on account of the delayed supply of stores, this cannot in any way justify the earlier omission to include the clause in the contract.*

North-East Frontier Railway—Avoidable payment to a contractor through arbitration—Para 19 of Audit Report.

23. In November 1953, a contract for the manufacture and supply of quarry products for the period November, 1953 to October, 1954 was let out to a contractor. It was stipulated in the contract (i) that the explosives required by the contractor for blasting would be supplied by the Railway and charged for; (ii) that any failure or delay by the Administration in giving material etc., would not entitle the contractor to damages or compensation; and (iii) that the Administration might at their discretion require the contractor to suspend any part of the work.

In April 1954, the contractor demanded additional payment, on the ground that he had to remove heavy overburden for opening new faces to complete the supply and that he had sustained heavy losses owing to delay of about 3½ months in the supply of explosives. The description of work in the previous years' contracts was—

'Manufacturing and supplying pitching stone each weighing 80 lbs. to 120 lbs. with all leads and lifts and descents including clearing of jungles, earth of thickness etc.'

The particular item in the contract under reference only mentioned 'Manufacture and supply of pitching stone etc.' without any specific provision for other ancillary works. While the Railway Administration was of the opinion that the removal of overburden and jungle clearance formed an integral part of the work of supply of quarry products, the contractor argued that the omission of the words relating to the removal of the over-burden etc., in the schedule contrary to the past practice gave him the impression that the work would either be paid for separately or got done by the Administration through some other agency. The Railway Administration also contended that the contractor did not maintain sufficient number of labourers and his claim on account of idle labour was not justified. In fact in October,

1954 the contractor expressed his inability to carry on the work for want of labour force and the quarry was handed over to the State Government of Assam. The case was referred to arbitration at the request of the contractor and the arbitrator gave an award of Rs. 60,000|- in favour of the contractor without specifying reasons upon which it was based.

24. In evidence, the representative of the Ministry of Railways explained how the change in the wording of the contract occurred. With the merger of the ex-Assam Railway with the O.T. Railway and the formation of the new N.E. Railway, the form of agreement prevalent on the O.T. Railway was adopted by the new Railway Administration. *The Committee regret to observe that the insufficient description of the work in the agreement had led to the loss in this case. The fact that in the previous years' contracts removal of over-burden etc. was specifically mentioned and the description of the work was very explicit, should have put the Railway Administration on guard. The Administration should have either taken legal advice or explained the position in writing to the contractor before incorporating the condensed form in the contract.*

25. *The Committee also doubt whether the Government's case was properly placed before the arbitrator. In the face of a definite stipulation in the contract that 'any failure or delay by the Administration in giving any necessary material etc., would not entitle the contractor to damages or compensation', it is surprising how the contractor could prefer a claim for wages of idle labour. The Committee understand that the procedure for referring cases to arbitration is under the consideration of the Ministry of Works, Housing and Supply. They will await the final decision of Government in this regard.*

*Western Railway—Avoidable expenditure on acquisition of land—
Para 20 of Audit Report.*

26. 575.48 acres of land were acquired by the ex-Gaekwar Baroda State Railway between April and June 1949, and possession of the land was taken before awards had been made without strictly following the provisions of the Land Acquisition Act. The land was required for the construction of lines from Bhaili to Bhardran and Sojitra to Dholka as a famine relief measure. On the merger of the State Railway with the ex-B.B. & C.I. Railway, the necessity of the project was reviewed and the Ministry of Railways decided in July 1949 that no further work be undertaken. The question whether the land should be utilised for construction of Railway line or a roadway by the Bombay Government remained under correspondence from October, 1949 to February, 1953 and in the absence of any decision, the Railways

asked the State Government to notify the surrender of the land. The State Government, however, stated that as the possession of the land had already been taken, land acquisition proceedings could not be abandoned but the return of the land could be negotiated with the land-owners.

At the time of the merger the ex-Baroda State Government had made over to the Central Government a sum of Rs. 112.7 lakhs in the form of a Reserve Fund to be utilised *inter alia* for capital improvements, extensions and developments exclusively of the Baroda Railway system. Since there was a possibility in terms of the undertaking in regard to this Fund that the construction of these lines might be resumed, the Railway Administration did not surrender the land. A further investigation of the traffic prospects was ordered in 1954 for deciding the disposal or otherwise of the land. It was finally decided in July, 1958 on the basis of the traffic survey report that the construction of the line was not justified. A joint survey by the Railway Administration and the Bombay State Government with a view to finding out the most practicable course for the relinquishment of the land was also undertaken, the result of which was still awaited.

27. In the course of evidence it was admitted that there had been delays at various stages in arriving at a final decision but these delays were due to the persistent efforts made by the Government to explore the possibilities of providing some sort of a line of communication—either a railway line or roadway in keeping with the wishes of the local people. The Ministry of Railways made an all out effort during the period 1949—52 to persuade the Bombay Government for the construction of a road on the land which had already been acquired and over which a sum of Rs. 69,343 had already been spent on earth work, etc.

28. *The Committee were not satisfied with this explanation. They felt that construction of roads was not a function of the Railway Administration and there was no justification for its retaining possession of the land when the Railway Board had already decided as early as July 1949, that the construction of railway line was not to be undertaken.* The proper course for the Railway Administration was to surrender the land immediately leaving it to the discretion of the State Government either to retain it for construction of any road or return it to the land-owners. Had this been done, the extra-expenditure which the Railway Administration had to incur on account of payment of compensation to the land-owners and interest charges on the cost of the land could have been avoided.

29. The Committee also do not understand why another survey was ordered by the Railway Board in 1954 when it was beyond doubt that

the construction of the railway line in that region would not be profitable. The explanation given by the representatives of the Railway Board in evidence that the traffic survey was ordered in 1954 in view of the advice given by the Ministry of States that the Reserve Fund given by the ex-Baroda State should, as far as possible, be spent on this project was not convincing.

The Committee also feel that the Railway Administration took an unduly long period (four years) in completing the traffic survey which was ordered by the Railway Board in 1954, for which there was no justification. Such lapses on the part of commercial undertakings like Railways are deplorable. The Committee recommend that the Railway Board will be well-advised to investigate the reasons for the delay in the completion of the traffic surveys.

*Western Railway—Premature construction of a locomotive shed—
Para 21 of Audit Report.*

30. A diesel locomotive shed was constructed at Radhanpur during 1955 and equipped with storage tanks, etc. at a total cost of Rs. 3,37,255/-. This shed was constructed on the basis that out of the 45 diesel locomotives which would be imported to meet the traffic requirements of the Palanpur-Gandhidham Section, 40 would be housed in the shed at Gandhidham and the remainder would be housed at Radhanpur. Actually, however, only 20 locomotives were imported. It was pointed out in the Audit Report that the Ministry of Railways had advised the Railway Administration in October 1952 that only 20 diesel locomotives would be ordered in the first instance and until these locomotives had been tested in service it was not likely that any more diesels would be ordered. In December, 1954, the Ministry of Railways re-affirmed this decision. Notwithstanding these advices the construction of the Radhanpur shed was commenced in 1955. Although some of the equipment and storage tanks had since been transferred to other sheds, the shed remained unutilised so far.

31. In the course of evidence the representative of the Ministry of Railways explained that the decision to construct the shed was taken by the General Manager of the Railway in 1954. Although the Railway Board had informed the Railway Administration of their decision to import only 20 locomotives in the first instance, it was not the intention to stop the purchase of more locomotives as the Railways required these engines in greater numbers. But owing to the difficult foreign exchange position, they could not do so. It was, however, admitted that there was an error of judgement on the part of the General Manager in this case. In the Committee's view it was not only an

error of judgement on the part of the General Manager but a case of complete lack of foresight and planning. It was known to the Railway Administration that there were no prospects of getting more diesel locomotives earlier than 1957. The construction of the shed at Radhanpur was premature especially when the facilities at Gandhidham already existed to handle 40 diesel locomotives (double the no. of locomotives ordered for). It could have been taken up after a decision to place orders for more diesel locomotives were actually taken. *The Committee would like to be informed of the total value of material and equipment which had been rendered surplus from the shed at Radhanpur and also whether these have been utilised elsewhere.*

Avoidable expenditure on Railway freight—Para 22 of the Audit Report.

32. On the basis of quotation accepted by the Indian Railways Purchase Mission sent abroad in May, 1957 the Director General, India Store Department, London entered into a contract with a German firm in August, 1957 for the supply of 4465 tons of Mild Steel Plates for the Railways. According to the information furnished on the 18th September, 1957, by the Deputy Director Railway Stores (Steel), attached to the Office of the Iron and Steel Controller, Calcutta, 322 tons of the material were required at Bombay for issue to manufacturers there. Despite this intimation, the Ministry of Railways cabled to the Director-General, India Store Department on the 30th September, 1957 to ship the entire quantity to Calcutta Port since the Iron and Steel Controller was nominated as the consignee for the material. Later on, the Ministry of Railways with the concurrence of the Ministry of Steel, Mines and Fuel revised their instructions and directed the supplying firm through *an ordinary letter* on 28th October, 1957 to despatch part of the quantity to Bombay instead of Calcutta. The revised instructions reached the supplying firm on the 4th November, 1957 after the shipment had been effected on the same date. Consequently the steel plates had to be re-transported from Calcutta to Bombay resulting in an avoidable expenditure of Rs. 29,571 on railway freight.

33. In evidence, the representative of the Ministry of Railways explained that in the purchase of mild steel plates, the Ministry of Railways had acted simply as agents of the Ministry of Iron and Steel. At a meeting with the officers of the Ministry of Iron and Steel held on the 18th September, 1957 the Iron and Steel Controller, Calcutta was nominated as consignee for these stores and it was decided that the plates should accordingly be despatched to Calcutta. The cable issued by the Ministry of Railways on the 30th September, 1957 to the suppliers was in accordance with this decision. Subsequently, however, they discovered that it

would be cheaper if a certain quantity of these plates could be diverted to Bombay. They obtained the approval of the Iron and Steel Controller and issued revised instructions to the suppliers on the 28th, 29th and 30th October, 1957. While in the case of two other firms involving consignments worth 597 tons the diversion from Calcutta to Bombay was effected, it was not possible in the case of the German firm as the shipment had already been made.

34. The Committee were not satisfied with this explanation. Although the Iron and Steel Controller was nominated as the consignee, the fact that the plates were to be supplied to different wagon-building firms was never in doubt. At the time of sending the cable on 30th September, 1957 for shipping the entire quantity to Calcutta the Railway Board were aware that 332 tons out of this consignment were to be supplied to a firm in Bombay. The extra expenditure of Rs. 29,571 could have been avoided had the Ministry of Railways acted with ordinary prudence. Even if the formal approval of the Ministry of Iron and Steel was necessary, it could have been obtained before issuing the cable on the 30th September, 1957. It was brought to the notice of the Committee by the Comptroller and Auditor-General that although the Iron and Steel Controller had agreed on the 8th October, 1957 to the diversion of the stores to Bombay yet the Railway Ministry issued revised instructions to the suppliers only after 20 days and that too *by means of an ordinary letter*. The Committee were surprised at this. *They deprecate the leisurely manner in which the case was handled at different stages by the Railway Board which had resulted in avoidable expenditure to Government. They desire that the matter should be investigated by the Railway Board and suitable action be taken against the officers at fault.*

Eastern Railway—Extra expenditure on the purchase of Caustic Soda Cells—para 23 of Audit Report

35. An indent for the supply of caustic soda cells was placed by the Controller of Stores, Eastern Railway on the D.G., S. & D. in December, 1954. The supply was required by the 31st July, 1955. Tenders were invited by the D.G., S. & D. in March, 1955 and were opened on the 3rd May, 1955. The offers were open upto the 3rd July, 1955, but purchase proposals were not initiated until the 20th August, 1955. Thereafter, the offers were referred to the indenter who recommended acceptance of the tender for a proprietary brand of stores in preference to the other lower offers. Necessary proprietary article certificate was thereupon called upon from the indenter which was received on the 8th February, 1956. Meanwhile the date of the offers having expired the tenderers demanded increased prices and the purchase had to be made at an extra expenditure of Rs. 14,710.

36. It was admitted by the D.G., S. & D. in evidence that the responsibility for the purchase at extra cost by the Railway administration in this case lay squarely on his Directorate. He explained that the delay in finalising the purchase in this case was mostly because of the efforts made by him to persuade the Railway to accept an alternative brand of stores which was cheaper and economical. The whole case, he added, was being reviewed from the disciplinary aspect for fixing the responsibility for the lapses at various stages in this deal and to award suitable punishments to the delinquents. *The Committee would like to be informed of the final action taken in this case.*

The Committee find that although in this case the indent was placed on the D.G., S. & D. in December, 1954 with the stipulation that the supplies were required by the 31st July, 1955, the purchase was made only in February, 1956. The matter was under correspondence with the Railway and the D.G. S. & D. all the time. *The Committee consider that there is considerable scope for improvement both in placing indents and in processing them, if this case is typical of its kind. If the indenter wants a proprietary brand of stores in preference to other available stores for valid reasons, it should be made clear in the indent in the first instance in unequivocal terms. This will facilitate the further processing of the indent. Due care should be exercised in such cases keeping in view the need for encouraging indigenous manufacture. (In the course of evidence the Committee were informed by the D.G., S. & D. that the Railways had accepted another type of this store manufactured locally. If so, insistence on the proprietary brand did not appear necessary in this case). The D.G. S. & D. should also devise a procedure by which he could watch the processing of indents placed on him against the date of supply of the stores as specified by the indenter.*

*Central Railway—Extra expenditure due to error in the indent—
para 24 of Audit Report—*

37. A store depot on the Central Railway maintained its stock accounts of axle oil in terms of hundredweights, while its annual indents for replenishment of stocks were prepared in terms of gallons. The depot estimated its requirements of heavy and medium axle oil for the period November, 1956 to October 1957 in terms of hundredweights; but while submitting the annual indents to the Controller of Stores it erroneously showed these identical quantities in gallons instead of converting the same from hundredweights to gallons. The error came to light only when the supplies were found to be inadequate to meet the demands. The Controller of Stores, therefore, placed an ad hoc indent on the 18th

January, 1957 on the D.G., S. & D. to cover the shortfall on the previous order and also to meet additional requirements. As these quantities could not be procured in full against the running contracts the oil was purchased at a higher rate resulting in an extra expenditure of Rs. 1,10,787/-.

38. In evidence, the representative of the Ministry of Railways informed the Committee that suitable disciplinary action was being taken against the officials who made the initial mistake as well as the staff of the Controller of Stores for having failed to check the indents properly. *The Committee would like to be informed of the final action taken in this case and the remedial measures adopted to avoid recurrence of such cases.*

Eastern Railway—Deterioration of woollen cloth owing to defective store-keeping—para 25 of Audit Report—

39. Verification of stock in a Stores Depot during 1955-56 revealed that 10,514 yards of woollen cloth had been damaged by moth. In making garments out of the cloth the estimated loss representing the value of extra length required over the standard scale would be Rs. 27,405/-. A departmental Enquiry Committee appointed to enquire into this case submitted its report in April, 1957. The Committee were informed that as the Railway Board were not satisfied with the findings of the Enquiry Committee and the recommendations of the General Manager thereon, the case had been returned to the Railway Administration for review.

40. The Committee are surprised that the Report of the Departmental Enquiry Committee remained under consideration of the Railway Board for more than two years and thereafter it was returned to the Railway Administration in June, 1959 for review. The Committee have on previous occasions emphasized that disciplinary action to be effective has to be prompt. *They trust that the Railway Board will finalise this case early and apprise the Committee of the action taken. The Committee would also like to know the precise reasons for keeping the case pending in the Railway Board's Office for two years.*

Western Railway—Loss due to supply of defective sleepers—para 26 of Audit Report—

41. Orders were placed by the Railway Administration in July and September, 1955, on two contractors for the supply of 80,000 and 60,000 wooden sleepers respectively, of the aggregate value of Rs. 11 lakhs. The sleepers were to be despatched by the contractors after they had been inspected and branded as passed by the Sleeper Passing Officer at the sources of supply. Upto December, 1956 altogether

64,631 sleepers valued at Rs. 5.60 lakhs were received by the various engineering units on the line. Out of these 55,513 sleepers had been put on the line and 9,118 were on hand, when a report was received from the Special Police Establishment that certain irregularities had occurred in the execution of these contracts. An inspection of about 67 per cent stock of sleepers on hand and a number of sleepers put on the track was carried out. The inspection revealed that a number of sleepers was below specification, some sleepers bore marks of rejection while others had no marks at all. The matter was reported to be still under investigation by the Special Police Establishment. Departmental action against officers responsible for passing and accepting defective sleepers was still pending the finalisation of the case by the Special Police Establishment.

42. The Committee wanted to know whether any of the defective sleepers which could render the track unsafe were still on the track. It was explained to them that irrespective of the inspection at the time of receipt, the sleepers were always examined by the Permanent way Inspector before they are put on the track. The Member, Engineering, Railway Board added that it was not unusual that a passed sleeper was sometimes considered unusable because certain defects were either overlooked or occurred subsequently in transit; on the other hand, depending on the stock position, even an unpassed sleeper which could be utilised without any risk was put on the track.

43. *The Committee are concerned at the irregularities revealed in this case. They would like to await a detailed report on this case after the investigation by the Special Police Establishment was over.*

*Eastern Railway—Extra Expenditure on unskilled Casual labour—
para 27 of Audit Report—*

44. In a Gazette notification issued on the 27th December, 1954, the Government of India reduced the minimum rate payable to the casual labour employed on road construction, building operations etc. in Bihar and certain other States from Rs. 1|12 to Rs. 1|8|- per day. The Ministry of Railways endorsed a copy of this notification to the General Manager, Eastern Railway on the 12th May, 1955, and the latter forwarded it to the Divisional Superintendent, Asansol on the 2nd December, 1955, who in turn circulated it for guidance to the various engineering subordinates on the 11th January, 1956. Even after the delay of about 6 months at each stage in the circulation of the above orders, four engineering subordinates continued to make payments at the higher rate of Rs. 1|12|- per day till June, 1956. While one discontinued from July, 1956 three of them continued upto March, 1957, although the payments were questioned

by Audit in June, 1956. Had the rates been revised from the date of the issue of the Gazette notification there would have been an overall saving of Rs. 34,430|.-

45. In evidence, it was argued that the minimum wage notified by Government was not necessarily the wage payable to labour. In certain cases payments had to be made at the prevalent market rates depending on the demand and supply position of labour. The extra expenditure incurred by the Administration should not, therefore, be considered as an overpayment. The Committee were hardly convinced by this argument as *prima facie* Government would have taken into account the prevalent market rate before fixing the minimum wage payable to labour. Not only the orders of Government had not been observed in this case but the objections raised by Audit were also ignored. The proper course would have been to report to the authorities difficulties, if any, experienced in obtaining labour at reduced rates.

46. In extenuation of the 6 months delay at each stage in circulating the Government orders, it was urged before the Committee that the notification was a lengthy one and the Railway Board did not notice in the first instance, that the orders contained certain provisions regarding the minimum wages payable to casual labour in the districts of Bihar. It was only when the notification was referred to the Ministry of Railways by the Ministry of Labour and Employment in April, 1955, necessary action was taken to circulate it to the authorities concerned. The General Manager, Eastern Railway was investigating the reasons for delay so far as the Railway Administration was concerned with a view to fixing the responsibility in the matter. *The Committee would like to be informed of the results of this investigation. They would also suggest that a similar enquiry should be instituted by the Railway Board in regard to the delay in the Railway Board's office in endorsing the Gazette notification to the General Manager.*

The Committee have come across similar cases of delays on the part of the Railway Administrations in the past also resulting in loss of revenue and wasteful expenditure. *The Committee feel that the Railway Board should devise a procedure by which orders of Government are examined and transmitted to the appropriate quarters expeditiously.*

Loss owing to delay in the payment of bills for the supply of electricity—para 28 of Audit Report—

47. The companies supplying electricity to Railways generally allow their customers a cash rebate if their bills are paid within the

specified period, and levy a surcharge of forfeit the rebate if payments are delayed beyond the stipulated period. It has been reported by Audit that the following losses had occurred on 6 Railways during the past five years:

	Rs.	
Central Railway	25,619	(Including a sum of Rs. 20,429 paid under protest for which a refund had been claimed).
Eastern Railway	3,560	
North-Eastern Railway	1,161	
Northern Railway	5,548	
Southern Railway	8,773	
Western Railway	5,653	Total 50,314

It was also reported that the question of fixing responsibility for the losses was under consideration on the Central, Eastern and North-Eastern Railways. While no mention was made about the disciplinary aspect on the Northern and Western Railways, the Southern Railway Administration had decided not to examine the question of responsibility as the formative stages of the Divisional Scheme introduced during this period mostly accounted for the delays.

48. In extenuation, the representative of the Ministry of Railways had reported that due to organisational changes it was not possible to fix individual responsibility for the delays. The Committee were hardly convinced by this. They fail to understand why the Railway Board should be so lenient in pursuing the case. *The Committee would like to be appraised of the remedial measures taken by the Railway Board and Railway Administrations to guard against the payments of electricity bills in future.*

Central Railway—Non-recovery of siding and demurrage charges (ex-Nizam State Railway)—Para 29 of Audit Report—

49. Stations on the ex-Nizam State Railway were required to send periodical statements about detention of wagons in the sidings to the Chief Transportation Superintendent, who in turn forwarded them after verification to the Accounts Office for recovery of the demurrage charges from the Industrial undertakings concerned. The Audit para disclosed that owing to the failure of certain stations to

submit these statements for long periods demurrage charges amounting to approximately Rs. 4.5 lakhs had accrued against five undertakings. In extenuation the Committee were informed that three collieries (Bhadrachallam, Bellampalli and Singarreni) in whose cases the outstandings were the largest had contested the basis of detention charges as well as the individual items of detention for which claims were preferred. Through negotiations, these disputes had since been sorted out and it was anticipated that it would be possible to finalise the accounts and effect recoveries of the outstanding amounts from the industrial undertakings within a period of six months. The Committee were also informed that two senior officers were enquiring into the question of fixing responsibility on the officers concerned for non-recovery of demurrage charges from the undertakings in the past. *The Committee would like to be informed of the final settlement and the total recoveries effected from the undrtakings on this account at an early date.*

Arrears in the recovery of rent for lands leased for growing food-crops—Para 30 of Audit Report.

50. In connection with the "Grow More Food Campaign", the Railways had handed over surplus lands to State Governments for leasing out to outsiders for growing food crops. Rents were to be fixed by the State Governments and major portion of the receipts were creditable to the Railways. On most of the Railways the particulars of rents collected and remitted by the State Governments were not being linked regularly with the credit advices issued by the Accountants General concerned. The State Governments were also not regularly furnishing particulars of rents due and remittances made to the Railway Administration. On certain Railways, even the records of lands leased to State Governments were not maintained properly.

51. The representative of the Ministry of Railways admitted in the course of evidence that there had been some slackness in the past but the records were now being brought up-to-date. An Officer-on-Special Duty had been appointed in the Railway Board's Office to follow up the cases by personal liaison between the Railways and the State Governments. In a note furnished to the Committee (Appendix VIII), it had been stated that arrears of rent of the order of Rs. 13.55 lakhs were due to the Railways (excluding the Eastern, South-Eastern and North-East Frontier Railways whose figures are yet to be advised by State Governments). The realisation of rent credited to the Railways was about Rs. 10.35 lakhs and a further sum of Rs. 1.16 lakhs was stated to have been credited but not yet passed on to the Railways.

52. The Committee deplore the tardy manner in which the Railway Administrations have been maintaining the land records and keeping a watch over realisation of rents. They were surprised to learn that the question of levy of rent and the realisation thereof in respect of lands leased out in Rajasthan State was still under correspondence between the Railways and the State Government. They trust that the Railway Board would pursue the matter vigorously and arrive at a settlement at an early date.

Loss in the working of departmental catering on Railways—Para 31 of Audit Report.

53. In 1953, a high level committee on catering was appointed by Government to go into all the aspects of catering and to advise appropriate measures for all-round improvement in catering arrangements on Indian Railways. In pursuance of its recommendations, the Railway Board decided to introduce departmental catering on all the Railways from 1st July, 1955. It was aimed at that time to run the organisation on a 'no-profit no-loss' basis. Departmental catering was introduced on a limited scale at certain stations on the Northern, Central, Western and North-Eastern Railways during the years 1955-56 and 1956-57. (It already existed on the Southern and South-Eastern Railways). It has been pointed out in the Audit Report that the service was not running on a 'no-profit no-loss' basis as contemplated. The loss incurred on five Railways during the years 1955-56 to 1957-58 was as under:—

1955-56	..	Rs. 7,98,792
1956-57	..	Rs. 10,18,742
1957-58	..	Rs. 13,11,343

54. In evidence, the Committee were informed that an Officer-on-Special Duty was appointed by the Railway Board in 1958 to enquire into the procedure of maintaining of accounts of departmental catering and to examine the feasibility of reducing substantially, if not eliminating altogether the losses on departmental catering. It was found that the Accounts were not being maintained on a uniform basis on all the Railways. In the case of certain units, the Accounts were not being kept strictly on an annual basis and no 'proforma' profit and loss accounts were maintained. It was, therefore, difficult to gauge correctly the working of the departmental catering in the absence of proper accounts. The Officer-on-Special Duty had recommended that the Accounts of departmental catering should be maintained in a uniform manner so that comparisons between one Railway and another and between different periods could be possible. The

1429(Ai)LS—3.

Committee fully endorse this recommendation. *They also suggest that besides the profit and loss accounts to be maintained separately by each unit a consolidated profit and loss account should be prepared showing the result of the working of departmental catering in respect of all the Railways, and appended to the Appropriation Accounts.*

As regards elimination of losses, the Officer had *inter alia* suggested the following measures:—

- (i) Reviewing and tightening up of arrangements for purchase of provisions.
- (ii) Adoption of the system of sales by vendors on commission basis.
- (iii) Abolition of posts of cleaners by introducing cleaning contract system at more stations.
- (iv) Use of cheaper forms of fuel.
- (v) Increasing the sales by various measures such as offering large varieties of dishes, etc.

These recommendations are reported to have been accepted by the Ministry of Railways and suitable steps are being taken by them to implement these recommendations.

55. Explaining the reasons for the recurring losses incurred in departmental catering, the Railway Board have furnished a note* to the Committee. According to the note, the losses were mainly due to (i) increase in staff costs, (ii) improved service to the public and better quality of food-stuffs, and (iii) rise in the prices of food-stuffs without increase in the sale prices of refreshments served to the public.

While in 1955-56, the percentage of the losses to the turnover was 20·51 per cent. in 1959-60 it had come down to 8·51 per cent. Thus although the over-all amount of losses had risen mainly owing to more units being brought under departmental catering the percentage of the losses to the total turnover was decreasing. The Committee welcome this change. They are, however, not fully convinced of the reasons cited above for the recurring losses. Most of them should have been apparent to the Railway Board before the scheme was introduced. The Railway Administration did not implement the following suggestions which were given to them by the Railway Board—

- (i) the departmental organisation should not be made too heavy and expenditure on staff must be modest and not

*Appendix IX

disproportionate to the volume of business to be catered for.

- (ii) vending of eatables should be done so far as possible through vendors on commission basis.
- (iii) appointment of part-time workers where long time staff were not justified should be considered.
- (iv) certain works, e.g., washing of utensils and serving of meals should be arranged on a contract basis as far as possible.

The Committee recommend that the Railway Board should enquire into the matter and keep a closer watch and effective supervision over the departmental catering centres so that the service may cover its cost.

CHAPTER IV

Outstanding Recommendations

56. The Committee shall now proceed to deal with some of the important items outstanding from their previous Reports, those of less importance are referred to in Appendix I of the Report.

*Excessive rates for handling work paid to a contractor at a Station—
Para 12 of 15th Report of P.A.C. (Second Lok Sabha).*

57. The case relates to the extra payments amounting to Rs. 1,06,825 made to a contractor for handling of goods at Arkonam Station due to a defective clause in the contract agreement. It was stipulated in the agreement that if reloading of goods was undertaken after 24 hours of unloading, it should be treated as a new operation and paid for again at the agreed rate of 15½ annas per ton. The bulk of the operations involved two separate payments. The Committee were informed that a Departmental Enquiry Committee had been appointed to go into the circumstances leading to the extra payment and also the question of disciplinary action against the staff who were responsible for the incorporation of the provision for two separate payments in the agreement. The Committee desired that the Railway Board should expedite action in this case.

58. A memorandum submitted to the Committee (Appendix X) indicated the conclusions of the Enquiry Committee and the decisions taken by the Railway Board thereon. According to this memorandum, the Enquiry Committee had held that the loss in this case resulted from want of due care and thoroughness on the part of the Tender Committee which consisted of three senior scale officers when they recommended acceptance of rates in a tender, without relating it to the relevant clause of the agreement. Each of them had been censured. No action was taken against the Chief Operating Superintendent, who accepted these recommendations, as he had retired in 1957. The Regional Traffic Superintendent, who supported and forwarded the recommendations to the Chief Operating Superintendent for acceptance was let off.

59. The Committee see no convincing reason for this. As a senior officer, the Regional Traffic Superintendent should have examined the implications of the handling contract especially when as alleged by

the Railway Board in their Memorandum, the three officers who were on the Tender Committee were new to this kind of contract and handled it for the first time. *The Committee suggest that the case should be reviewed and the responsibility fixed in the light of what has been pointed out above.*

*South Eastern Railway—Outstanding freight charges against a firm—
Para 24 of 15th Report of P.A.C.*

60. A firm on the South Eastern Railway was authorised to pay freight charges by credit notes on furnishing a security deposit. The firm was also allowed to get its coal wagons booked under the 'weight only' system, although its name was not included in the Coal Tariff. Later on, as the firm defaulted in making payments of freight bills, these facilities were stopped in February, 1952. After settling the outstanding amounts against the firm's security deposit, the net loss to the Railway amounted to Rs. 33,155. A Committee was appointed to hold an enquiry and to fix individual responsibility of the persons responsible.

61. From a Memorandum* submitted by the Railway Board, the Committee learn that it has been possible to fix responsibility only on one clerk and another subordinate in the Accounts Office who had already demitted office. In the absence of relevant records, it was not possible to fix specific responsibility on the booking staff for affording the firm the facility of booking under 'weight only' system without proper authority. The Enquiry Committee also examined the question why the individual responsibility of the persons concerned was not followed up earlier; but they found that "in view of the large number of officers who had dealt with the case at one time or the other, both in the Accounts and Commercial Departments, it was not possible to fix responsibility on any individual officer for the staff liability not having been followed up then and there". The Committee find it difficult to accept this conclusion. *They are surprised how the officers who dealt with the recoveries could forget the disciplinary aspect of the case. Even if a large number of officers had dealt with this case, there was no reason why responsibility could not be fixed.*

*Western Railway—Non-recovery of siding charges at revised rates—
Paras 28-29 of 15th Report of P.A.C.*

62. As a result of instructions issued by the Railway Board in February, 1947, the Western Railway Administration fixed revised siding charges in February, 1950 to take effect from the 1st April,

*Appendix XI.

1950. The siding owners were, however, informed only in May, 1951 to accept the revised charges with retrospective effect, which was not agreed to by some of them. The Committee were not satisfied with the explanation given by the Ministry of Railways for the time-lag of one year in communicating the revised siding charges to the siding owners. They suggested an enquiry into the case with a view to finding out the precise reasons for the delay.

63. In a Memorandum submitted to the Committee, the Railway Board have now stated that the delay occurred entirely in the office of the General Manager, B.B. & C.I. Railway, but as the relevant file had been mislaid in the General Manager's Office, it is not possible to say why the serving of the notice was delayed and who was responsible for the delay. The Committee are surprised at this explanation. It should not be difficult to find out in whose custody the file was just before it was mislaid and responsibility fixed accordingly. *The Committee, therefore, suggest that the case be reviewed.*

64. Commenting on this case further, the Public Accounts Committee (1958-59) had observed that, even granting that some delay was inevitable the Railway Administration should have taken steps to caution the siding owners in time about the contemplated revision and communicate the actual amount payable after making necessary calculations. Such a course would have avoided the controversy over the date of effect of the revised rates. Accordingly, the Committee suggested that the Railway Board might evolve a suitable procedure whereby the siding owners could be served with an advance notice of enhancement in the rates of siding charges in future. In pursuance of this recommendation, the Ministry of Railways (Railway Board) have furnished the note after consulting the Ministry of Law (Appendix XII). The Committee note that while in the case of sidings, the agreements regarding which either provided for an enhancement of the rate of siding charges or for the termination of the agreement, the Railway Board did not contemplate difficulties in implementing the recommendation; in other cases, the matter required further examination. *The Committee desire that a decision be taken in the matter as expeditiously as possible. In a commercial Department, there is no justification for continuing the old uneconomic rates of siding charges and the Ministry of Railways should examine the feasibility of having standard form of agreement with all siding owners with adequate provisions for revision of rates from time to time.*

Central Railway—Loss of Permanent Way Materials—Para 62 of 15th Report of P.A.C.

65. Commenting on the loss of permanent way materials worth Rs. 93,000 in the course of doubling and relaying of track between

Delhi and Agra during 1948—51, the Committee observed that the Divisional Engineer failed to watch the receipt of "Material-at-site" returns and check them. They desired that the matter should be looked into by the Railway Board and responsibility fixed.

66. The Railway Board have stated* that during the period of doubling and relaying of the track, the incumbents to the posts of Divisional Engineer changed no less than nine times and that 8 Assistant Engineers were in charge of the various works from time to time. The frequent changes in the incumbents and their pre-occupation with the executive side of the work as well as the difficult circumstances of the immediate post-partition period might be taken into consideration as mitigating factors to condone the omissions on the part of the Divisional Engineer and other officers. *The Committee are astonished at this explanation. They would urge that the matter requires more serious examination. They would also like to observe in passing that nine changes within a period of 3 years in the post of Divisional Engineer in charge of a Project could not be in the best interests of the Project itself.*

Eastern Railway—Charges on account of haulage of oil at Budge Budge—Para 74 of 15th Report of P.A.C.

67. For the loading and unloading of oil and oil products booked to and from Budge Budge, the Railway administration have laid about 24 points on the West Yard of the Station. Although an expenditure of about Rs. 1.65 lakhs per year is being incurred on the haulage of wagons to and from these points no charges are levied by the Railway Administration on the oil companies for these facilities. Audit suggested in 1956 that a suitable charge should be levied to cover the haulage charges, as with the segregation of the goods station from the passenger station during the War, these loading and unloading points served the convenience of the oil companies more than what was required by the safety regulations. The Committee observed that in a case where a siding was to the mutual benefit of both the Company and the Railways, the decision regarding levy of siding charges should be fair and not at the cost of the Exchequer. They, therefore, desired that the matter be reviewed by the Railway Board in the light of their observation.

68. In a note (Appendix XIV) furnished to the Committee, the Ministry of Railways (Railway Board) has explained that "no records were available to indicate whether initially the initiative to lay the lines in the particular location was taken by the Railway and the

*Appendix XIII.

Oil Companies thereafter constructed their installations close to the railway lines at Budge Budge or whether the initiative for choosing the location was with the firms". The matter was examined in 1930 by the Agent of the ex-Eastern Bengal railway and it was decided not to levy any siding charges presumably because it was considered that the facilities in question were provided for the convenience of Railway working.

69. The Committee are unable to accept this explanation. They feel that in the absence of the relevant records leading to the laying of the lines, it will be difficult to establish that the lines were laid by the Railways solely for operational reasons. The large number of points provided confirms the doubts in the minds of the Committee. *Considering the sizeable expenditure on haulage of wagons over these numerous points and also the fact that the Railway pays rent to the Port Trust for the land on which the sidings are situated, the Committee feel that there is a strong case for reviewing de novo whether suitable siding charges should not be levied on the Oil Companies for the unusually liberal facilities provided.*

Avoidable expenditure on water charges—Para 82 of 15th Report of P.A.C.

70. In 1942, the Railway Administration entered into an agreement with the Jabalpur Municipality to pay for the supply of water at the rate of Re. 1/- per 4,000 gallons. During the periods of water famine, however, that rate was put to Re. 1/- per 2,000 gallons, on a certificate being furnished by the Executive Engineer that water shortage existed and that water was drawn from the Pariat Lake. The period of agreement was to expire on the 9th May, 1952. On 22nd April, 1952, the Municipality proposed a new agreement providing for the supply of water at the rate of Re. 1/- per 2,400 gallons, as the supply of water from the Pariat Lake had become a permanent feature. The draft agreement was approved by the Railway Administration on the 16th May, 1956 over four years later. The Municipality gave its final approval on the 15th January, 1957, with the stipulation that the new agreement would come into effect from 1st January, 1957, and that for the period from 10th May, 1952 to 31st December, 1956, the old rates would apply. Payments made at the old rates resulted in avoidable expenditure of Rs. 67,638. The earlier Committee while commenting on this case desired that the matter should be investigated and responsibility fixed for the delay at different stages and for the failure to warn the Municipality in time that the payments during the interregnum were provisional.

71. In extenuation the Railway Board have stated in their Memorandum (Appendix XV) that the Municipality was not likely to have agreed to any system of provisional payments. Judging by the

Municipality's later refusal to agree to the new agreement being given a retrospective effect, it was likely that the Municipality would not have accepted anything less than a formal notice, which was not feasible under the circumstances. The Committee cannot but dismiss this argument as it is based on hypothetical consideration. Nor can they agree with the conclusion arrived at by the Railway Board that the time taken by different Offices in examining the revised agreement furnished by the Jabalpur Municipality was not so long as to call for further investigation regarding the question of fixation of responsibility. Obviously there had been undue delay in the finalisation of the revised agreement which resulted in a loss to Government. *In the Committee's opinion, the reason for the delay requires investigation with a view to fixing responsibility.*

Central Railway—Purchase of buffer outer cases—Para 91 of 15th Report of P.A.C.

72. The stock of buffer outer cases to drawing No. NA 18 required for certain non-standard wagons was exhausted in September, 1953. Buffer cases of another design W 360 were used instead until August, 1955 and thereafter the Administration resorted to the use of NA 18 buffer cases reclaimed from condemned wagons. No action was, however, taken for the procurement of these buffer cases until July, 1956. Thereafter the Controller of Stores proposed direct purchase of 1310 NA 18 buffer cases as there was no stock in hand. Tenders were invited in September, 1956. The third lowest offer which involved an extra expenditure of Rs. 1,23,467 was accepted. The delivery commenced in November, 1957 and was completed in February, 1958.

73. The Public Accounts Committee (1958-59) came to the conclusion that the "emergency" arose as a result of the inactivity of the Railway Administration for nearly one year, and suggested an enquiry into the matter. In a note furnished to the Committee (Appendix XVI) the Railway Board have given a statement showing in chronological sequence the steps taken by the Railway Administration from October, 1955 to January, 1957 for the procurement of NA 18 buffer cases. According to the Railway Board while there was no slackness or inactivity as such, there was admittedly delay in the final assessment of the demand through inter-departmental correspondence. The time taken was unavoidable to some extent and arose from the need to decide the types of buffer cases for which indents were to be placed.

74. The Committee find it difficult to accept the above explanation. As rightly pointed out by Audit the stock of W 360 buffer outer cases was exhausted on 25th August, 1955 and the purchase

application for 1310 Nos. NA 18 was forwarded on 12th May, 1956. It took the Stores Depot more than eight months to decide on the correct drawing and assess the requirement in consultation with the Mechanical Department. Another four months were taken to issue the letter calling for tenders. The tenders were opened on 22nd October, 1956 and the letter of acceptance was issued on 7th January, 1957. This shows that there was delay at every stage in the face of the so called "emergency".

It is thus obvious that in the matter of indenting for stores the stock of which had been exhausted, the officials concerned did not display even ordinary business-like promptitude. The routine manner in which the indent for the procurement of buffer cases was handled in this case, had led to the payment of higher prices. *The Committee, therefore, reiterate their earlier recommendation and suggest that suitable action should be taken against the officials responsible for the delay in finalising the purchase of buffer outer cases.*

Wasteful expenditure due to excessive sanction of cleaners in the Loco Running Sheds of a Division—Para 121 of 15th Report of P.A.C.

75. This case was originally commented upon by the Public Accounts Committee in paras 49 to 55 of their 17th Report (First Lok Sabha). From a note furnished by the Railway Board indicating the punishments meted out to the delinquent officials, the Committee (1958-59) got the impression that the higher officers were dealt with lightly.

76. In a Memorandum (Appendix XVII) submitted to the Committee, the Railway Board have now stated that the punishments awarded to higher officers were equitable and in conformity with the lapses on the part of each individual. It was, however, brought to the notice of the Committee that one of these officers who had been censured in January, 1958 in connection with this case was promoted to a higher post within six months of awarding the punishment. *The Committee are distressed to learn this.*

CHAPTER V

Indian Railway Conference Association

77. The Indian Railway Conference Association was formed in the year 1904-05, when the majority of the Indian Railways were managed by Companies incorporated in England. With such independent railway administrations it became essential to have a central organisation to frame rules for management of inter-changed traffic; maintain wagon pools and to conduct neutral examination of wagons at inter-change points. In course of time, this central organisation became the forum for the railways to inter-change views and discuss matters of mutual interest. In their capacity as experts, the members of the I.R.C.A. also advised Government on railway matters. In 1923, the Railway Board was created as a Department of the Government of India for managing railways. Later on, Government took over a number of company-managed railways with the result that by the end of 1950 all class I Railways in the country were Government-managed. These changes naturally resulted in substantial changes in the functions and sphere of activities of the I.R.C.A. A list of Railways which are at present members of the I.R.C.A. is at Annexure II to Appendix XVIII. Pakistan Government Railway was also a member of the I.R.C.A. upto 31st December, 1950.

78. It was brought to the notice of the Committee that the I.R.C.A. was a redundant organisation in the present set-up, when almost all the important Railways were managed by the State and the Railway Board acted as the co-ordinating authority. The Committee, therefore, examined broadly the working of the Association.

The type of work now being done by the I.R.C.A. may be broadly classified as under:

- (i) Framing and publishing the Rules and Regulations for the inter-change of traffic between Indian Railways.
- (ii) To advise the Railway Board on commercial matters.
- (iii) Maintenance of statistics of movements etc. of inter-changed wagons.
- (iv) Neutral control i.e., neutral inspection of wagons at inter-change points and workshops, to ensure that wagons are in a state of good repair and deficiencies etc. are appropriately made good.

79. To deal with items at (i) and (ii) above there is a Commercial Committee of the I.R.C.A. composed of the Chief Commercial Superintendents of Railways. The Commercial Committee functions as a consultative and coordinating body for all Indian Government Railways, non-Government Light Railways and the Port Trust Railways which are not under the control of the Ministry of Railways. The Committee meets four times in a year to consider additions or alterations to general classification of goods, tariff proposals and rules relating to goods and coaching traffic. The Committee also examines inter-railway disputes on this account. Its recommendations are referred to the Railway Board who are the final authority to decide the policy matters. The I.R.C.A. also arranges the publication of various Rules, Manuals and other Statistical information, viz., Railway Time Table, Railway Telegraph Code, List of Stations etc. In a note furnished to the Committee by the Railway Board it has been urged that the independent character of the Commercial Committee enabled it to arrive at decisions after free and frank expression of opinion by the Members at equal level. It has also been contended therein that the same Committee functioning under the aegis of the Railway Board, instead of an independent organisation like the I.R.C.A. would not be equally effective as the presence of the superior administrative authority would tend to limit the free exchange of views. *The Committee are not convinced with this argument. In the face of so many other Committees working directly under the control of not only the Railway Board but other Ministries and Departments of Government to tender advice on important matters, there appears to be no case for according a special treatment to the Commercial Committee of the I.R.C.A. Similarly, the Committee see no convincing reason for a neutral organisation being entrusted with the work of printing and publication of books like the Railway Time Table, Alphabetical List of Stations, Coaching and Goods Tariff etc. which can be conveniently looked after by the Railway Board.*

80. The I.R.C.A. maintains statistics about the movement of wagons from one Railway to another, their detention at particular junctions and their overall condition. Periodical reports on the basis of these records are furnished to the Railway Board and the Railway concerned. This information enables the Railways to keep a day to day control and regulate the movement of wagons. It has been urged by the Railway Board in this connection that it would be somewhat inappropriate to have this work done under the aegis of the Central administrative authority like the Railway Board, as it would tend to divert the attention of the high level body (Railway Board) to routine executive matters. *While the Committee do not*

wish to go into the relative merits of this statistical work being done either by the Railway Board or a subordinate office under them they feel that the staff who collect and maintain the statistics should more appropriately be placed under the direct administrative control of the authority which ultimately utilises the information. In this manner the Railway Board would be in a better position to get the information expeditiously in whatever form and manner they require.

81. The I.R.C.A. conducts as a neutral authority the mechanical examination of wagons at inter-change points between the various Railways, thus ensuring that no wagon that is unsafe to run passes from one Railway to another and that a higher standard of maintenance is kept. For the purpose Neutral Train Examining Units have been posted at ten inter-change junctions. The Committee paid a visit to one such inter-change point (Agra Cantt.) to make an on-the-spot study of the working of the neutral control organisation in the field. It was urged before the Committee that the fact that the personnel who examined wagons passing from one Railway to another were not working under the supervision of the Executive Officers of any one railway went a long way in maintaining a higher standard of mechanical maintenance of wagons. In the set-up the train examining unit of the I.R.C.A. worked without any pressure from the Railway administrations concerned. It often happened that the railway staff either failed to detect some of the defects and deficiencies or they intentionally omitted to carry out the repairs with a view to evading their responsibilities for the damages, etc.

The Committee are not convinced by this plea. The ten inter-change points at which Neutral Control Organisations are working were set up at the beginning of this century when there were different company-owned and company-managed Railways each independent of one another. Such neutral checks were necessary for ascertaining the claims and damages and apportioning the cost to the respective Railways. *With the integration of the entire railway system into a single unit, such neutral organization is an anachronism of the past.* Further, the Committee understand that inter-railway adjustment of expenditure in respect of damages and deficiencies has been discontinued. The Committee, therefore, feel that there is no necessity to continue such neutral examination. Such a check can be entrusted to the train examining units of the respective railways. If the examination by these Units is not satisfactory, the Railway Board should take appropriate measures to improve the same. *The Committee desire that the Railway Board should examine the whole matter in the light of the above observations.*

82. With the exit of Pakistan Railways at the end of 1950, this Organisation comprises of predominantly the Indian Railways and a few light and private-owned Railways. The need for an independent Organisation (as was necessary when the different units were mutually independent) was no longer there after 1950. *In the light of the above observations, the Committee suggest that the Railway Board might review the position of continuance or otherwise of the I.R.C.A. in its present form.*

NEW DELHI;

The 8th December, 1959.

Agrahayana 17, 1881 (Saka).

UPENDRANATH BARMAN,

Chairman,

Public Accounts Committee.

PART II

**Proceedings of the sittings of the Public Accounts Com-
mittee held on the 20th, 21st, 22nd, 23rd, 24th July
and 5th and 8th December, 1959**

Proceedings of the Seventh Sitting of the Public Accounts Committee held on Monday, the 20th July, 1959

83. The Committee sat from 10.00 hours to 13.00 hours.

PRESENT

Dr. P. Subbarayan—*Chairman*.

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri T. R. Neswi
8. Shri Raghubar Dayal Misra
9. Shri T. Sanganna
10. Shri Vinayak Rao K. Koratkar
11. Shri Jaipal Singh
12. Shri Yadav Narayan Jadhav
13. Shri Shraddhakar Supakar
14. Shri Amolakh Chand
15. Shri Rohit Manushankar Dave
16. Shri Surendra Mohan Ghose
17. Shri Jaswant Singh
18. Shri S. Venkataraman.

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

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

1. Shri K. B. Mathur, *Chairman, Railway Board.*
2. Shri J. Dayal, *Financial Commissioner.*
3. Shri Karnail Singh, *Member (Engineering).*
4. Shri M. N. Chakravarti, *Member (Staff).*
5. Shri S. R. Kalyanaraman, *Addl. Member (Commercial).*
6. Shri E. W. Isaacs, *Addl. Member (Mechanical).*
7. Shri C. T. Venugopal, *Director (Finance).*
8. Shri Qurban Singh, *Director (Railway Stores).*

Ministry of Finance

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

Savings over Voted Grants and Charged Appropriations—Paras 5 and 6 (pages 3-4) of Audit Report, 1959.

84. There were savings in 9 out of 19 grants during the year 1957-58. The total amounts of these 9 grants (Final) was Rs. 147 crores and the total amount of savings was Rs. 27 crores the percentage of savings being 18·50. The percentages of savings under individual grants ranged from ·04 to 56·60.

The Committee took special note of Grant Nos. 14 (Open Line Works—(Revenue) and 18 (Works expenditure from Development Fund) under which savings had occurred during the last three years. As stated in the Appropriation Accounts Part I—Review, the savings under these grants were due to less expenditure owing to slow progress of works as a result of non-availability of materials to the extent required, delay in finalisation of schemes, sanction of plans and estimates etc. The Committee enquired about the types of material provided under these Grants which could not be procured during the year and the reasons as to why proper allowance for their non-availability was not made at the time of framing the estimates. In extenuation the Financial Commissioner (Railways) stated that Demand No. 14 referred to Open Line Works which were numerous and spread over the entire railway system. While every effort was made to prepare the estimates as precisely as possible, the receipt of materials did not progress according to schedule. Stores were obtained from different countries and the items required were numerous. Sometimes, due to non-availability of certain critical materials, even though other materials were there, the work could not be proceeded with. It was further stated that in the matter of procurement of

Stores the Railway Ministry were dependent on other Ministries also like Works, Housing and Supply, Steel, Mines and Fuel etc. Since even the concerned Ministries were not able to give any assurance about the timely supply of material it was difficult for the Railway Ministry to make a precise forecast at the initial stages about the flow of material.

85. As regards delays in finalisation of schemes, sanction of plans etc. the representative of the Railway Board stated that the works on the Railways were inter-dependent. If one work lagged behind for any reason it affected several other works. The Comptroller and Auditor General invited the attention of the Members of the Railway Board to the recommendations of the Public Accounts Committee contained in their Eighth Report (Second Lok Sabha) and suggested that the Railways might also follow the practice since adopted by other Ministries viz., to include in the Budget estimates to be presented to Parliament only such of the schemes which were finally approved and were ready for execution. In respect of schemes and projects which had not reached that stage, but were likely to be finalised and taken in hand during the course of the year, the Ministry of Railways could obtain the approval of Parliament thereto by means of a small token grant. Later on, when the details were worked out, a supplementary grant could be obtained for executing the work. This procedure, if adopted by the Ministry, would avoid overbudgeting. A member of the Railway Board expressed his doubts that the revised procedure might result in delays in the execution of the works, which sometimes had to be undertaken on an emergency basis. The Financial Commissioner (Railways), however, felt that there would be no difficulty in accepting the proposal.*

Unsanctioned expenditure—Annexure 'A' (page 92), Appropriation Accounts (Railways), 1957-58—Part II Detailed Accounts.

86. Annexure 'A' to the Appropriation Accounts showed the details of unsanctioned expenditure not regularised upto the 15th November, 1958, under three categories—(a) Want of Estimates (b) Excess Over Estimates and (c) Miscellaneous Irregularities. The Committee desired to know how expenditure had been incurred by the Railway Administration without preparing the estimates in the

*A further clarification was sought by the F.C., Railways at the sitting of the Committee held on the 24th July, 1959. It was confirmed that the revised procedure suggested by the C. & A.G. should apply to major works expenditure as well as replacement works chargeable to revenue where large sums were involved and in respect of which detailed estimates were not readily available.

first instance and subsequently also why the position could not be regularised in accordance with the rules. (Certain cases pertained to the year 1955 and even earlier than that). The representative of the Ministry of Railways explained that a number of projects were undertaken in the past on emergency basis, which were started without preparation and finalisation of detailed estimates. These works had been started on "urgency certificates" as provided in the Rules. Efforts were now being made to regularise these transactions as early as possible and progress made was reported in the Appropriation Accounts. In certain cases where works had been completed, the completion reports were being treated as final estimates.

Loss due to short supply of Cast Iron Sleepers ordered on indigenous Sleeper Manufacturers against 1955-56 Programme—Para 14 of Audit Report, 1959.

87. Nine contracts were placed in May 1955, on indigenous sleeper manufacturers for the supply of 1,46,500 tons of cast iron sleepers by the 31st March, 1956. In terms of the contract agreements the responsibility for arranging the raw materials rested on the contractors. With a view, however, to ensuring timely deliveries, the Ministry of Commerce and Industry and the Iron and Steel Controller were requested to allot 75% of the pig iron required by each contractor out of the quota reserved for the Railways for the manufacture of sleepers. The balance of 25% of raw materials and the melting losses were to be arranged by each contractor himself. This meant that each contractor was actually required to supply 4 tons of sleepers for every 3 tons of raw material arranged by the Ministry of Railways.

On the 9th June, 1955 (after 12 days of the award of the contracts) the free sale of pig iron was suspended under orders of the Government.

88. Out of the 9 contractors one was subsequently found incapable of manufacturing sleepers and his contract was cancelled. Two other contractors, after having received 735 and 292 tons of raw material on the authorisation of the Iron and Steel Controller failed to supply the sleepers. While three contractors supplied either equal or more than the quantities of sleepers required under the contracts the other three failed to supply sleepers according to the stipulated formula of 4 tons for every 3 tons of raw material supplied to them. The total supply actually received against all the contracts was 1.18 lakh tons. Further orders had to be placed on two of the contractors for the supply of sleepers at rates which were

Rs. 240/- per ton higher than the rates agreed in 1955. Had the contractors supplied the sleepers as per agreement, there would have been a saving of Rs. 12.74 lakhs to Government.

89. In evidence the Committee were informed by the representative of the Railway Board that, according to the legal opinion, the contractors could not be held liable for any shortfall in their supplies attributable to the stoppage or hindrance in the supply of raw materials. As a result of the restrictions placed by the Government on the free sale of pig iron in June 1955 the contractors were not able to procure the raw material. It was stated that even the iron scrap which was also a controlled item could not be made available to the manufacturers.

90. As regards the parties coming in the first category, viz. those who did not supply any sleepers, the witness explained that only very small orders had been placed on these contractors. No formal agreement had been entered into with the first contractor who was found incapable of manufacturing sleepers. On being asked as to why the earnest money of this party had been refunded, (which could have been forfeited) no satisfactory reply was given. Of the other two, the security deposit (Rs. 5,000/-) of one contractor had been forfeited and action to be taken against the other party was under consideration by Government. The Committee desired to have further information in respect of these contracts but the witnesses could not furnish the details as the information was not readily available with them. Further consideration of the subject was, therefore, postponed for the next day i.e. 21st July, 1959.

Extra expenditure in the purchase of locomotive component parts and assemblies—Para 16 of Audit Report, 1959.

91. Tenders for the purchase of certain locomotive component parts and assemblies were invited by the Ministry of Railways from established manufacturers abroad. The tenders were opened on the 6th March, 1957, and the offers were open for a period of 90 days from the 16th February, 1957. As the orders to be placed could not be finalised within the validity period the firms were requested to keep their offers open upto 30th June, 1957. All the firms excepting a British firm, whose quotations were lowest in respect of seven items technically acceptable, agreed to do so. The British firm was prepared to extend the validity period beyond 31st May, 1957 subject to a price increase of 10%.

92. The technical report on all the quotations was received from the Central Standards Office on 27th April, 1957 and the Ministry of Finance were approached on 14th May, 1957 for the first time to release

the necessary foreign exchange. On 21st May, 1957 the Ministry of Finance suggested that certain items might be curtailed in view of the acute foreign exchange position. A revised list was, therefore, submitted on 23rd May, 1957. The sanction for foreign exchange was received on 28th June, 1957. The Tender Committee met on the 9th October, 1957 and the final orders to be placed on the firms (including seven items on the British firm) were finalised on 21st October, 1957. As the order was not placed in time, price increase of 10% had to be allowed to the British firm which resulted in extra expenditure to the extent of Rs. 1.76 lakhs.

93. The Committee enquired as to why the indigenous capacity was not fully explored by the Ministry of Railways before inviting tenders from abroad for the component parts and subsequently how was it possible for the Ministry to curtail their requirements at the instance of the Ministry of Finance in a period of only two days. The representative of the Ministry of Railways stated that the Chittaranjan Locomotive Works were increasing the tempo of manufacture of the components themselves and to the extent they were not able to meet the requirements the items were imported. The indigenous capacity was, therefore, constantly kept under review. When the Ministry of Finance suggested a reduction in the foreign exchange, a reassessment was made keeping in view the progress made by the C.L.W. and other factors. The manufacturing programme of the C.L.W. was, however, not affected by this decision.

94. On being asked whether it was not the normal procedure to obtain sanction for foreign exchange from the Ministry of Finance before inviting tenders from abroad, the witness stated that the approval of the Finance Ministry had been obtained in principle in this case also before the tenders were invited. They were, however, approached for the second time for a clearance certificate after the exact amount of foreign exchange requirements were ascertained on receipt of quotations from the suppliers. The Committee observed that whereas the tenders were opened by the Ministry of Railways on the 6th March, 1957, a reference in this connection was made to the Ministry of Finance only on the 14th May, 1957 only a few days before the termination of the validity period. They desired to know the reasons for this delay and whether any responsibility could be fixed in the matter. The Chairman, Railway Board assured the Committee that he would look into the matter and apprise them of the action taken in due course.

The Committee then adjourned to meet again at 10.00 hours on 21st July, 1959.

Proceedings of the Eighth sitting of the Public Accounts Committee held on Tuesday, the 21st July, 1959

95. The Committee sat from 10·00 hours to 13·00 hours.

PRESENT

Dr. P. Subbarayan—*Chairman.*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Rameshwar Sahu
7. Shri T. R. Neswi
8. Shri Raghubar Dayal Misra
9. Shri T. Sanganna
10. Shri Yadav Narayan Jadhav
11. Shri Amolakh Chand
12. Shri Rohit Manushankar Dave
13. Shri Surendra Mohan Ghose
14. Shri Jaswant Singh
15. Shri S. Venkataraman.

Shri A. K. Chanda. *Comptroller and Auditor General of India.*

Shri P. C. Padhi. *Addl. Deputy Comptroller and Auditor-General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

1. Shri K. B. Mathur, *Chairman.*

2. Shri J. Dayal, *Financial Commissioner (Railways)*.
3. Shri Karnail Singh, *Member (Engineering)*
4. Shri M. N. Chakravarti, *Member (Staff)*
5. Shri S. R. Kalyanaraman, *Addl. Member (Commercial)*.
6. Shri E. W. Isaacs, *Addl. Member (Mechanical)*.
7. Shri D. R. Kohli, *Addl. Member (Works)*.
8. Shri H. D. Awasti, *G.M. & C.E., R.E.P.*
9. Shri C. T. Venugopal, *Director (Finance)*.
10. Shri Qurban Singh, *Director (Railway Stores)*.

Ministry of Finance (Deptt. of Economic Affairs)

Shri A. G. Krishnan, Under Secretary.

The Railway Electrification Project—Para 32 of Audit Report, 1959.

96. The para in the Audit Report cited above described the salient features of the electrification in progress on the Eastern and South Eastern Railways. In order to ease the passenger traffic in the Calcutta area, the Railway Board decided in early 1954 to introduce electric traction on the Calcutta suburban lines with extensions to coal-fields, Kharagpur and Tatanagar. The first phase of the project covering 67 miles of the main line between Howrah and Burdwan and 21 miles of the Sheoraphuli—Tarkeshwar Branch was expected to be completed between June to December, 1957; but the work was delayed due to certain factors like delay in finalisation of plans, estimates, designs and supply of materials and power. The service commenced with effect from the 15th August, 1958.

97. The Railway Board had decided in March, 1954 to adopt the (3000v) D.C. system. This decision was revised in November, 1957. According to the revised decision main-line electrification would be on the A.C. system and the first phase of the project since done on the D.C. system would eventually be converted into A.C. The outlay on the change-over was originally estimated at about Rs. 3.5 crores but it was not possible to determine the precise cost of conversion.

98. The electrification of about 1053 miles on the A.C. system extending to Moghulsarai, Rourkela and the East Pakistan border had been undertaken at an estimated cost of Rs. 89 crores. A technical collaboration agreement had been entered into with the French National Railways (S.N.C.F.) on a fee of £426,000 for the electrification of 970 route miles upto September, 1961. In the event of an extension for a year beyond that date the cost of establishment at site would be paid, but a new agreement would be necessary for any extension beyond 1st September, 1962.

99. The representatives of the Ministry of Railways explained the considerations which prompted the Railway Board in 1954 to adopt the D.C. system on the first phase of the project (Howrah to Burdwan and Sheoraphuli to Tarkeshwar). According to him the A.C. system was then still in the initial stages of development in most of the western countries. An ex-Engineer of the Railways was sent abroad in the year 1953 to study the A.C. traction system in the Belgian Congo and France. After consideration of the Report submitted by this officer and other technical and operational problems peculiar to Indian conditions it was then decided to adopt the D.C. system for the first phase. The attention of the witnesses was drawn to an article which had appeared in a German journal in 1954, which described the progress achieved by Germany and France and other countries in the field of A.C. traction. The first A.C. locomotive was manufactured in 1930 and the line from Budapest to Vienna was working on A.C. traction as early as 1932. Soon thereafter the German Reichsbahn set up a 50 cycle experimental track. The A.C. system had been proved economical and far superior to D.C. by that time. The Committee, therefore, enquired as to why the ex-Engineer was sent to Belgian Congo instead of Germany and such other places where the A.C. system had already been working. The representative of the Railway Board observed that the progress made by Germany and other countries in the development of A.C. traction was fully known to the Railway Board when they took the decision in 1954. He added that the Kando system which had been introduced in Germany was a technical adventure and did not merit serious consideration. It was only after the French Railways developed the ignition type of locomotives in 1956, the advantage of the A.C. system were accepted by most of the advanced countries including the U.K. and U.S.A.

100. The Committee then wanted to know why the Board had decided to introduce the 3000V. D.C. system on these lines, when the system on the Bombay—Igatpuri was 1500 volts. The representative of the Railway Board stated that the 1500V. D.C. was an old and outmoded system and was not favoured in any country. It would be worth while to convert that system to 3000 volts but the cost involved was enormous. He added that the 3000 volts D.C. locomotives and equipment which would be rendered surplus consequent on the conversion of the Howrah-Burdwan line from D.C. to A.C. could be utilised in the Bombay region after suitable modifications.

101. The Committee then enquired whether it was not possible to stop the work of the first phase (DC traction) in 1957 when a decision was aken to adopt the A.C. system as this would have at any rate

minimised the cost of change-over from D.C. to A.C. The witness stated that on the basis of the earlier decision in 1954 certain locomotives and other equipment had already been ordered and received by them and the work of the project had reached an advanced stage. It was, therefore, not considered economical to suspend the work and wait for the introduction of the A.C. system. Further it would have meant a delay of two and half years more in introducing electric traction in that area which was badly needed. The steam traction could not cope with the growth of traffic. On the other hand by the immediate introduction of electric trains in the area it was anticipated that the Railways would be able to save to the extent of Rs. 4 lakhs per month—the difference between electric and steam traction. (The actual savings, however, were approximately Rs. 29 lakhs per year).

102. As regards the agreement with the French National Railways, the representative of the Ministry explained that quotations were received from different firms who had experience in this field and the rates of the S.N.C.F. were the lowest. After negotiation the rates were further reduced and the fee payable to them was considered to be quite reasonable. Under the agreement the consultants were to provide technical advice, arrange for the training of Indian personnel and inspect the locomotives etc. that were being received for the project. In reply to a question, the Committee were informed that the Indian technicians would be able to shoulder the responsibilities on their own and it would not be necessary to extend the contract beyond 1962 even if the completion of the project were delayed.

The Committee were also informed that although the electric locomotives were mostly being imported at present efforts were being made to develop the indigenous capacity of C.L.W. to meet future requirements.

Loss due to short supply of Cast Iron Sleepers ordered on indigenous Sleeper Manufacturers against 1955-56 Programme—Para 14 of Audit Report.

103. In continuation of their deliberations of 20th July, 1959, the Committee resumed further consideration of the case cited in the audit paragraph. Taking the cases of the three firms who had failed to supply the sleepers, the Chairman Railway Board stated that after the receipt of tenders from the various firms the Railway Administration was asked to send its inspectors to ascertain the working capacity of these firms. The first party who was found incapable of manufacturing sleepers, requested of its own accord for cancellation

of the contract. Since no formal agreement had been entered into and no raw material was supplied to it the order placed on this firm was cancelled, and the earnest money was also refunded. The second firm which had some previous experience in this line, was asked to deposit security money and enter into a formal agreement. The party did not do either of these but asked for an extension of the delivery period which was not agreed to by the Railways. This party had meanwhile received 735 tons of pig iron from the Iron and Steel Controller at controlled rates. Since the firm had not entered into any agreement and did not supply any sleepers, its earnest money deposit of Rs. 5,000/- was forfeited. The third party also pleaded for extension of time which was not agreed to by the Railway Board. It had received 635 tons of pig iron (of which 157 tons were against the quota of 75%) but did not supply any sleepers. The security deposit of Rs. 10,000/- from the party was lying with the Government and action to be taken against this firm was under consideration of the Board. The Committee desired to know whether in addition to the forfeiture of the security deposits, Government did not intend to take action against these firms for having obtained the pig iron at controlled rates either in the free sale or against the reserved quota for manufacturing sleepers for the Railways and thereafter used the same for their own purposes and earned large profits. The Committee also desired to know whether the Iron and Steel Controller had been apprised of this default by the Railway Board. The representative of the Ministry admitted that the Iron and Steel Controller had not been informed of the matter so far nor did it occur to them at any stage that the parties could also be proceeded against for such malpractices. The Committee felt that the case referred to in the paragraph required a further scrutiny and detailed examination and they appointed a sub-Committee to go into the whole matter and report to them in due course.

Extra-expenditure in the purchase of locomotive component parts and assemblies—Para 16 of Audit Report, 1959.

104. Resuming further consideration of the case referred to in the para of Audit Report cited above the Committee desired to know why the Tender Committee could not meet earlier than 9th October, 1957, when the necessary sanction to the foreign exchange was received on the 28th June, 1957. The witness explained that keeping in view the foreign exchange position a further check was exercised to reduce the items to be purchased from abroad. A reference was made to the Mechanical and other engineers and as a result of further discussions the demand was reduced by £73,000. The Comptroller and Auditor General pointed out that the figure of £73,000

included certain items worth £52,000 for which there was no acceptable tender. Hence there was no necessity for applying for foreign exchange with regard to these items. Had the Railway Board taken care to exclude these items for which there was no acceptable tender in the first instance it was possible that the Finance Ministry would have immediately made available necessary foreign exchange and extra payment (10% increase in the cost) made to the British firm would have been avoided.

South-Eastern Railway—Erection of imported wagons—Para 17 of Audit Report, 1959.

105. An order was placed with a firm for the erection of 8,446 wagons which were being imported in a semi-knocked down condition. The firm agreed to supply 750 wagons per month in fully erected condition. The work commenced in April, 1956, and, according to the agreement, should have been completed by March, 1957. However, only 4,822 wagons were completed upto March, 1957, 3624 from April, 1957 to March, 1958 and 1386 wagons were still to be erected. For each month of delay the Railway Administration incurred an extra expenditure of Rs. 6,393/- on the cost of establishment engaged for supervision apart from the loss of revenue which would have been derived from the wagons had they been put into service earlier. Although the work started in April, 1956, the formal agreement with the contractor was executed only on the 11th June, 1958.

106. In evidence the representative of the Ministry of Railways informed the Committee that the delay in executing formal agreement was due to the attempts made by the contractor to evade the issue owing to certain labour troubles and other factors. The contract had since been finalised and signed by the party with retrospective effect. It was also stated that although no security deposit was obtained from the firm in the first instance, a sum of Rs. 3½ lakhs had been held back from him on account payment bills. The question of claiming liquidated damages from the firm was also under consideration.

The Committee then adjourned to meet again at 10.00 hours on 22nd July, 1959.

**Proceedings of the Ninth Sitting of the Public Accounts Committee
held on Wednesday, the 22nd July, 1959.**

107. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Dr. P. Subbarayan—*Chairman.*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Pandit Jwala Prasad Jyotishi
4. Shri Shamrao Vishnu Parulekar
5. Shri T. R. Neswi
6. Shri Raghubar Dayal Misra
7. Shri T. Sanganna
8. Shri Jaipal Singh
9. Shri Yadav Narayan Jadhav
10. Shri Shraddhakar Supakar
11. Shri Amolakh Chand
12. Shri Rohit Manushankar Dave
13. Shri T. R. Deogirikar
14. Shri Surendra Mohan Ghose
15. Shri Jaswant Singh
16. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor
General (Railways).*

Shri P. V. S. Raghava Rao, *Director of Audit, F.R.S.C.S. & M.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri K. B. Mathur, *Chairman.*

Shri J. Dayal, *Financial Commissioner.*

Shri Karnail Singh, *Member (Engineering).*

Shri M. N. Chakravarti, *Member (Staff).*

Shri S. R. Kalyanaraman, *Addl. Member (Commercial).*

Shri E. W. Isaacs, *Addl. Member (Mechanical).*

Shri D. R. Kohli, *Addl. Member (Works).*

Shri C. T. Venugopal, *Director (Finance).*

Shri Qurban Singh, *Director, Railway Stores.*

Ministry of Works, Housing and Supply

Shri M. R. Sachdev, *Secretary.*

Shri V. N. Rajan, *Director General, Supplies & Disposals.*

Shri S. Vohra, *Joint Financial Adviser.*

Ministry of Finance (Deptt. of Economic Affairs)

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

Avoidable expenditure on sea freight—Para 15 of Audit Report.

108. The D.G.I.S.D. entered into a contract with a continental firm for the supply of 2050 'O' type railway wagons. The firm was called upon to furnish its packing specification which it sent on 21st March, 1956. The shipping arrangements were finalised shortly thereafter. Subsequently it was noticed that the packing specifications of this firm covered more shipping space than the methods adopted by the two other firms—one British and the other Austrian which were also supplying similar wagons. On the 5th July, 1956, the firm was advised to follow the method adopted by the Austrian firm, to which it readily agreed. By this time, 400 wagons had already been packed which resulted in an extra freight charge of £9,200.

109. The packing specifications of the British firm were even more economical from the point of view of freight but the Railway Adviser in London attached to the India Store Department was not sure whether the economy in freight possible by this packing specification would not be off-set by the extra cost involved in re-erecting the wagons in India. He, therefore, wrote to the inspecting officer at Vienna on 14-12-1955 and endorsed a copy to the Railway Board seeking their advice in the matter. On 5th July, 1956, he sent a reminder to the Railway Board and asked for instructions. The Ministry

informed the India Store Department on the 24th August, 1956 that the cost of erection of wagons in India would remain the same irrespective of the method of packing, and that the most economical shipping specification should, therefore, be adopted for all future consignments. However, no action was taken on this letter by the D.G.I.S.D. as the communication was stated to be not traceable in his office.

110. In evidence, the representative of the Ministry of W.H. & S. stated that according to the terms of the contract, the manufacturing firm was responsible for proper packing of the stores and it was to follow its own specifications. The D.G.I.S.D. being a non-technical officer was to go either by the specifications suggested by the indenter or the specifications that were given by the manufacturers. He could not on his own initiative give any suggestions to the manufacturers in such matters. In this case, the specifications were received in the office of the D.G.I.S.D. on the 21st March, 1956 and were referred to the shipping agents. On receipt of shipping quotations, the matter was finalised in consultation with the Railway Adviser and the firm was asked to proceed with the supplies. Later on, however, at the instance of the Railway Adviser, the firm was asked to adopt the Austrian packing. The firm in reality accepted the suggestion and in fact improved upon it which eventually proved even more economical than the Austrian method.

111. The attention of the representative of the Ministry of Works, Housing and Supply was invited to the fact, which had been brought to notice by Audit, that the packing specifications received from the firm on 21-3-1956 and the shipping rates were referred to the Railway Adviser by the D.G.I.S. & D. only on the 26th June, 1956. The file on the subject was marked to the Railway Adviser on the 4th May but it actually reached him after seven weeks on 26th June, 1956. The Secretary to the Ministry of W.H. & S. stated that this case of delay had neither been mentioned in the Audit Report nor had it been brought to his notice earlier. He, however, assured the Committee that he would look into the matter and furnish a report to the Committee.

112. The Committee also desired to know why the D.G.I.S. & D. did not take any action on the letter from the Mechanical Engineer, Visakhapatnam of 18th July, 1956 in which he had suggested that the British method of packing which was the cheapest might be adopted. The representative of the Ministry of W.S. & S. again pleaded his ignorance of this communication. His attention was, however, invited by the Additional Deputy Comptroller and Auditor General to a report by the D.G.I.S.D. sent to the Ministry in November, 1958 in which a reference had been made to this letter and it

had been explained that the D.M.E.'s letter was not accepted as an authority for adopting packing specifications.

113. With regard to the last reference, viz., the Ministry of Railways letter of 24th August, 1956, the Secretary to the Ministry of W.H. & S. stated that although the letter in question was entered in the Central Registry of the D.G.I.S.D., and marked to the Inspection Branch, it did not appear to have reached that Branch. The matter was investigated by an officer of the rank of Deputy Director General who came to the conclusion that no individual responsibility could be fixed in the matter. According to him, prior to 1953, the Central Registry used to obtain receipts for the letters and files sent to various Branches, but this system involved certain delays and resulted in arrears of work. The system was, therefore, abolished in 1953 and all letters, files, etc. were now being sent by the Registry through messengers without obtaining any receipts. The Committee desired to be furnished with a copy of the investigation report and the action taken by Government in this case.

114. In extenuation of the delay on the part of the Ministry of Railways (Railway Board) in attending to the query of the Railway Adviser and giving suitable instructions in the matter, the representative of the Ministry of Railways stated that the first communication from the Railway Adviser, dated 14-12-1955 was addressed to the Inspecting Officer at Vienna and was endorsed to the Railway Board for information only. In the absence of detailed investigation etc. by the officers in the field (the Inspector at Vienna) and the relevant information as to the costs involved the Railway Board could not give any directions. It was also emphasised that in the matter of packing, it was always safe to leave it to the discretion of the manufacturers who had an intimate knowledge of the characteristics of the material being transhipped. The subsequent letter from the Railway Adviser was received in the Ministry on 21-7-1956. It was examined in three Directorates, viz., Stores, Mechanical and Finance and the final decision reached on 22nd August, 1956, was communicated to the D.G.I.S.D. on 24-8-1956.

Purchase of Railway Stores at higher cost for reasons of early delivery—Para 18 of Audit Report.

115. The D.G.I.S.D. invited tenders for the supply of certain machined and unmachined bar frames for the Chittaranjan Locomotive Works to be delivered at the rate of 7 to 8 sets per month commencing from August, 1955. The lowest offer for the machined

frames were from two U.K. firms—both under the same management—at a price of £1,100 per set. Acceptance of the offers was communicated to the firms on 23rd March, 1955. On 30th March, 1955 the firms wrote back that they would not be able to comply with the delivery terms previously offered by them. The revised terms were referred to the indentors who desired that the firms might be asked to guarantee the deliveries. The firms, however, could not offer this guarantee and the order for 55 sets placed on one of the firms was cancelled. (The order on the other U.K. firm for 15 sets was not cancelled.) The D.G.I.S.D. then started negotiations with a German firm, who guaranteed to supply 55 sets before the 31st March, 1956 and also agreed to reduce its price from £1,200 to £1,150 per set. This offer was accepted. Actually, however, the German firm delivered only 36 sets by the 31st March, 1956 and supplied the remaining by August 1956. According to Audit, although a higher price as compared to the lower rate of U.K. firm was allowed to the German firm solely in consideration of early delivery, the usual 'price preference clause' was not incorporated in the contract. Thus it was not possible to recover from the firm the difference between the contract amount and the lower offer. It was also not possible to recover any liquidated damages from the firm in view of the certificate recorded by the C.L.W. Administration that it suffered no losses owing to the delay in the supply of materials.

116. In extenuation, the Secretary to the Ministry of W.H. & S. stated that since the British firm was not able to guarantee the supply—in fact it was considered doubtful if it could supply the sets at all—its contract was cancelled. Thereafter, only the German firm which had offered to supply the sets at the rate of £1,200 per set remained to be contacted. Although the period of offer had expired, further negotiations were made with this firm who not only agreed to supply the sets but agreed to reduce the price to £1,150. Thus the contract entered into with the German firm was a fresh contract not related to their earlier offer and since there was no other party who could supply the goods, there could be no justification for the inclusion of a price preference clause in the contract.

117. With regard to the performance of the German firm, the Secretary to the Ministry of W.H. & S. stated that the firm had represented that the work was held up for some time owing to certain reasons beyond their control, viz., strikes and labour troubles and very severe winter during the year which had affected the production of several other factories also. These explanations were considered by the Ministry of W.H. & S. in consultation with the Ministries of Finance and Law and it was felt that due to the *force majeure* clause

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in the contract no damages could be claimed from the firm for the delay on its part to supply the stores. Moreover, the C.L.W. had also certified that they had suffered no loss on this account.

118. In view of the certificate furnished by the C.L.W., the Committee enquired from the representatives of the Ministry of Railways whether the bars were really needed so urgently by them as to justify payment of higher rates. The representative of the Ministry explained that the C.L.W. worked on a basis of six months minimum stock and it was for that reason that the delay in the supply did not affect their manufacturing programme and they incurred no loss.

Eastern Railway—Extra expenditure on the purchase of caustic soda cells—Para 23 of Audit Report.

119. An indent for the supply of Caustic Soda cells was placed by the Controller of Stores, Eastern Railway on the D.G.S. & D. in December, 1954. Tenders were invited in March, 1955 and opened on 3rd May, 1955. The offers were open upto 3rd July, 1955 but the purchase proposals were not initiated until 20th August, 1955. On 13th October, 1955, the offers were referred to the indenter who recommended acceptance of the tender for a proprietary brand of stores. Necessary proprietary article certificate was thereupon called for by the D.G.S. & D. from the indenter which was received on 8th February, 1956. Meanwhile, the date of the offers having expired, the tenderers demanded increased prices and the purchase had to be made at an extra cost of Rs. 14,710.

120. The D.G.S. & D. explained that after a thorough examination of the case, the Secretary, Ministry of W.H. & S. had given a decision that the responsibility for the loss incurred by the Railway Administration in this case lay squarely on the D.G.S. & D. While admitting the responsibility, the D.G.S. & D. explained that the delays that occurred in this case were due to mistaken but all the same good intentions. It was mostly because of the efforts to persuade the Railways to accept alternative brand of cells which was cheaper and economical. However, the matter was now being reviewed from the disciplinary aspect with a view to fixing responsibility for the lapses at various stages in this deal and to award suitable punishments to the delinquents.

121. In reply to a question why the Railway Administration did not furnish the 'proprietary article certificate' in the first instance which could have avoided the delay, the representative of the Ministry of Railways stated that the D.G.S. & D. had drafted certain standard specifications which conformed to this proprietary brand. These

specifications were used with a view to encouraging other parties to manufacture the stores which could not have been possible after furnishing a proprietary certificate.

Ganga Bridge Project—Para 33 of Audit Report.

122. The para in the Audit Report cited above described the salient features of the Ganga Bridge Project which had been completed and opened to traffic in May 1959. The Committee took note of the fact that the Railways had successfully completed the project ahead of the time schedule and within the estimates

North-East Frontier Railway—Avoidable payment to a contractor through arbitration—Para 19 of Audit Report.

123. A contract for the manufacture and supply of quarry products for the period November 1953 to October 1954 was given to a contractor. The contract stipulated *inter alia* that the explosive required for the work would be provided on payment by the Railway but any failure or delay on the part of the Administration in giving the necessary materials etc. would not entitle the contractor to damages or compensation. In April, 1954 the contractor demanded additional payment, outside the contract, on the ground that he had to remove heavy over-burden for opening new faces and that he had sustained heavy losses due to delay in the supply of explosives. The description of the work in the previous year's contract included a stipulation 'with all leads and lifts and descents including clearing of jungles, earth and thickness etc.' whereas these words were omitted in the contract in question. While the Railway Administration was of the opinion that the removal of the over-burden and jungle clearance formed integral part of the contract for the supply of pitching stones, the contractor argued that the omission of the words which used to be in earlier contracts gave him the impression that the work would either be paid for separately or got done by the Administration through some other agency. The case was referred to arbitration at the request of the contractor and the arbitrator gave an award for Rs. 60,000 in favour of the contractor.

124. The representative of the Ministry of Railways explained how the change in the wording occurred. With the merger of the ex-Assam Railway with the O.T. Railway and the formation of N.E. Railway the form prevalent on the O.T. Railway was adopted by the new Railway Administration. Although the Railway Administration was quite clear that the manufacture and supply of stones covered all the ancillary works like removal of over-burden etc. and disputed the claims made by the contractor with regard to the loss suffered by him on idle labour, it was unfortunate that the arbitrator according to his

own judgment gave an award against the Government. It was felt that the procedure for referring cases to arbitration was not quite happy and the Ministry of W.H. & S. were considering certain modifications in the existing procedure.

The Committee then adjourned to meet again at 10.00 hours on the 23rd July, 1959.

**Proceeding of the Tenth Sitting of the Public Accounts Committee
held on Thursday, the 23rd July, 1959.**

125. The Committee sat from 10.00 to 13.00 hours,

PRESENT

Dr. P. Subbarayan—*Chairman.*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Jaipal Singh
12. Shri Yadav Narayan Jadhav
13. Shri Shraddhakar Supakar
14. Shri Amolakh Chand
15. Shri Rohit Manushankar Dave
16. Shri T. R. Deogirikar
17. Shri Surendra Mohan Ghose
18. Shri Jaswant Singh
19. Shri S. Venkataraman.

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

**Shri P. C. Padhi, *Addl. Dy. Comptroller & Auditor General
(Railways).***

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri K. B. Mathur, *Chairman (Railway Board)*
 Shri J. Dayal, *Financial Commissioner*
 Shri Karnail Singh, *Member (Engineering)*
 Shri M. N. Chakravarti, *Member (Staff)*
 Shri S. R. Kalyanaraman, *Addl. Member (Commercial)*
 Shri E. W. Isaacs, *Addl. Member (Mechanical)*
 Shri D. R. Kohli, *Addl. Member (Works)*
 Shri C. T. Venugopal, *Director (Finance)*
 Shri Qurban Singh, *Director, Railway Stores.*

Ministry of Finance (Deptt. of Economic Affairs)

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

Avoidable expenditure on acquisition of land—Para 20 of Audit Report, 1959.

126. 575.48 acres of land were acquired by the ex-Gaikwar Baroda State Railway between April to June, 1949 for the construction of lines from Bhaili to Bhardran and Sojitra to Dholka as a famine relief measure. On the merger of the State Railway with the ex-B.B. & C.I. Railway the necessity of the project was reviewed afresh and the Ministry of Railways decided in July, 1949 that no further work should be undertaken. The question whether the land should be utilised for laying Railway lines or for the construction of the roadways by the Bombay Government remained under correspondence from October, 1949 to February, 1953, when in the absence of any decision the Railway asked the State Government to notify the surrender of the land. The State Government, however, stated that as the possession of the land had already been taken, land acquisition proceedings could not be abandoned but the return of the land could be negotiated with the land owners.

127. At the time of merger, the ex-Baroda State Government had made over to the Central Government a sum of Rs. 112.7 lakhs in the form of reserve fund to be utilised for capital improvements, extensions and developments exclusively of the Baroda Railway system. Since there was a possibility that in view of this undertaking the construction of the line might be resumed, the Railway Board ordered a further investigation of the traffic prospects of the project. It was

finally decided in July, 1958, on the basis of traffic survey reports that the construction of the line was not justified. A joint survey by the Railway Administration and the State Government with a view to finding out the most practicable course for the relinquishment of the construction of a roadway.

128. The representative of the Ministry of Railways admitted that there had been delays at various stages in arriving at a final decision but these delays were due to the persistent efforts made by the Government to explore the possibilities of providing some sort of a line of communication—either a railway line or a roadway in keeping with the wishes of the local people. The Ministry of Railways made an all out effort during the period 1949 to 52 to persuade the Bombay Government for the construction of a road on the land which had already been acquired and over which a sum of Rs. 69,343 had already been spent by the ex-State Railway Administration in connection with earthwork for the construction of a railway line.

129. The Committee pointed out that construction of roads was not a function of the Railway Administration and they desired to know why after coming to the decision that no railway line was to be constructed on the site, they did not surrender the land leaving it to the discretion of the Bombay Government either to retain it for construction of road or return to the landowners. The witness admitted that such a course could have been taken but they retained the possession of the land in the hope that it would be utilised in the construction of a roadway.

130. Explaining the reasons which led to the decision of the Railway Board to order a traffic survey in 1954, the representative of the Ministry observed that as a result of questions raised in Parliament and various representations received from time to time, the question of utilisation of the fund handed over by the ex-State Government to the Central Government was taken up with the Ministry of States, who were of the opinion that the money should as far as possible be spent on the project provided it was otherwise found justifiable and was a sound investment. It was for that reason that a detailed survey of the project was ordered by the Railway Board in 1954. However, he admitted, that there was some delay in the completion of the survey. It had since been decided to relinquish the possession of the land and return it to the landowners with suitable compensation.

The Committee desired to know as to how the sum of Rs. 112·7 lakhs given by the State Government was being utilised by the Railways Board. The Financial Commissioner promised to furnish the information to the Committee.

*Western Railway—Premature construction of a locomotive shed—
Para 21 of Rudit Report.*

131. A diesel locomotive shed was constructed at Radhanpur during 1955 and equipped with storage tanks etc. at a total cost of Rs. 3,37,255. Originally the idea was to import 45 diesel locomotives for the Palanpur-Gandhidham section and it was accordingly planned that 40 locomotives would be housed in the shed constructed at Gandhidham and the remaining 5 at Radhanpur. Actually, however, only 20 locomotives were imported. It was pointed out in the Audit Report that the Ministry of Railways had advised the Railway Administration in October, 1952 and reaffirmed again in 1954 that only 20 diesel locomotives were being ordered in the first instance and that further orders would be placed only after those locomotives were proved satisfactory in service. Although some of the equipment and storage tanks had since been transferred to other sheds the shed remained unutilised so far.

132. In extenuation the representative of the Ministry of Railways stated that the decision to construct the shed was taken by the General Manager in 1954. Although the Ministry of Railways had informed the Railway Administration of their decision to import only 20 locomotives in the first instance, nevertheless it was not the intention to stop the purchase of more locomotives. In fact the Railways required these engines in greater numbers; but owing to the difficult foreign exchange position they could not proceed with their plans. It was admitted that there was an error of judgment on the part of the G. M. in this case. With regard to the utilisation of the shed, the Committee were informed that during the Third Plan period it would be possible for the Railways to procure more diesel locomotives and utilise the shed. In the meantime, whatever assets could be reclaimed were being transferred to other places.

Avoidable expenditure on Railway freight—para 22 of Audit Report.

133. The D.G., I.S.D. entered into a contract with a German firm for the supply of 4465 tons of mild steel plates for the Railways. According to the information furnished by the Deputy Director of Railway Stores attached to the office of the Iron and Steel Controller, Calcutta, 332 tons of the material was required at Bombay, for issue to manufacturers there. Despite this information the Ministry of Railways cabled to the D.G., I.S.D. on 30th September, 1957 to ship

the entire quantity to the Calcutta Port, as the Iron and Steel Controller was nominated as the consignee for the material. Later on, the Ministry of Railways with the concurrence of the Ministry of Steel, Mines and Fuel revised their instruction and directed the supplying firm through an ordinary letter to despatch part of the quantity to Bombay instead of Calcutta. The revised instructions reached the firm on 4th November, 1957 after the shipment had been effected on the same date. Consequently the steel plates had to be retransported from Calcutta to Bombay resulting in an avoidable expenditure of Rs. 29,571 on railway freight.

134. The representative of the Ministry of Railways explained that in this case the purchase of the mild steel plates (an unidentifiable item) was arranged by the Railway Purchase Mission, which went abroad on behalf of the Iron and Steel Controller and thus the Railways had acted simply as agents of the Ministry of Iron and Steel. At a meeting held with the officers of the Department of Iron and Steel on the 18th September, 1957 it was decided that the Controller of Iron and Steel, Calcutta would be the consignee for these stores and that the plates might accordingly be directed to Calcutta. The cable issued by the Ministry on the 30th September, 1957 to the suppliers was in accordance with the decisions reached at this meeting. Subsequently, however, they discovered that it would be cheaper if a certain quantity of these plates could be diverted to Bombay. After obtaining the approval of the Controller of Iron and Steel revised instructions were issued to the suppliers on the 28th, 29th and 30th of October, 1957. While in the case of two other firms involving consignments worth 597 tons the diversion from Calcutta to Bombay was effected, it was not possible in the case of the German firm as the shipments had been made before the instructions could reach it. The witness admitted that it would have been prudent on the part of the Railways to have sent the revised instructions through a cable instead of an ordinary letter. The Comptroller and Auditor General brought to the notice of the Committee that the Iron and Steel Controller had agreed on the 8th October, 1957 to the diversion of the stores to Bombay but the Railway Ministry issued revised instructions only after 20 days and that too through an ordinary letter. The representative of the Ministry of Railways admitted that there had been delay in the handling of this case.

*Central Railway—Extra Expenditure due to error in the indent—
Para 24 of Audit Report.*

135. The Audit para disclosed that due to an error on the part of a stores depot, heavy and medium axle oil was indented in quantities much less than the requirements. The mistake was also not

detected in the office of the Controller of Stores where under the rules the annual requirements were to be checked on the basis of actual consumption in the previous years. The error came to light only when the supplies were found inadequate to meet the demand. Thereafter *ad hoc* demands had to be placed on the D.G.S. & D. and the oil purchased at higher rates resulting in an extra-expenditure of Rs. 1,10,787.

136. The representative of the Ministry of Railways informed the Committee that suitable disciplinary action was being taken both against the officials of the Depot who made the initial mistakes as well as the staff of the Controller of Stores for having failed to carry out the prescribed checks.

Eastern Railway—Deterioration of woollen cloth owing to defective storekeeping—Para 25 of Audit Report.

138. Verification of stock in a Store Depot during 1955-56 revealed that 10,514 yards of woollen cloth had been damaged by moth. In making garments out of this cloth the estimated loss representing the value of extra lengths required over the standard scale would be Rs. 27,405. A Departmental Enquiry Committee appointed to enquire into this case submitted its report in April, 1957.

The representative of the Ministry of Railways informed the Committee that the Railway Board were neither satisfied with the findings of the enquiry Committee nor did they accept the recommendations of the General Manager thereon. The case had, therefore, been returned for review in June, 1959.

Western Railway—Loss due to supply of defective sleepers—para 26 of Audit Report.

139. On a report from the Special Police Establishment that certain irregularities had occurred in the execution of two contracts for the supply of wooden sleepers, an inspection of about 67 per cent of the sleepers on hand and a number of sleepers put on the track was carried out. It was found that a number of sleepers were below specifications. While some sleepers bore marks of rejection others had no marks at all. The matter was reported to be under investigation by the Special Police Establishment.

140. The representative of the Ministry of Railways informed the Committee that pending investigation of the case by the Special Police, the Ministry had been prevented from taking departmental

action against the officers who were responsible for the inspection and acceptance of defective sleepers. The Committee enquired whether these officers were still carrying out the same duties or transferred to other appointments. The witness promised to furnish the information. The Committee were also anxious to know whether any of the defective sleepers which could be unsafe were still on the track. It was explained that regardless of a sleeper having been inspected at the time of receipt, before putting it on the track the Permanent Way Inspector always ensured that it was fit in all respects. The permanent way inspector was more concerned with the safety of the track than the officers who inspected the supplies and it was not unusual that a passed sleeper was considered unusable because certain defects were either overlooked or occurred subsequently in transit. In other cases depending on the stock position the permanent way inspector might even use an un-passed sleeper which could be utilised without any risk.

*Eastern Railway—Extra expenditure on unskilled casual labour—
para 27 of Audit Report.*

141. In a notification issued on the 27th December, 1954 the Government of India reduced the minimum rate of wages payable to daily rated labour employed on road construction, building operations etc. in Bihar and some other States from Rs. 1-12-0 to Rs. 1-8-0 per day. The Ministry of Railways endorsed this notification to the General Manager on the 12th May, 1955 and the latter forwarded it to the Divisional Superintendent, Asansol on 2nd December, 1955, who in turn circulated it to the subordinate engineering offices in January, 1956. Despite these orders four offices continued to make payment at the higher rates upto June, 1956 when it was questioned by Audit. Three of them continued to make payment at higher rates upto March 1957, which resulted in extra expenditure.

142. In extenuation the representative of the Ministry of Railways stated that the minimum wage was not necessarily the wage payable to labour. In certain cases payments had to be made at the prevalent market rates depending on the demand and supply of labour. The extra expenditure incurred by the Administration on this account should not therefore be considered as an overpayment.

143. As regards the delay that had taken place at every stage in circulating the Government orders, the witness explained that the Gazette notification was a lengthy one and it did not come to notice in the first instance that certain reductions had been ordered with

regard to the minimum wages payable to casual labour in the districts of Bihar. It was only after the notification was referred to the Ministry of Railways by the Ministry of Labour and Employment in April, 1955 that necessary action was taken to circulate it to the authorities concerned. The General Manager, Eastern Railway, was investigating the reasons for delay so far as his Railway Administration was concerned, with a view to fixing responsibility in the matter. The representative of the Ministry of Railways also assured the Committee that such mistakes would not recur in future.

Loss owing to delay in the payment of bills for the supply of electricity—para 28 of Audit Report.

144. The Companies supplying electricity to Railways generally allow their customers a cash rebate if bills are paid within a specified period and levy a surcharge or forfeit the rebate if payments are delayed beyond the stipulated period. The Audit para disclosed the losses incurred on different Railways owing to the delay in the payment of electricity bills.

In extenuation the representative of the Ministry of Railways stated that most of the Railways had reported that due to organisational changes it was not possible to fix individual responsibility for the delays. Instructions had been issued to the Railways to the effect that the payment of bills should not be delayed beyond the due date on the plea of pre-check and differences in the accounts could always be adjusted in subsequent bills.

Central Railway—Non-recovery of siding and demurrage charges (ex-Nizam State Railway)—para 29 of Audit Report.

145. The Audit para disclosed that owing to the failure of the station staff to submit the periodical statements to the Chief Transportation Superintendent about the detention of wagons in the sidings, heavy amounts on account of siding and demurrage charges were outstanding against certain industrial undertakings. In some cases the charges related to the period as far back as November, 1951.

146. In extenuation the representative of the Ministry of Railways stated that the three Collieries (Bhadrachallam, Bellampalli and Singarreni) in whose cases the outstanding amounts were the largest had contested the basis for the fixation of detention charges as well as the individual items of detention for which claims were preferred. According to an order issued by the Accounts Department in 1942 the conditions prescribed for the Singarreni

and Bellampalli Collieries were—24 hours free time and demurrage charges at the rate of Rs. 2-8 per day. Subsequently, general orders were issued in respect of all sidings reducing the free time from 24 to 8 hours and raising the demurrage charges to Rs. 16 per day. The collieries, however, did not accept the revised terms. According to the legal opinion, since these collieries had entered into agreements with the ex-State Governments, it was not permissible for the Central Government up to the year 1960 to increase the rates without obtaining their consent. The charges had, therefore, to be recovered at the old rates viz. Rs. 2-8 per day after allowing 24 hours free time from the collieries. The items of detention had also been settled through negotiations with the collieries and it was anticipated that there would be no difficulty in recovering the amounts.

The Committee then adjourned to meet again at 10.00 hours on the 24th July, 1959.

Proceedings of the Eleventh Sitting of the Public Accounts Committee held on Friday the 24th July, 1959

147. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Dr. P. Subbarayan—Chairman

MEMBERS

2. Shri T. Manaen
 3. Shri Maneklal Maganlal Gandhi
 4. Pandit Jwala Prasad Jyotishi
 5. Shri Shamrao Vishnu Parulekar
 6. Shri T. R. Neswi
 7. Shri Raghubar Dayal Misra
 8. Shri T. Sanganna
 9. Shri Jaipal Singh
 10. Shri Yadav Narayan Jadhav
 11. Shri Shraddakar Supakar
 12. Shri Amolakh Chand
 13. Shri Rohit Manushankar Dave
 14. Shri T. R. Deogirikar
 15. Shri Surendra Mohan Ghose
 16. Shri Jaswant Singh
- Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri P. C. Padhi, *Addl. Dy. Comptroller and Auditor-General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES*Ministry of Railways (Railway Board)*

- Shri K. B. Mathur, *Chairman (Railway Board)*.
 Shri J. Dayal, *Financial Commissioner*.
 Shri Karnail Singh, *Member (Engineering)*.
 Shri M. N. Chakravarti, *Member (Staff)*.
 Shri S. R. Kalyanaraman, *Addl. Member (Commercial)*.
 Shri E. W. Isaacs, *Addl. Member (Mechanical)*.
 Shri D. R. Kohli, *Addl. Member (Works)*.
 Shri C. T. Venugopal, *Director (Finance)*.

Ministry of Finance

- Shri Shiv Naub Singh, *Joint Secretary*.

Central Railway—Non-recovery of siding and demurrage charges (ex-Nizam State Railways)—para 29 of Audit Report (Railways), 1959.

148. The Committee resumed further consideration of the audit para cited above. The representative of the Ministry of Railways stated that it would be possible to finalise the accounts and recover the outstanding amounts on account of demurrage charges from the industrial undertakings within a period of six months. He also informed the Committee that two senior Scale Officers were further enquiring into the matter with a view to fixing responsibility of the officers concerned for non-recovery of the charges from the collieries in the past.

Arrears in the recovery of rent for lands leased for growing food crops—Para 30 of Audit Report (Railways), 1959.

149. The audit para disclosed that on most of the Railways, the particulars of rents collected and remitted by the State Governments in respect of railway lands leased for growing food crops were not being linked regularly with the credit advices issued by the Accountants-General concerned. The records of lands leased to State Governments were not maintained properly and rent recoveries on a number of Railways were in arrears.

150. The representative of the Ministry of Railways admitted that there had been slackness in the past but he added that the records were being brought up-to-date. An Officer on Special Duty had been appointed in the Railway Board's office to follow up the cases by personal liaison between the Railways and State Governments. The witness promised to furnish a note to the Committee after the matter was finally settled.

Loss in the working of departmental catering on Railways—Para 31 of Audit Report (Railways), 1959.

151. The Railway Board decided in July, 1955 to introduce departmental catering on all Railways on a 'no profit no loss' basis. Departmental catering was accordingly introduced on a limited scale at certain Stations on the Northern, Central, Western and North-Eastern Railways during the years 1955-56 and 1956-57. It already existed on the Southern and S.E. Railways. The Audit Report disclosed that the service was not running at a 'no profit no loss' basis as contemplated. The loss incurred on five Railways during the years 1955-56 to 1957-58 was approximately as under :

1955-56	Rs. 7,98,792
1956-57	Rs. 10,18,742
1957-58	Rs. 13,11,343.

152. In extenuation the representative of the Ministry of Railways informed the Committee that in May, 1958 an Officer on Special Duty had been deputed to enquire into the procedure for maintaining of accounts of departmental catering and to examine the feasibility of reducing substantially, if not eliminating altogether, the losses being incurred on the service. The officer had recommended that the accounts of departmental catering should be maintained in a uniform manner so that comparisons between one Railway and another and between different periods could be possible. As regards elimination of losses the officer had *inter alia* suggested the following measures:

- (i) Tightening up of purchase arrangements;
- (ii) adoption of the principle of sale by vendors and waiters on a commission basis to the maximum extent possible;
- (iii) consumption of the cheapest type of fuel;
- (iv) suitable modifications in the menu; and
- (v) tightening up of schedule of commodities.

Suitable steps were being taken by the Ministry of Railways to implement the recommendations of the Officer on Special Duty. Certain recommendations of the Officer on Special Duty, which related to individual Railways had been passed on to the Railway Administration for necessary action.

153. Members raised several points and quoted instances *viz.*, deterioration in the quality of food, serving of refreshments and meals to VIPs, Railway staff etc. at concessional rates, thefts of

utensils, etc., and attributed them to the inefficient working of departmental catering on Railways. The representative of the Ministry stated that while every endeavour was being made to improve the position it was not possible to make any categorical commitment about the time that would be taken to eliminate the losses in the working of the service completely. An important factor was the scales of pay for workers etc. which affected the working of the departmental catering to a great extent. As regards the quality of food the Committee's attention was drawn to the decision of Government to set up Catering Committees for every Station, where departmental catering had been introduced.

Central Railway—Khandwa-Hingoli Railway Construction—Para 34 of Audit Report.

154. The metre gauge line of 187 miles from Khandwa to Hingoli was intended to provide a through route between the M.G. systems of North and South India. Traffic surveys of the project were conducted by the ex-B.B. & C.I. and N.S. Railways in the years 1946 and 1947 and an estimate of Rs. 6.77 crores (including provision of rolling stock) was prepared on their basis in 1952. The estimate was revised to Rs. 10.5 crores in 1954 due to increase in the rates of material and labour. In March, 1954, the Railway Board sanctioned the construction of the line at a cost of Rs. 8.90 crores excluding provisions for rolling stock, as the line was being constructed mainly on operational grounds. The construction commenced on the 17th March, 1954. Subsequently, however, it was reported that owing to lapse of about seven years after the original survey was conducted, complete re-allocation of the lines involving deviation from the original alignment at several places was necessary. It was also found that the technical details furnished earlier required drastic revision. The second revised abstract estimate amounting to Rs. 12.39 crores was, therefore, submitted in May, 1957 which was sanctioned in July, 1957.

155. Explaining the reasons for the increase in the estimated cost of the project, which had almost been doubled, the representative of the Ministry of Railways stated that the increase was mainly due to (i) low rates adopted in the initial estimates, (ii) subsequent increase in the rates, and (iii) increase in quantities. It was explained that the first estimate was prepared on the basis of the surveys conducted by the ex-B.B. & C.I. Railway which were not considered adequate. The Committee were also informed that although the construction of the line was considered an operational necessity, the work was held up due to non-availability of funds. It was now expected that the project would be completed by the end of 1960.

Other cases of losses—para 36 of Audit Report.

156. The Committee enquired about the protective measures adopted by the Administration to check the quantum of losses on the Railways due to thefts, especially by the Railway staff, of Railway Stores and fittings. It was pointed out that in certain cases the same articles were being resold to the Railways by the suppliers. The Chairman, Railway Board admitted that the incidents of thefts from the coaches were fairly high. The Railway Police force had been strengthened and every effort was being made to check such cases. Railway staff who were found guilty were also being punished very severely. Railway Stores like fans, bulbs etc. were also being marked prominently to ensure that the same articles were not resold to them by the suppliers. The Chairman, Railway Board also promised to look into the cases of losses brought to his notice by the Members of the Committee.

Excesses Over Voted Grants and Charged Appropriation—Paras 8 and 9 of the Audit Report.

157. In the year 1957-58 there were excesses over nine Voted Grants and three charged Appropriations as set forth in the statements at pages 6 and 7 of the Audit Report (Railways), 1959. In the explanatory notes giving the reasons for the excess expenditure for each item furnished by the Ministry of Railways, it was stated *inter alia* that in pursuance of the principle enunciated by the P.A.C. in their Ninth Report (Second Lok Sabha) viz., that the Committee might take into account at the time of recommending the regularisation of excesses such of the mis-classifications in the accounts which either attract or avoid the necessity of regularisation of the expenditure by Parliament, the amounts requiring Vote of Parliament should be amended as under:

<i>Grants</i>	<i>Excess Amount to be regularised by Vote of Parliament</i>	
	<i>As in the Audit Report</i>	<i>After taking into consideration important mis- classifications</i>
4. Revenue—Working Expenses—Administration	46,54,785	44,66,228
5. Revenue—Working Expenses—Repairs and Maintenance	3,89,92,255	3,67,54,149
7. Revenue—Working Expenses—Operation (Fuel)	49,22,538	56,04,858
8. Revenue—Working Expenses—Operation other than staff and fuel	1,33,53,349	1,43,29,288
9. Revenue—Working Expenses—Miscellaneous Expenses.	24,00,827	1,88,274
12. Revenue—Dividend payable to General Revenues.	15,74,370	15,74,370
15. Construction of New Lines.	11,89,205	15,55,279
16. Open Line Works—Additions.	5,08,90,813	5,09,15,374
17. Open Line Works—replacements.	5,53,63,131	5,66,95,048

158. At the outset the Financial Commissioner (Railways) briefly described the salient features of budgeting and accounting of Stores on the Railways which had made estimation difficult. He stated that Railways operated on three important 'suspense heads' viz., 'Stores Suspense', 'Manufacture suspense' and 'Suspense-Miscellaneous Advances' which resulted in overlapping of Demands and inflation of Budget Estimates. Any excess or shortfall in expenditure was also greatly magnified. This system had made the estimation and control over expenditure difficult. He also stated that in the matter of provision of stores, Railways depended on several authorities like the D.G.S. & D. who were sometimes unable to give a precise forecast about the supplies. It was, however, hoped that with the introduction of a regular programme of reports and returns by the purchase organisations abroad in pursuance of the recommendation contained in para 5 of the 15th Report of P.A.C. the position would improve. If a similar procedure of furnishing regular forecasts of debits etc. could be adopted by the D.G.S. & D. in respect of stores procured indigenously it would go a long way in improving budgeting for purchase of stores. Thereafter the Financial Commissioner explained the reasons for the specific excesses occurring under Grant Nos. 5, 8, 16 and 17.

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

159. The Financial Commissioner (Railways) stated that owing to considerable increase in the rolling stock, buildings and other assets the expenditure on repairs and maintenance had also risen. About Rs. 4.25 crores worth of additional general purpose stores were issued for repairs and maintenance which had already been paid for under Grant No. 16. He pointed out that but for the complication created by the 'Suspense Head' it would have been possible to assess the requirements of these stores and provision made in the estimates.

The Committee desired to know why the Railways were spending such huge amounts on repairs and maintenance of buildings and whether they could not prescribe a percentage for such expenditure in relation to the capital costs of buildings etc. as was done by the C.P.W.D. The C. & A.G. pointed out that a similar suggestion had been made by him as early as 1956 and he was informed in March, 1959 that the matter was still under consideration by the Railway Board. The F.C. promised to consider the suggestion made by the Committee.

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

160. The F.C. explained that the excess under this Demand was mainly due to additional payments made by the Railways in respect of compensation for goods lost or damaged, as a result of special drive instituted towards the close of the year to dispose of pending claims. Steps had now been taken to impress upon the spending authorities that while special drives were being instituted care should be taken that the expenditure did not exceed the provision made in the budget.

Grant No. 16—Open line works—additions.

161. The total provision under the Demand was of the order of Rs. 382 crores. It was explained that the excess expenditure of about Rs. 5 crores under this Grant included an excess debit raised by the A.G.C.R. in respect of material to be received under the TCM programme which actually did not materialise. In case this debit was excluded the excess under the Demand would come to only Rs. 3.52 crores, a very small percentage.

Grant No. 17—Open line works—Replacements.

162. This Demand included a major item of track renewals. The excess was mainly due to the issue of more material than anticipated from stocks. He, however, informed the Committee that the Accounts for the subsequent year *viz.* 1958-59 would show better results.

Grant No. 4—Revenue working expenses—Administration.

163. Referring to a major item of expenditure under this Grant *viz.* Rs. 2½ lakhs on account of engagement of additional staff the Committee desired to know (i) the reasons for the appointment of staff towards the close of the year and (ii) the reasons for not obtaining a Supplementary Grant to cover the expenditure which could have been foreseen. In extenuation the F.C. (Railways) stated that the under-estimation occurred due to mis-posting of accounts and non-maintenance of the Liability Registers properly. This item of expenditure was not correctly posted by the Accounting staff in the Liability Registers and so it was overlooked at the time of submission of initial estimates as well as Supplementary Demands. Suitable action was being taken against the delinquent officials.

The Committee then adjourned to meet again at 10.00 hours on the 25th July, 1959.

**Proceedings of the 36th sitting of the Public Accounts Committee
held on Saturday, the 5th December, 1959.**

164. The Committee sat from 15.00 hours to 17.15 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri Radha Raman
3. Shri T. R. Neswi
4. Shri Raghubar Dayal Misra
5. Shri T. Sanganna
6. Shri Shraddhakar Supakar
7. Shri Amolakh Chand
8. Shri Rohit Manushankar Dave
9. Shri Surendra Mohan Ghose
10. Shri Jaswant Singh.

Shri P. C. Padhi—*Additional Deputy Comptroller and
Auditor-General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

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

165. The Committee considered their draft Twenty-first Report on the Appropriation Accounts (Railways), 1957-58 and Audit Report (Railways), 1959 and approved Chapters I, II and III thereof with certain modifications here and there. The Committee decided to take up further consideration of the draft Report at 9.30 hours on Tuesday, the 8th December, 1959.

The Committee then adjourned to meet again at 9.30 hours on Monday, the 7th December, 1959.

**Proceedings of the 39th sitting of the Public Accounts Committee held
on Tuesday, the 8th December, 1959.**

166. The Committee sat from 09.30 hours to 11.10 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Pandit Jwala Prasad Jyotishi
4. Shri Shamrao Vishnu Parulekar
5. Shri Shraddhakar Supakar
6. Shri Amolakh Chand
7. Shri Rohit Manushankar Dave
8. Shri T. R. Deogirikar
9. Shri Surendra Mohan Ghose.

Shri P. C. Padhi—*Additional Deputy Comptroller and Auditor General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

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

167. The Committee considered further their draft Twenty-first Report on Appropriation Accounts (Railways), 1957-58 and Audit Report (Railways), 1959 and approved it with certain modifications here and there.

168. The Committee authorised the Chairman to present the Report on their behalf to the Lok Sabha.

169. The Committee also authorised Shri Surendra Mohan Ghose to present the Report to the Rajya Sabha.

The Committee then adjourned to meet again at 15-00 hours on the same day.

PART III

Report of the Sub-Committee of the Public Accounts Committee to investigate into the case referred to in para 14 of Audit Report (Railways), 1959—Loss due to short supply of Cast Iron Sleepers ordered on indigenous sleeper manufacturers against 1955-56 programme.

I

INTRODUCTION

170. I, the Chairman of the sub-Committee of the Public Accounts Committee, having been authorised by the sub-Committee, present this Report on their behalf on the case referred to in para 14 of Audit Report (Railways), 1959—Loss due to short supply of Cast Iron Sleepers ordered on indigenous sleeper manufacturers against 1955-56 programme.

171. At their sitting held on the 21st July, 1959, the Public Accounts Committee appointed a sub-Committee consisting of the following Members of the Committee to investigate into the aforementioned case:

1. Shri Shraddhakar Supakar—*Chairman*

Members

2. Shri Shamrao Vishnu Parulekar
3. Shri Jaswant Singh
4. Shri Amolakh Chand
5. Shri Surendra Mohan Ghose.

172. The sub-Committee called for further information from the Ministry of Railways (Railway Board) (Appendices XX and XXI) and held three sittings on the 14th (both forenoon and afternoon) and 15th September, 1959. At their sitting held on the afternoon of the 14th September, 1959, the sub-Committee examined the representatives of the Ministry of Railways (Railway Board) on the further points arising from the material furnished to them.

173. The sub-Committee place on record their appreciation of the assistance given to them in the course of their examination of this case by the Additional Deputy Comptroller and Auditor-General (Railways).

II

174. As a result of open tenders invited by the Ministry of Railways in April, 1955, nine orders were placed in May, 1955 with indigenous sleeper manufacturers for the supply of 1,46,500 tons of Cast Iron sleepers by the 31st March, 1956. In terms of the contract agreements, the responsibility for arranging the raw materials rested on the contractors. With a view, however, to ensuring timely deliveries, the Ministry of Commerce and Industry and the Iron and Steel Controller were requested by the Ministry of Railways to allot 75 per cent of the raw material (pig iron) required by each contrac-

tor out of Tata off grade and the Iron and Steel Co. manganese Grade III pig iron reserved for the manufacture of C. I. Sleepers in 1955-56. The balance of 25% of the raw material and the melting losses were to be arranged by each contractor himself. This meant that each contractor was actually required to supply 4 tons of sleepers for every 3 tons of raw material arranged by the Ministry of Railways.

175. Off-grade pig iron was on free sale when the contracts were finalised on the 27th May, 1955, meaning thereby that the contractors could obtain the pig iron against those contracts on the authorisation of the Iron and Steel Controller. On the 9th June, 1955, however, (12 days after the award of the contracts) the free sale of off-grade pig iron was suspended under orders of the Government.

The following table shows the performance of the 9 contractors on whom orders were placed for the supply of sleepers against the 1955-56 programme:

Sl. No.	Contractors	Quantity of Sleepers ordered (Tons)	Quality of sleepers supplied (Tons)	Quality of pig iron released against 75% quota (Tons)	Quality of sleepers that should have been supplied on the basis of 4/3 formula (Tons)	Excess (+) or short.fall(-) in supply	
						As Compared to Qty. ordered (Col. 3-4) (Tons)	As compared to Qty. that should have been supplied on 4/3 basis (Col. 6--Col. 4) (Tons)
1	2	3	4	5	6	7	8
1.	A	2,000	Contract	Cancelled.		(-)2,000	..
2.	B	3,000	..	735	980	(-)3,000	(-) 980
3.	C	1,000	..	635	846	(-)1,000	(-) 846
4.	D	35,000	26,906	22,034	29,352	(-)8,094	(-) 2,446
5.	E	20,000	14,179	12,504	16,672	(-)5,821	(-) 2,493
6.	F	8,000	5,520	44,417	5,889	(-)2,480	(-) 369
7.	G	38,000	37,117	18,407	24,543	(-) 883	(+)12,574
8.	H	39,000	33,384	23,695	31,594	(-)5,616	(+) 1,790
9.	I	500	482	563*
TOTAL		146,500	117,588	82,975	109,876	(-)28,894	(-) 7,134 (+)14,364

*Against 375 tons due on 75 % quota.

176. It would appear from the above table that there was a general failure on the part of all the contractors to supply cast iron sleepers to the extent ordered. While two contractors (G. & H.), supplied more than the quantities of sleepers they were to supply according to the stipulated formula of 4 tons of C. I. sleepers for every 3 tons of raw material supplied to them, the others did not fulfil this condition. The total supply actually received against all the contracts was only 1:18 lakh tons. Further orders were placed in January, 1957 on two of the contractors (D. & E.) for the supply of sleepers, manufactured with their own materials, at rates which were Rs. 240

per ton higher on an average than the rates agreed to in 1955 in respect of the 1955-56 orders. On the basis of this difference in price, there would have been a saving of about Rs. 12.74 lakhs to the Government had the contractors supplied the quantity of sleepers at the rate of 4 tons of sleepers for every 3 tons of pig iron arranged by the Ministry of Railways against the 1955-56 orders.

177. In the course of evidence before the Committee (on 21st July, 1959) the representative of the Ministry of Railways explained the background of orders placed on these contractors. Soon after the receipt of the tenders, the Railway Administrations concerned were asked to ascertain the working capacity of these firms. Contractor 'A', who was found incapable of manufacturing sleepers, requested of his own accord for cancellation of the contract. Since no formal agreement had been entered into and no raw material supplied to him, the order placed on that contractor was cancelled and the earnest money was also refunded.

178. Contractor 'B', who had some previous experience in this line, was asked to deposit security money and enter into a formal agreement. He signed the agreement and deposited the security money in respect of the contract for 1,500 tons only for Northern Railway; but he did not deposit the security nor execute the agreement in respect of the other contract for 1,500 tons with the North Eastern Railway. The contractor asked for extension of delivery period in respect of the Northern Railway contract, but subsequently applied for the cancellation of the contract on the ground of labour trouble in his works. Meanwhile he received 735 tons of pig iron in free sale on the authority of the Iron and Steel Controller at controlled rates. The earnest money of Rs. 5,000 deposited by this contractor was forfeited.

179. Contractor 'C' received 635 tons of pig iron from the Iron and Steel Controller including a certain quantity out of free sale but did not supply any sleepers. The security deposit of Rs. 10,000 from the Contractor was still lying with the Railway Administration and action to be taken against the contractor was still under consideration of the Railway Board.

180. From a note (Appendix XX) furnished by the Ministry of Railways (Railway Board), the sub-Committee observed that although the orders for the manufacture of sleepers had been placed on the firms on the 27th May, 1955, some of the Railway Administrations did not have the agreements executed, while some others took more than a year to do so. The sub-Committee fail to understand why the Railway Board or the Railway Administrations could not take timely action to execute formal agreements with the Contractors and in any

case before releasing raw material to them. The failure of the Railway Administrations to finalise formal agreements placed them in an embarrassing position. Thus when contractor 'B', even after receiving 735 tons of pig iron, did not supply the sleepers, in the absence of a formal contract the Railway Administration has not been able to decide over a period of four years what steps could be taken against the contractor. *The sub-Committee are of the view that the forfeiture of the security deposit of Rs. 10,000 would not adequately meet the needs of the case.*

181. The sub-Committee also enquired whether in addition to the forfeiture of the securities of the contractors, any other penalty could be imposed on contractors 'B' and 'C' for obtaining the raw material at controlled rates either in the free sale or against the reserved quota for manufacturing sleepers and thereafter utilising the same for other purposes.

182. In evidence, it was stated that contractor 'B' had procured pig iron from free sale even before the order for manufacture of sleepers was placed on him. Later, the Iron and Steel Controller adjusted this material against the quota of 75% which the contractor was to receive for manufacturing sleepers. But for the order for the manufacture of sleepers subsequently placed on the contractor, he could have utilised the pig iron for whatever purpose he liked. It was, therefore, urged by the Ministry that no extra penalty could be imposed on the contractor for utilising the raw material for purposes other than the manufacture of Railway sleepers. The sub-Committee find it difficult to accept this explanation. They observe from the correspondence between the Ministries of Railways, the Iron and Steel Controller and the contractors that pig iron acquired by various firms since 1st April, 1955 from free sale stock against 1954-55 or earlier orders and taken over after 1st April, 1955 in 1955-56 was adjusted against the supply of pig iron for manufacturing cast iron sleepers against the 1955-56 contract. In the face of this stipulation, the contention of the Railway Board is untenable. *The sub-Committee, therefore, feel that mere forfeiture of earnest money deposited by contractor 'B' would be too inadequate a penalty in the circumstances of the case.*

183. As regards contractor 'C' who had obtained 635 tons of pig iron against the reserved quota for manufacture of C. I. Sleepers, the sub-Committee were informed that the Iron and Steel Controller who was consulted by the Railway Board had expressed an opinion that since no condition was imposed by him at the time of allotting pig iron to the firms that it should be used for making Railway sleepers only, he could not suggest any penalty under the Iron and Steel Control Order. The Railway Board, could, however, take action against the contractor on the basis of the contract agreement *viz.*,

debarring him from all future contracts, blacklisting etc. The sub-Committee are surprised to learn this. As stated above, it was the stipulation made by the Iron and Steel Controller that pig iron supplied after 1st April 1955, including the quantity relating to earlier orders, was to be treated as supplies against the 75% quota agreed to in respect of the 1955-56 order. If so, it is not clear to the sub-Committee how he is reported to say that no condition was attached to the supply of pig iron made in 1955-56. From the material made available to the sub-Committee, they observe that these (B. & C.) were the only two contractors who did not supply any sleepers and had apparently made use of the pig iron for unauthorised purposes.

184. *The sub-Committee suggest that the Railway Board, in consultation with the Ministries of Steel, Mines and Fuel, Law, etc. should devise suitable measures to safeguard against such contingencies arising in future. Strict instructions should be issued to the Railway Administration impressing upon them the importance of executing formal agreements with private firms before the commencement of the works and supply of the material to the contractors as stipulated in the contract. Even in cases where a work is to be started on emergency basis adequate precautions should be taken to ensure that any material supplied to the contractor is properly utilised by him towards the fulfilment of the contract.*

185. Even assuming that no penalty could be imposed under the Iron and Steel Control Order, it is evident that the contractors have failed to fulfil the contracts. *The sub-Committee see no reason why the Railway Board cannot proceed against them for breach of contracts and claim suitable damages.*

186. With regard to contractors 'D, E, & F' who did not supply C. I. sleepers in full on the basis of 4 tons of sleepers for every 3 tons of pig iron made available to them, the sub-Committee understand that the Ministry of Law to whom the case was referred in February, 1959 were of the opinion that according to the *force majeure* clause of the agreement, the contractors could not be held liable for any shortfall in the supplies attributable to the stoppage or hindrance in the supply of raw materials. They also consider that the contractors could not be called upon to supply 4 tons of sleepers for every 3 tons of pig iron arranged by Government because there was no such provision in the formal agreements. The sub-Committee enquired the reasons for this omission. In a note (Appendix XXI) furnished by the Ministry, it has been urged in extenuation that in the tender notice as well as in the letter addressed to the Iron and Steel Controller regarding supply of pig iron to the firms, a copy of which was endorsed to the firms, it was made clear that pig iron to the extent of 75% of the contracted quantity would be made available by Govern-

ment and the balance will be arranged by the contractors themselves. It was, therefore, considered that the contract agreements covered the position as notified to the parties concerned. The sub-Committee are, however, not satisfied with this explanation. *In their opinion it was a serious omission which requires further examination by the Ministry.*

187. The sub-Committee observe that several representations were made by the contractors to the Ministry of Railways regarding the difficulties experienced by them in the procurement of raw material and the abnormal rise in prices of iron scrap as a result of the ban imposed by Government on the free-sale of pig iron in June, 1955. Apparently neither the Railway Administration nor the Railway Board investigated the position alleged by the contractors to ascertain whether the supply position of iron scrap in the market had really undergone a substantial change consequent on the imposition of the ban by Government on the free sale of off-grade pig iron. To a pointed question asked by the sub-Committee whether the Ministry of Railways had any information of the free market price of pig iron and iron scrap both before the imposition of the ban and thereafter no satisfactory reply was forthcoming. The sub-Committee, therefore, are not fully convinced that the imposition of the ban on free sale of off-grade pig iron by Government had created such an acute shortage of the material as had been alleged by the contractors. The fact that certain contractors had actually supplied the sleepers in full quantity and the defaulting ones had asked for extensions of the delivery periods from time to time lead the sub-Committee to apprehend that stocks were kept back with a view to taking advantage of the increase in price of scrap. A timely enquiry by the Government would have revealed the real situation. It is also relevant to point out here that contractors 'D', 'E' and 'F' had asked for extensions of delivery periods to enable them to make full supplies but this was not agreed to. Instead fresh contracts were awarded to 'D' and 'E'. According to these contracts, the contractors were to manufacture sleepers from their own material at rates which were on an average Rs. 240 per ton higher than the 1955 contracts. *In the sub-Committee's opinion this confirms their above apprehension. The plea of scarcity of iron scrap was, therefore, not genuine. It is unfortunate that the Railway Board did not assess the situation correctly and further that they refused to grant extension of time applied for by the contractors in respect of old contracts.*

NEW DELHI,
28th October, 1959.

Kartika 6, 1881 (Saka).

SHRADDHAKAR SUPAKAR,
Chairman,
Sub-Committee of Public Accounts
Committee.

APPENDIX I

*Statement showing action taken or proposed to be taken on the previous recommendations of the Public Accounts Committee
(Railway Accounts)*

Serial No.	Reference to para No. of Report	Ministry/ Department concerned	Particulars of the item	Remarks of Ministry	Comments of the Committee
1	2	3	4	5	6
Seventeenth Report (First Lok Sabha)					
1	5(XVII) Introduction.	<u>Railways</u> Finance	An early decision should be arrived at in the matter of action to be taken when expenditure had been incurred without the sanction of the competent authority and <i>ex-post-facto</i> sanction thereof was refused by the Ministry of Finance or the Finance Branch of the Railway Board's Office, as the case may be, as suggested by the committee in para 5 of their Thirteenth Report (1954-55).	The procedure in this matter is being evolved by the Ministry of Finance [Appendix XXII of Vol. II of Fourth Report (2nd Lok Sabha)]. A note has been submitted by the Ministry of Finance.	The matter is under consideration of the Committee separately.

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2 8(XVII) Railways

Proper vigilance on the use of savings for the commencement of any new work not contemplated in the original budget should be exercised.

This recommendation is linked up with the general question raised in para 10 of the 13th Report of the Committee which is under consideration by the Ministry of Finance in consultation with the other Ministries and the Railway Ministry would await the decision. [See Appendix XXII of Vol. II of IV Report (2nd Lok Sabha)]

The matter is under consideration of the Committee separately.

3 69(XVII) Railways

The Committee would draw the attention of the Railway Board to the recommendations made by the Railway Convention Committee of 1954 in para 25(B) of their Report and emphasise that the Railway Board should urgently look into the matter of assessment of rent in regard to the class III and class IV staff quarters and thus ensure that a fair return of rent commensurate

The action on this recommendation has been held over pending receipt of the Report of the Pay Commission which is in session. It has been considered inadvisable on the eve of possible fresh policy decision to alter long-standing concessions enjoyed by railway

Further developments may be awaited.

with the capital cost is obtained on all residential buildings.

servants as part of their conditions of service.

4 81(XVII) Railways
Labour

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

Comments of the P.A.C. (1958-59) against S. No. 11 of the Statement at Appx. I to 15th Report

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

The proposed amendments to the Payment of Wages Act are still under consideration of the Ministry of Labour and Employment in consultation with the Ministry of Railways. The Ministry of Labour on 9-6-59 have asked what precise amendments are required for the purpose of the Ministry of Railways.

It is regretted that the position in regard to the amount of outstanding traffic debits has deteriorated somewhat. Necessary instructions have, therefore, been issued to the General Managers of

The Committee do not appreciate the statement now made by the Ministry of Railways that the delay in amending the Payment of Wages Act had not prevented the recovery of admitted debits from the station traffic staff to any significant extent, as the whole question arose out of the plea put forth earlier by the Ministry of Railways that the Payment of Wages Act stood in the way of quick recovery of these outstandings.

The Committee may be apprised of further developments.

1	2	3	4	5	6
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recovery of outstandings of traffic debits.

the Railway Administrations to tighten measures to effect the expeditious recovery of traffic debits.
Detailed Memoranda at Appendix XXII.

Fourth Report (Second Lok Sabha)

5 5
(Intro-
duction) Railways
 W.H.& S.

The irregularities and financial losses referred to in paras 40 and 70 of the Report disclose laxity in the administration of Purchasing Organisations abroad. A tightening up of the organisation and exercise of greater vigilance over all purchases of stores are very necessary at this juncture.

See remarks against Serial No. 12.

Comments of the Committee against Serial No. 12, Appendix I, Fifteenth Report:

The Committee defer consideration of this matter till such time they next examine the Railway Accounts.

6 22 & 23 Railways/
Central Standards
Office

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

In pursuance of Railway Board's Memorandum appearing as Appendix XVII of the 15th Report of Public Accounts Committee—Vol. II (Second Lok Sabha) a high level team of officers have examined this case. Their Preliminary Report is being amplified on certain lines as a result of discussion with Audit.

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

7 26-27 Railways

The Committee regret to observe that in this case, failure to take the ordinary precaution of settling the terms with the Colliery, before construction of the siding had resulted in an unsatisfactory situation. They would urge that the matter should be investigated and responsibility fixed for this omission, and for the inordinate delay in settlement. They would also like to be informed of the action

As desired by the Committee, the matter has been examined further. As the full amount of Rs. 94,000 based on revised calculation has since been paid by the firm and as there was no deliberate neglect or oversight on the part of the Railway Administration as such, the Ministry of Railways

In the opinion of the Committee there was no justification for the scaling down of siding charges to be recovered from the firm on the basis of its output of coal.

that is being taken by the Ministry to effect recovery of Rs. 1,46,630 from the Colliery.

submit that it is not necessary to proceed further with the question of fixing responsibility.

The Committee expect that the change over to uniform rates for siding charges would be completed by the end of June, 1958 by which time they hope to take up examination of the next Railway Accounts.

Detailed Memorandum is at Appendix XXIII.

Comments of the Committee (1958-59) S. No. 19, Appendix I, 15th Report.

The result of investigation in the matter of fixing responsibility for the omission to settle terms before construction of the siding might be communicated to the Committee.

The Committee desire that the Railway Board should examine the feasibility of taking over as-

As a result of continued special efforts, the Western Railway has re-

In respect of ex-Maharaja's sidings which are to be maintained by

sisted 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.

Comments of the Committee (1958-59) S. No. 22, Appendix I to 15th Report.

The Committee may be informed about :—

- (i) the result of examination regarding recovery of dues for the earlier periods for each siding; and
- (ii) the action taken to dismantle sidings not in use and using the materials elsewhere.

ported that now an amount of Rs.86,683.29 only remains to be recovered from the sidings in question. In the meanwhile, it has been necessary to take note of a ruling of the Ministry of Home Affairs in certain such sidings of the Northern Railway that it is the responsibility of the Rly. Admn. under the Federal Financial Integration, to maintain the ex-Maharaja's sidings. The amount shown against these sidings may thus turn out to be incorrect, and the relevant bills may have to be withdrawn. As a result of this, the total amount outstanding may come down to Rs. 69,117. Bulk of this outstanding is on account of sidings where the cases are *sub-judice* or the sidings have already been dismantled.

the Railways after the federal financial integration, the Committee hope that the Railway Board would satisfy themselves that the position was so under the terms of the respective agreements.

1	2	3	4	5	6
9	47	Railways	<p>The Committee would like to be apprised of the settlement of the case mentioned in para 21 of the Audit Report, in due course.</p> <p><i>Comments of the Committee (1958-59) S. No. 26, Appendix I, 15th Report.</i></p> <p>The result of the correspondence with the Andhra Government regarding settlement of outstandings may be communicated to the Committee.</p>	<p>Although, under Section 91 of the States Reorganisation Act, the Andhra Pradesh being the principal successor Govt. is to bear the entire liability in this case in the first instance, in view of the fact that this is a long pending matter and the assets of the Road Transport Deptt. have already been physically divided among the three successor States of Andhra Pradesh, Mysore and Bombay, the Andhra Pradesh Govt. suggested that the Ministry of Railway might recover the share of liability attributable to the Bombay and Mysore States direct from those Govts. In regard to the share of liability payable by the Andhra Pradesh Govt. themselves, they have offered to liquidate the same</p>	<p>The Committee may be informed of the result of correspondence with the Mysore and Bombay Govts. and the progress made in the recovery of the outstanding amounts. In the opinion of the Committee the settlement of this case has been unduly delayed.</p>

in 10 equal instalments. The Ministry of Railways have accepted this proposal. The total amount due to be recovered, including interest charges upto 1958-59 computed in consultation with the Ministry of Finance, have been advised to the Andhra Pradesh Government, with the request that the first instalment of the share payable by them may be paid in 1959-60 and the consent of the Bombay and Mysore Govts. to pay the share attributable to them directly to the Railway Department obtained and communicated to the Railway Ministry, so that necessary debits against those State Governments may also be raised.

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68 Railways

The Committee see no reason to change their previous conclusions in this case (purchase of

Earlier Note from the Ministry of Railways (Railway Board) at Appendix

the Barsi Light Railway). The Committee observe that in this case either proper thought was not given to this matter before the date of expiry of the date for giving notice to the company and the failure to do so was noticed late or the right of the Railway Board to put in a claim was overlooked.

Comments of the Committee (1958-59) S. No. 28—Appendix I, 15th Report.

The Committee are not satisfied with the explanation. They trust that such cases will not recur in future.

XXIII to 15th Report, Vol. II.

The recommendation of the Committee has been noted in the Ministry of Railways. No comments.

Fifteenth Report (Second Lok Sabha)

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|----|--------------------------|-----------|--|---|--|
| 11 | 8
(Intro.) | Railways | . The absence of standard rates of siding charges had resulted in endless disputes with the Siding Owners and consequent delay in recovery and loss. | The recommendation of the Committee has been noted. | No comments. |
| 12 | 9
(Intro-
duction) | W.H. & S. | . Government should take urgent steps to review the procedure for purchase of stores both in | (a) The procedure for purchase of stores both in India and from ab- | The Committee would like to watch the effects of the revised procedure |

India and from abroad in the light of their past experience and tie up the loose ends.

road is constantly under review with a view to tying up loose end on the basis of day to day experience as and when a particular case discloses any lacuna in the procedure, or any omission on the part of the Purchase Organisation, which might have been avoided. Currently also the rules of procedure of purchase of the ISM are under revision in consultation with Ministry of Finance and the Audit authorities.

for the purchase of stores adopted by I.S. M., Washington with effect from 18th November, 1959.

(b) A note has also been submitted in this connection communicating the results of a recent review undertaken on the basis of an earlier recommendation of the Public Accounts Committee which has been reproduced at Appendix XIV (Vol. II) of the 15th Report.

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Railways

The cases in which the Ministry of Railways obtained Supplementary Grants from Parliament during the years 1955-56 and 1956-57 although they did not spend even their original appropriation disclose lack of proper planning and control over the progress of expenditure. It was surprising how despite the "Liability Registers", the Ministry of Railways were not in a position to assess their total requirements accurately and regulate their supplementary demands accordingly.

Against seventeen supplementary Grants obtained in 1955-56, only in 3 grants (*viz.*, Grant No. 3, 12-A and 16), and against 10 supplementary grants obtained in 1957-58, only in two grants (*Viz.* Grant Nos. 2 and 20), did supplementary grants prove wholly unnecessary. The only case of significant non-utilisation of funds was in respect of Grant No. 16 in 1955-56 while, in respect of Grant No. 2 in 1956-57, the Supplementary Grant was, in fact, utilised. The Ministry of Railways would like to assure the Public Accounts Committee that steps will continue to be taken to remedy defects in the assessment of requirements of funds

Please see para 4 of the Report.

and to point out that, at the instance of Audit, instructions to Railway Administrations were issued in 1958 reiterating the importance of maintaining liability registers, both on the works and on the revenue sides.

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5 W.H. & S.
Railways.

If the purchasing organisations abroad furnished reports regarding the availability of stores and shipments to the indenting Ministries every fortnight from the end of January and weekly reports in the month of March, it would keep the indenting Ministries informed of the latest supply position and enable them to estimate their financial commitments more precisely. The Committee, therefore, suggest that the Ministries of Railways and Works, Housing and Supply might examine this suggestion and evolve a procedure in this regard.

Necessary instructions have been issued by the Ministry of Works, Housing and Supply to the purchasing organisations abroad, a copy of which has been circulated to all concerned on the Railways for information and future guidance.

No comments.

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15

6 Railways

Government should refer the question of allocation to and from Railway Revenue Reserve Fund

in compliance with Public Accounts Committee's direction, this

No comments.

to the next Convention Committee so that they could indicate the precise scope of their recommendations *vis-a-vis* works in progress.

question amongst others will be referred to the next Convention Committee.

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10 Railways

The Committee regret to observe that the Railway Administration, one of the biggest Departments of Government entering into a number of contracts with private parties, should have overlooked the recommendation contained in para. 68 of their 10th Report (1953-54).

17

12 Do.

The Committee desire that the Railway Board should expedite the question of disciplinary action against the staff who were responsible for the incorporation of the liberal provision for two separate payments in the agreement for handling work at Arkonam Station as the matter has already been considerably delayed and the findings of the Enquiry Committee furnished to them.

A Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix X.

Please see paras 57-59 of Report.

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14

Do.

The Committee hope that the Railway Board will pursue the question of damage to and deficiencies of stores and fittings in the wagons returned by certain colliery sidings vigorously with the Siding Owners' Association and arrive at a settlement without loss of time. They would also like to be informed of the final settlement and the total recoveries effected from the collieries on this account at an early date.

The question of realising the cost of damage to and deficiency of stores and fittings in the wagons returned by certain colliery sidings had continued to be pursued vigorously with the Collieries & Siding Owners' Association with the result that the outstandings at the end of April, 1959 had come down to a little less than 1 lakh. Efforts will continue to be made to realise this outstanding amount also expeditiously.

The recovery of outstanding amounts from the siding owners may be expedited and the Committee informed of the progress made in this direction.

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17

Do.

The Committee regret to observe the laxity shown by the Railway Administration in the matter of prompt recovery of rent for Railway land leased to outsiders at a number of station areas such as Shalimar Garden Reach and Cuttack. In their opinion, action to forfeit the security deposits should have been taken when the lessees defaulted con-

A Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XXIV.

The Committee are not impressed by the "vigorous efforts" made by the Railway Administration in effecting recoveries. Unless the arrears are promptly paid up, the Railway Board should invoke the provisions of the

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sistently for years. The Committee trust that the Railways will ensure the prompt recovery in all such cases in future.

Public Premises (Eviction of Unauthorised Occupants) Act, 1958 for evicting the defaulting licensees and forfeit their securities.

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Railways

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

Necessary instructions have been issued to the Railways, emphasising the observations of the Public Accounts Committee.

The Committee may be informed when the whole amount is recovered from the oil company.

Such unconscionable delays not only reflect on the working of the undertaking but make the chance of recovery more remote, thus depriving the Railways of their legitimate dues. The

Committee trust that the Railway Board will issue necessary instructions in the matter for future guidance.

21	24	Do.	The Committee would like to know the final decision of the Government in the case referred to in para. 11 of Audit Report 1957 regarding outstanding freight bills against a firm on South-Eastern Railway as well as the remedial measures which the Railway Board have taken to obviate the recurrence of such irregularities.	Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XI.	Please see paras 60-61 of the Report.
22	28	Do.	(i) The time-lag of one year in communication of the revised siding charges to the siding owners on the Western Railway was excessive in relation to the work involved. The Committee would suggest an enquiry into the case with a view to finding out the precise reasons for the delay. If the delay was due to neglect of duty, suitable action against the official at fault should be necessary.	The Western Railway Administration has concluded after referring to the available records of the Traffic Manager and the F.A. & C.A.O. that the delay occurred entirely in the office of the General Manager, ex-B.B. & C.I. Railway, but that in the absence of the office file of the General Manager's Office, it is not possible	Please see paras 62-63 of the Report.

to say as to why the service of the notice against the siding owners was delayed and who was responsible for the delay.

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(ii) Even granting that some delay was inevitable the Railway Administration should have taken steps to caution the siding owners in time about the contemplated revision and communicate the actual amount payable after making necessary calculations as was done at the time of second revision.

A Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XII.

Please see para. 64 of the Report.

Such a course would have avoided the controversy over the date of effect of the revised rates and facilitated the recovery. The Committee desire that this suggestion be examined by the Railway Board and a procedure evolved to be followed by all the Railway Administrations in such case of revision of siding changes in future.

23 31 Railways

The Committee welcome the assurance given by the Railway Board that the work of standardisation of siding charges will be completed by the 1st April, 1959. While they appreciate the difficulties in devising a uniform pattern, they are firmly of the opinion that with the integration of all the Railways into a single system nearly a decade back, the disparities in the levy of siding charges is an anachronism causing complications and endless disputes depriving the Railways of their legitimate dues. They, therefore, urge that the matter should not be delayed further and the date mentioned above adhered to.

The basis on which the siding charges should be standardised have since been finally decided. The siding charges on some of the Railways are already operative on this basis, as also in the case of a large number of sidings on other Railways.

Further progress may be intimated to the Committee.

Steps have been taken to ensure, that in the case of the remaining sidings also, the standardised basis is adopted from earliest possible dates consistent with the agreement with the siding owners.

24 26 Do.

The delay of about three months in the introduction of revised rates for goods traffic on the Eastern Railway which resulted in loss of earning of approximately Rs. 10,000 was more serious as it placed the Administration in the embarrassing position of not giving effect to a proposal as approved by Parliament. The

The observations made by the Committee have been noted, and steps have been taken to ensure that there is no recurrence of such a case. No comments.

Committee trust that in future, Railway Board will see that all tariff proposals are given effect to as approved by Parliament and the machinery should be geared accordingly.

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Railways

(i) The Committee deplore the delay in taking disciplinary action against the Inspector of Works who failed to obtain receipts of the stores from the contractor who was awarded a labour contract to the value of about Rs. 50,000 for the construction of staff quarters on the North-Eastern Railway.

It is conceded with regret that there was some delay in taking disciplinary action against the three Inspectors of Works, who were responsible for issuing materials in excess and for not obtaining the acknowledgement from the contractor. Sufficiently deterrent disciplinary action, however, has been taken against them.

No comments.

(ii) So far as the general question of the custody of materials-at-site is concerned, the Committee consider it important that the responsibility for the safety of materials-at-site should

As regards the general question of custody of material at site, the extant instructions on the subject have been reiterated to the Railways.

be well defined, and in unequivocal terms, if it has not already been so defined, and instructions be issued to the officials concerned that the rules prescribed in this matter should be strictly complied with.

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W.H. & S.

(1) If the award of a second contract to the same firm which had failed only about three months ago to fulfil the first contract placed on it, as had happened in the case referred to in paras. 41—46 of the Report, is indicative of the working of the Directorate General, Supplies and Disposals, the Committee consider that Government will be well-advised to examine this matter further. In their opinion, the present case merits an enquiry with a view to finding out the loose ends and also fixing responsibility.

There is no doubt that the D.G. S. & D. erred in placing a fresh contract on the firm whose performance in the earlier contract can definitely be described as unscrupulous. Office Order No. II dated 5th February, 1958 has been issued calling for the performance statement from each tenderer containing information with regard to supplies made against contracts. Apart from this, instructions are being issued to the effect that in all such cases where a purchase Officer has been dissatisfied with the performance of a

The final outcome of the examination of the disciplinary aspect of the case may be awaited.

firm, he should promptly report the cases to the Registration Branch who will intimate the fact to all Purchase Officers and simultaneously investigate the matter and if necessary suspend business with the firm.

The disciplinary aspect of the case is under examination.

48

W.H. & S.

(ii) In the case regarding supply of 'Kanju Logs' to the North Eastern Railway, referred to in para 14 of Audit Report, 1958, the D.G.S.&D. failed to take proper action on receipt of the inspection reports which clearly indicated that at one place there was no material, while at the other the timber was below specification. Had the D.G.S.&D. taken up the matter with the contractor immediately regarding his inability to produce the goods for

All the Purchase Officers are aware of the necessity for taking prompt action on such reports. The fact that in this case no prompt action was taken is a regrettable omission on the part of the D.G.S.&D. Fresh instructions are being issued to all Purchase Officers to take prompt action on such reports in future. The disciplinary aspect of the case is

The final outcome of the examination of the disciplinary aspect of the case may be awaited.

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inspection, the contractor's statement that no inspection had been carried out, could have been verified. It was a regrettable omission on the part of the D.G.S.&D.

under investigation by the Ministry.

49 W.H.&S.

(iii) Again it was a mistake on the part of the D.G.S.&D. to have extended the date of delivery of 'Kanju Logs' on his own without a request from the supplying firm. In the context of the firm's rejecting the extension, the correctness of the procedure of giving extension unilaterally is open to question.

The Purchase Officers have already been impressed upon that unilateral extension of the delivery period is illegal and should not be resorted to. Necessary instructions on this subject have been issued by the D.G.S.&D. in their Office Order No. 119 dated 30th October, 1956.

The final outcome of the examination of the disciplinary aspect of the case may be awaited.

The disciplinary aspect of the case is under examination.

50 Railways

(iv) The Committee feel that the action of the Inspector in the case referred to in para. 15 of Audit Report (Railways), 1957 in not having actually gone to any place to inspect the material lacked justification and disciplinary action against him was called for.

The matter has been examined fully in the light of the explanations furnished by the Sleep-er Passing Officer. The Railway Board have concluded that there are extenuating circumstances in favour

The Committee find it difficult to accept this explanation. The Inspecting Officer was aware that the contractor had stated in writing on 7th February, 1955 that the timber was ready for

of the Inspecting Officer. It would certainly have been prudent on his part to have taken something in writing from the contractor. Considering, however, that in day-to-day work it is not always possible to reduce everything to writing, though remedial instructions in this matter have since been issued, the Ministry of Railways consider that the failure of the Inspecting Officer at the worst was one of indiscretion, particularly because he had the misfortune to come across a particularly bad party, who had in another analogous case, successfully misled the administration, but of which the Inspector was not aware. Both

inspection; therefore, when he was told orally on the 19th and 24th April, 1955 that the timber would not be offered for inspection, the inconsistency should have been obvious to him. Being an experienced officer, he should have taken proper steps to safeguard the interest of the Railway Administration. Failure on his part led the Railway to a loss of Rs. 10,000/-.

They suggest that the desirability of black-listing the contractor might be examined by the Ministries of Railways and Works, Housing and Supply.

the D.G.S.&D. and the Ministry of Law have also considered the arbitration award of the umpire in this case as not reasonable and have struck off his name from the panel of umpires maintained by the D.G.S.&D. The business dealings with this contractor likewise have also been stopped for two years. In view of all this, even if the Inspecting Officer, who retired on 25th December, 1957, was still in service, the Ministry of Railways would have considered the needs of justice as met if a warning had been issued to him for the technical lapse of not obtaining anything in writing from the contractor and it has therefore been decided that the lapse of the Inspecting Officer is not such as to merit any portion

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				of his settlement dues (so far held over) being forfeited.	
27	54	Railways	The case of unnecessary movement of tie bars to Kosi Kalan from Kanpur discloses lack of proper planning and foresight in deploying supplies. The Committee trust that suitable instructions will be issued to the Engg. Divisions to avoid recurrence of such cases.	Suitable instructions have been issued to the Railway Administrations stressing upon them the desirability of obviating unnecessary haulage of railway materials.	No comments.
28	60	Do.	(i) While the Committee appreciate the difficult conditions under which the work regarding doubling of Delhi-Agra Section of the Central Railway was executed by the Railway Administration, they are disturbed to find that no attempt had been made to provide the necessary accounting personnel for the maintenance of Accounts of permanent way material. The Railway Board should ensure in future that all the different wings of the	(i) Noted.	No comments.

Administrative apparatus are properly manned before undertaking even emergency works.

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(ii) Computation of loss of material in terms of percentages is apt to mislead in as much as it overlooks the magnitude of the loss.

(ii) Noted.

No comments.

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(iii) It is obvious that no check was exercised by the Divisional Engineer over the consumption of permanent way materials in the course of doubling and re-laying of track on Delhi-Agra Section during 1948-51. In the opinion of the Committee, the Railway Board should pursue this matter seriously.

(iii) The question of taking up with the staff responsible for not exercising the prescribed checks is under reference with the Railway Administration.

(Memorandum submitted—Appendix XIII.)

Please see paras. 65-66 of th Report.

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66

Railways

The Railway Administration did not include spare parts in their indent for the earth-moving machinery for the Ganga Bridge Project. They also overlooked the advice given by D.G.S. & D. for the inclusion of some spare parts in the indent for the machinery. The Committee regret to observe that on both the occasions the Railway Administration betrayed lack of planning and

Noted. Suitable instructions have been issued to all the Railway Administrations.

No comments.

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forethought, which resulted in a loss to the extent of Rs. 1.09 lakhs on this account. The Committee trust that the Railways will profit by this experience in future.

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Railways

Law

The Central Government should examine in consultation with the State Governments the feasibility of cutting out delays in the land acquisition procedure.

This subject was discussed at the Conference of the Chief Ministers of the various States with the Railway Minister held on 5-6-1957. As a result thereof instructions have been issued to the Chief Secretaries of the State Govts. and the Railway Admns. impressing upon them the need to cut out delays in the acquisition procedure and in payment of compensation therefor.

No comments.

The Ministry of Food & Agriculture, the administrative Ministry concerned with the Land Acquisition Act,

1894. have also been apprised of this recommendation. The Ministry have advised that recommendations of the Law Commission in this connection are under their consideration.

In this connection it may be added that the Law Commission had examined the Land Acquisition Act, 1894, and made a number of suggestions for amendment in order to avoid delays and these suggestions are under consideration of the Ministry.

31 74 Railways

In case where a siding is to the mutual benefit to both the company and the Railways, the decision regarding levy of siding charges should be fair and not at the cost of the exchequer. The Committee desire that the matter should be reviewed by the Rly. Board in the light of their observations.

Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XIV.

Please see paras. 67—69 of the Report.

32 79 Railways
Commerce &
Industry

The Committee were assured that within a couple of months, the question of payment of siding charges by the Sindri Fertilizers and Chemicals Ltd., reported in

It has been decided in consultation with Sindri Fertilizers and Chemicals Ltd., to levy siding charges at the rate of

The Committee may be informed whether amounts in respect of past transactions have been recovered.

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para 11 of Audit Report, 1958 would be settled. They, however, regret to observe that a report on future progress is still awaited.

Rs. 2/- per four wheeled wagon from 1-5-59 from which date the charges are being recovered accordingly without prejudice to the question of recovery of charges in respect of past transactions. It is regretted that this question of recovery for past transactions has taken a longer time to settle than was expected. The Ministry of Commerce & Industry have suggested that recovery for past transactions may be made at Rs. 1/8/- per four wheeled wagon. Finalisation of the case on these lines is under consideration.

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82

Railways

The Committee regret to observe that the Railway Administration as a commercial concern, had not taken the elementary precau-

A Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XV.

Please see paras. 70-71 of the Report.

tion of informing the Jabalpur Municipality that pending finalisation of a new agreement, the payment for water supply should be treated as on a provisional basis, when the old agreement had already expired.

The Committee desire that the matter should be investigated by the Railway Board and responsibility fixed for the delay at the different stages and for the failure to warn the Municipality in time that the payments during the interregnum were provisional.

34 88 Finance
Railways

The Committee attached great importance to centralised purchasing, as it would be economical to Government in the long run and the mechanism should, therefore, be so geared as to meet all demands. The Committee trust that the Ministry of Finance will address themselves to this aspect.

Action on this recommendation is under consideration of the Ministry of Finance.

Further developments may be awaited.

611

35 91 Railways

The "emergency" which has been ascribed as the reason for direct purchase of buffer outer cases by the Central Railway was, in the opinion of the Committee, the

Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XVI.

Please see paras. 72—74 of the Report.

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			<p>result of the inactivity of the Railway Administration for nearly one year. The purchase at a higher rate was also of doubtful advantage, as the supplies started nearly one year after the date of acceptance of the tender. This is yet another case where the Railway Administration resorted to direct purchase by passing the D.G.S. & D. at double the price quoted by the lowest tenderer.</p>		
36	95	W. H. & S.	<p>Strict instructions should be issued to all Officers negotiating contracts that they should not exceed the powers delegated to them and deterrent action should be taken against those who are guilty of any such breach.</p>	<p>The recommendation has been circulated to all concerned for strict compliance.</p>	No comments.
37	97	Railways	<p>The Committee would like to be apprised of the price settlement reached in the case of supply of inferior quality brushes together with the financial effects thereof.</p>	<p>A report of the price settlement with the financial effects thereof will be sent on completion of the examination of all the brushes with a view to accepting them with suitable price reduction.</p>	<p>A further report on the price settlement reached in this case may be awaited.</p>

In the light of the finding of the joint enquiry Committee, the Committee are constrained to observe that the earlier stand taken by the D.G. S. & D. was not justified.

(i) The Committee are surprised at the delay of over 6 years in disposing of the unwanted stock of 'Kamblies'. Had prompt action been taken soon after the decision of the General Manager, Western Railway to resume the supply of blankets in February, 1952, the net loss could have been considerably reduced.

The Railway Administration has not explained satisfactorily the time lag between the decision of the General Managers to resume the supply of blankets in lieu of Kamblies in 1952 and the final disposal of the residual stock of 1847 kamblies in 1957-58 at the average price of Rs. -/11/4 per 'kambli'. This matter is being pursued with the Railway Administration. It may also be stated that during this period auctions were held to test the market if a reasonable price could be obtained for the Kamblies left over.

It is surprising that the Railway Administration was not able to submit any explanation for the delay in the disposal of 'kamblies'.

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All the offers received were, however, rejected as these offers were considered to be on the low side.

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Railways

(ii) As the Railway system is now integrated, it is advisable to examine the different practices followed by the different Railways with a view to introducing uniformity in all possible matters. The Committee would like to be informed of the progress made in this matter in due course.

As regards the introduction of uniformity in the supply of uniforms to the Railway staff, the Railway Board appointed a Uniform Committee in 1953 for laying down a uniform policy in regard to supply of uniforms to the railway staff. This Committee submitted their Report in 1957 which is under Railway Board's consideration.

No comments.

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105

Do.

The Committee trust that the Railway Board will ensure that the Railway Administrations follow their instructions and take all precautions before making any payments, whenever the legality of such is in doubt.

Noted. The Railway Administrations have been suitably advised.

Do.

Railways
C. & A. G.

(i) The Committee consider that the position regarding the preparation of Completion Reports has worsened as indicated by the number of outstandings. The Railway Board should pursue the matter vigorously with the Railway Administration and expedite clearance of the back-log of arrears as early as possible.

The Railway Board have issued necessary instructions to all the Railway Administrations to expedite the clearance of the back-log of arrears of preparation of completion reports.

The position may be watched through subsequent Audit Reports.

(ii) The Committee would like to be apprised of the progress made in the preparation of Completion Reports by the different Railway Administrations through subsequent Audit Reports.

Railways
C. & A. G.

The Committee trust that the Financial Commissioner, Railways will impress upon his Accounting Officers the importance of producing vouchers and returns called for by Audit without any delay. They desire that the Comptroller and Auditor-General should report on the improvement in his subsequent reports.

The arrears in the supply of vouchers and returns to Audit have continued to receive the Railway Board's sustained attention and detailed instructions in this regard were issued by the Board to all the Railways.

The position may be watched through subsequent Audit Reports.

To ensure adequate control on the position in this regard on various railways, the item has been included in the

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half-yearly arrear report received by the Railway Board.

A procedure Office Order issued on one of the Railways was found effective and this was also circulated for guidance to other Railways on 17-11-1958.

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114

Railways
W., H. & S.

The Committee trust that steps will be taken to ensure in future that when substantial sums of money are involved, the terms of the agreement are always negotiated with legal guidance.

The Committee's recommendation has been noted in the Ministry of Railways and instructions have been issued reiterating the importance of taking legal guidance as a rule in executing agreements. The Ministry of Works, Housing and Supply has stated that the recommendation circulated to all concerned for strict compliance.

No comments.

The Committee cannot refrain from observing that the high level officers who were responsible for weakening the Government claim against the firm concerned, which supplied defective cylinders (c.f. paras. 23-28 of the 17th Report of the P.A.C.), in this manner, did not act in the best interest of Government. The Committee do not know whether the Railway Board have jeopardised their claim against the Consultants also. If not, they desire that the claim should be taken up with the consultants.

In noting the observations of the Public Accounts Committee, the Ministry of Railways submit with due respect that there is nothing to indicate that the Railway Board's claim was weakened by the decision of any high level officers of the Board. While it is true that the then Chairman, Railway Board recorded on 10-8-54 (and this also communicated to the D.G.I.S.D.) that Technically the firm are not to blame. He also made it clear that the matter should be finalised in the light of the contractual provisions apparently implying that whatever claims were admissible should be preferred. It is also necessary to point out that in pressing the claim with the firm, the D.G.I.S.D. in his letter No. 946/53CB/Rly.

The Committee did not feel happy with the explanation given by the Railway Board. The oral discussions between the Railway Board and the Managing Director of the supplying firm weakened the case of the Railway Board for which the Railway Board should accept the blame.

dated 12-10-56 made it clear that there was nothing to indicate that the Railway Board had finally agreed to drop the claim. The matter *vis-à-vis* the firm was thus one of the renewed pursuing of the claim rather than of reopening a claim. It is, therefore, difficult to assess to what extent if at all Govt's claim can be said to have been weakened by any opinions expressed by the then Chairman, Railway Board, which had not been officially conveyed to the firm. It may be added that this officer proceeded on leave preparatory to retirement from 1st October, 1954. In regard to the Committee's observations about pressing the claim against the

Consultants, a reference is invited to Rly. Ministry's O.M. No.58-B(C)-2498/II/IV dated 3-7-1958, with reference to item (9) of App. I of the 4th Report of Public Accounts Committee (2nd Lok Sabha). In view of the categorical legal opinion obtained in this case, the matter was not pursued further ; the Consultants' services had already been dispensed with as far back as 1955.

The Audit have observed as follows :—

“The record shows that after taking the terms of the agreement into consideration, the then Chairman recorded the view that the firm are not to blame and that the case should be finalised quickly in terms of the agreement. This can only mean that the Chairman wanted

				the case to be finalised in accordance with his views of the terms of the agreement. There is no material in support of the statement (made in the memorandum) that the then Chairman apparently implied that any claim would arise against the contractor under the Agreement."	
44	121	Railways	The Committee await the review of the disciplinary action taken by the Railway Board against the higher officers responsible for wasteful expenditure due to excessive sanction of cleaners in the Loco Running Shed of an ex-E. I. Railway (Now in Northern Railway Division).	Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XVII.	Please see paras. 75-76 of the Report.
45	123	Do.	The Committee would like to be informed of the final outcome of the recovery of Railway dues from the commercial concern referred to in para 71 of the Seventeenth Report of P.A.C.	M/s. Malda Transport Company deposited Rs. 30,000/- on 16-2-1959 towards initial payment on account of the liability of the Commer-	Further progress in the recovery of outstanding amount may be reported to the Committee.

(i) The Committee are unable to accept the plea that the Audit objection regarding provisional payments made by the East Indian Railway Administration to the Howrah-Sheakhala Light Railway Company related only to the quantum of the payment and not to the propriety thereof. In the Committee's opinion the responsibility for the avoidable payment to the Howrah-Sheakhala Light Railway Company lay squarely on the Railway Administration and the Railway Board.

(ii) The Railway Board should review the powers to make provisional payment delegated to the Railway Administrations, tighten up wherever new

cial Carrying Company (Assam) Ltd. In addition, the first of the three instalments of Rs. 15,000/- each to cover the balance of Rs. 45,000/- was paid on 12-5-1959.

The Railway Administrations have been suitably advised.

The Committee are not happy with the manner this case was handled by the Railway Administration. They trust such cases will not recur in future.

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cessary, and take deterrent action where the powers are exceeded or exercised without the prior sanction of the Railway Board.

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Railways

The Committee consider that the punishment of 'censure' proposed for the Deputy Financial Adviser and Chief Accounts Officer who was responsible for the overpayments made to casual labour on the Western Railway, is rather mild.

The Committee were advised in Railway Board's earlier Memorandum, that the officer concerned had been asked to show cause why the penalty of censure should not be awarded to him. The charges were explained in the Memorandum referred to above *viz.*

- (i) giving an incorrect interpretation of the orders conveyed in Railway Board's letter No. E 48CPC/156/Pt. I, dated 15-5-1951; and
- (ii) delay in rectifying the wrong interpretation of the orders after they were questioned

The Committee are surprised at the decision of the Railway Board that the needs of the case would be served if their displeasure is communicated to the officer. In their opinion the case should be reviewed by the Railway Board.

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by Audit. The Officer's explanation has since been received and considered by the Railway Board, who have held him responsible for giving an inappropriate interpretation to Board's orders due to an error of judgement. As regards delay in rectifying the wrong interpretation, it has been accepted that this officer cannot be held directly responsible.

Taking into account the officer's consistently good record of service including references in his confidential reports to his being outstanding even the penalty of censure originally proposed was considered to be unduly severe. The Railway Board in the circumstances have decided that the needs

of the case would be served if their displeasure is communicated to the officer. This itself is considered to be sufficiently serious stricture on an officer of such seniority and record.

As regards the other officers, who dealt with the case at lower levels and who also contributed to the delay which occurred after audit had taken up the question, the Railway Administration has been instructed to pursue the question of responsibility and to take disciplinary action.

The Committee were not convinced of the reasons for resorting to arbitration in the matter of fixation of price of locomotives supplied by TELCO after 1st

A Memorandum submitted by the Ministry of Railways (Railway Board) is at Appendix XXV.

Further development may be watched.

April, 1958. Both the Tariff Commission and the Committee had recommended that the prices of locomotives supplied from 1st April, 1958 onwards should be settled in advance of the price period. The Committee desired that the Railway Board having committed themselves to arbitration, should frame the issues for arbitration precisely to facilitate a decision quickly. The Committee regret to observe that even though it is nearly one year since the commencement of the price-period, the matter is pending still.

49 136 W.H. & S.

(i) The Committee deprecate the action of the I.S.M. and the Ministry of W.H. & S. in being lenient in the matter of exaction of penalties from the American and Canadian firms who delayed the delivery of locomotives. Such an attitude will reduce the penalty clauses of contracts to little more than an empty form of words. If penalty clauses are not invoked in time and the claims are allowed to lapse by efflux of time, there is a risk of contracting firms.

We have asked the India Supply Mission, Washington to fix responsibility for failure to claim liquidated damages and send this Ministry a report in the matter.

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

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parties etc. assuming that they can always disregard the limits of time in their contract with impunity.

(ii) The Committee recommend that this is a fit and proper case in which responsibility for the failure to claim liquidated damages in time should be definitely fixed and appropriate action taken against the officials whose failure cost the Government Rs. 4.5 lakhs.

APPENDIX II

*Summary of main Conclusions/Recommendations of the Twenty-first Report
the Public Accounts Committee on the Appropriation Accounts (Railways),
1957-58 and Audit Report (Railways), 1959.*

Serial No.	Para No. of the Report	Ministry concerned	Conclusions/Recommendations
1	2	3	4
1	7 (Introduc- tion)	W.H.& S.	The Committee would like to be informed of the steps taken by the Ministry of Works, Housing and Supply to revise the procedure for purchase of stores and the processing of indents in the light of suggestions made by them from time to time.
2	3	Railways	The Committee observed that the control over expenditure during 1957-58 in so far as it was to be directed to the prevention or limitation of excesses over Grants and Appropriations was less effective than in the previous year.
3	4	Do.	In a number of cases expenditure had been incurred in excess of Voted Grants because the 'Liability Registers' were not maintained by the Accounts staff properly. In the opinion of the Committee, mere issue of instructions will have no meaning unless disregard of instructions is dealt with suitably.

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4	5	Railways <u>W.H. & S.</u>	The feasibility of implementing the suggestion, <i>viz.</i> submission of regular reports and returns by the D.G.S. & D. in respect of stores procured indigenously might be examined by the Ministry of Works, Housing and Supply as early as possible.
5	6	Railways	In respect of schemes and projects which have not been finalised at the time of framing the budget estimates of a year but are likely to be approved and taken in hand during that year, the Ministry of Railways may obtain the approval of Parliament by means of a token grant and later on, when the details are worked out, ask for a Supplementary Grant for executing the work. Such a procedure would reduce over-budgeting on the Railways to a great extent.
6	8	Railways	An early decision should be taken in the matter of introduction of uniform procedure for providing funds for repairs and maintenance of residential buildings of Railways with reference to capital cost etc. and fixation of suitable ceilings in this respect on lines similar to the system obtaining in the C.P.W.D. and M.E.S. The introduction of such a procedure will not only help the Railway Administration to frame their Budget estimates on a realistic basis but also ensure uniform and economic standards of maintenance of buildings.

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7	9	Railways	The Committee regret to observe that the Railway Administrations overlooked the statutory provisions in Article 112 of the Constitution which resulted in an excess expenditure over Charged Appropriations under Grants Nos. 6 and 15.
8	10	Railways	The excesses referred to in para 7 of the Report may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.
9	12	W.H. & S.	<p>(i) A thorough enquiry is called for in the case of avoidable expenditure on sea freight with a view to fixing responsibility for the delay in advising a change in the packing specifications to the firm and consequent loss.</p> <p>(ii) There was a serious omission on the part of the D.G., I.S.D. in not taking action on the letter from the Mechanical Engineer, Vishakha-patnam. This requires investigation by the Ministry.</p> <p>(iii) The Committee regret to observe that this case indicates defective working of the organisation of the D.G., I.S.D., London and needs to be looked into.</p>
13	Railways	(iv) The Committee deplore the way in which the Railway Board explained the failure on their part to take action on the letter of 14th December, 1955 from the Railway Adviser attached to the office of D.G., I.S.D., London. They desire that the Railway Board should	

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			investigate why the doubts raised by the Railway Adviser regarding cost of re-erection of wagons in India were not cleared immediately.
			(v) Also the reminder from the Railway Adviser was not dealt with by the Railway Board expeditiously. The Committee regret to observe that the urgency of the matter and the consequence of delay entailing financial loss were not appreciated by those who dealt with the case in the Railway Board.
10	15	Railways	(i) The necessary information required for making a reference to the Ministry of Finance for the release of foreign exchange should have been collected by the Ministry of Railways much before calling for tenders for the stores.
	16	Do.	(ii) Failure on the part of the Railway Board to press the Ministry of Finance for the immediate release of foreign exchange required for at least the seven items for which an increased price had to be paid, led to an extra expenditure of Rs. 1.76 lakhs. The responsibility for this failure to take appropriate action should be fixed.
	17	Railways Finance	(iii) The Committee trust that both the Railway Board and the Ministry of Finance will examine the question of streamlining the procedure so as to obviate the kind of loss which has occurred in this case.
11	19	Railways	The Committee trust that the Railway Board will pursue

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			the question of claiming liquidated damages from the firm for the delay in erection of wagons and arrive at a final settlement at an early date.
12	22	W.H. & S.	The India Store Department did not sufficiently safeguard the interests of Government in putting through the deal with the German firm for the purchase of bar frames. The Director General should have incorporated the usual price preference clause in the contract with the firm.
13	24	Railways	(i) The Railway Administration should have either taken legal advice or explained the position in writing to the contractor before incorporating the condensed form in the contract for supply of pitching stones.
	25	Do.	(ii) The Committee also doubt whether the Government's case was properly placed before the arbitrator. In the face of a definite stipulation in the contract it is surprising how the contractor could prefer a claim for wages of idle labour.
		Railways/W.H. & S.	(iii) The Committee will await the final decision of Government regarding the procedure for referring cases to arbitration.
14	28	Railways	(i) Construction of roads was not a function of the Railway Administration and there was no justification for its retaining possession of the land when the Railway Board had already decided as early as July, 1949, that the construction of the

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			<p>railway line was not to be undertaken.</p>
	29	Railways	<p>(ii) The Railway Administration took an unduly long period (four years) in completing the traffic survey which was ordered by the Railway Board in 1954, for which there was no justification. Such lapses on the part of commercial undertakings like Railways are deplorable. The Railway Board should investigate the reasons for the delay in completion of the traffic surveys.</p>
15	31	Do.	<p>The Committee would like to be informed of the total value of material and equipment which had been rendered surplus at the Radbarpur shed and also whether these have been utilised elsewhere.</p>
16	34	Do.	<p>The Committee deprecate the leisurely manner in which the case regarding shipment of steel plates was handled at the different stages by the Railway Board which had resulted in avoidable expenditure on railway freight. The matter should be investigated and suitable action taken against the officers at fault.</p>
17	36	W.H. & S.	<p>(i) The Committee would like to be informed of the disciplinary action taken in the case (referred to in para 23 of Audit Report).</p> <p>(ii) The Committee consider that there is considerable scope for improvement both in placing indents and in processing them, if this case is</p>

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			<p>typical of its kind. If the indenter wants a proprietary brand of stores in preference to other available stores for valid reasons, it should be made clear in the indent in the first instance in unequivocal terms.</p> <p>(iii) The D.G.S.&D. should also devise a procedure by which he could watch the processing of indents placed on him against the date of supply of the stores as specified by the indenter.</p>
18	38	Railways	<p>The Committee would like to be informed of the disciplinary action taken in the case regarding extra expenditure due to error in the indent of axle oil and remedial measures adopted to avoid recurrence of such cases.</p>
19	40	Do.	<p>The Committee trust that the Railway Board will finalise the case regarding loss due to deterioration of woollen cloth early and apprise them of the action taken. The Committee would also like to know the precise reasons for keeping the case pending in the Railway Board for two years.</p>
20	43	Do.	<p>The Committee would like to await a report on the case regarding loss due to supply of defective sleepers after the investigation by the Special Police Establishment was over.</p>
21	46	Do.	<p>(i) The Committee would like to be informed of the results of the investigation in the matter of fixing responsibility for the delay in the Railway administration in</p>

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			<p>giving effect to Government orders revising the minimum wages payable to unskilled casual labour. They would suggest that a similar enquiry should be instituted in regard to the delay in the Railway Board's office in endorsing the Gazette notification to the General Manager.</p> <p>(ii) The Railway Board should devise a procedure by which orders of Government are examined and transmitted to the appropriate quarters expeditiously.</p>
22	48	Railways	The Committee would like to be apprised of the remedial measures taken by the Railway Board and Railway Administrations to guard against the late payment of electricity bills in future.
23	49	Do.	The Committee would like to be informed of the final settlement and the total recoveries effected from the Undertakings on account of siding and demurrage charges.
24	52	Do.	The Committee trust that the Railway Board would vigorously pursue the recovery of arrears of rent for lands leased for growing food crops and arrive at a settlement at an early date.
25	54	Do.	(i) The Committee suggest that besides profit and loss accounts to be maintained separately by each unit a consolidated profit and loss account should be prepared showing the result of the working of departmental catering in respect of all the Railways, and appended to the Appropriation Accounts.

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	55	Railways	(ii) The Committee recommend that the Railway Board should enquire into the continuous losses incurred on departmental catering and keep a close watch and effective supervision over catering centres so that the service may cover its cost.
26	59	Do.	As a senior officer, the Regional Traffic Superintendent should have examined the implications of the handling contract especially when, as alleged by the Railway Board in their Memorandum, the three officers who were on the Tender Committee were new to this kind of contract and handled it for the first time. The Committee suggest that the case should be reviewed and the responsibility fixed in the light of what has been pointed out above.
27	61	Do.	The Committee are surprised how the officers who dealt with the recoveries of outstanding freight charges could forget the disciplinary aspect of the case. Even if a large number of officers had dealt with this case, there was no reason why responsibility could not be fixed.
28	63	Do.	(i) The Committee are surprised at the explanation that as the relevant file had been mislaid in the General Manager's Office it was not possible to fix responsibility for the delay. It should not be difficult to find out in whose custody the file was just before it was mislaid and responsibility fixed accordingly. The Committee suggest that the case be reviewed.

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64	Railways	<p>(ii) The Committee desire that a decision in the matter of evolving a suitable procedure whereby the siding owners could be served with an advance notice of enhancement in the rates of siding charges should be taken as expeditiously as possible.</p> <p>(iii) In a commercial department there is no justification for continuing the old uneconomic rates of siding charges and the Ministry of Railways should examine the feasibility of having standard form of agreement with all siding owners with adequate provisions for revision of rates from time to time.</p>	
29	66	Do.	<p>The Committee urge that the matter of fixing responsibility on the Divisional Engineer and other officers for failure to keep a watch on the consumption of permanent way material requires more serious examination. They would also like to observe that nine changes within a period of three years in the post of Divisional Engineer in charge of a Project could not have been in the best interests of the Project itself.</p>
30	69	Do.	<p>Considering the sizeable expenditure on haulage of wagons over these numerous points and also the fact that the Railway pays rent to the Port Trust for the land in which the sidings are situated, the Committee feel that there is a strong case for reviewing <i>de novo</i> whether suitable siding charges should not be levied on the Oil Companies for the unusually liberal facilities provided.</p>

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31	71	Railways	The reasons for the delay in finalisation of revised agreement for supply of water with the Jabalpur Municipality requires investigation with a view to fixing responsibility.
32	74	Do.	The routine manner in which the indent for the procurement of buffer cases was handled in this case, had led to the payment of higher prices. The Committee, therefore, reiterate their earlier recommendation and suggest that suitable action should be taken against the officials responsible for the delay in finalising the purchase of buffer outer cases.
33	76	Do.	The Committee are distressed to learn that the officer who had been censured in connection with this case was promoted to a higher post within six months of awarding the punishment.
34	79	Do.	<p>(i) In the face of so many other Committees working direct to under the control of not only the Railway Board but other Ministries and Departmentsly Government to tender advice on important matters, there appears to be no case for according a special treatment to the Commercial Committee of the Indian Railway Conference Association.</p> <p>(ii) The Committee see no convincing reason for a neutra organisation being entruste with the work of printing and publication of books like the Railway Time Table, Alphabetical List of Stations, Coaching and Goods Tariff etc. which can be conveniently looked after by the Railway Board.</p>

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35	80	Railways	The Committee feel that the staff who collect and maintain the statistics about movement of wagons should more appropriately be placed under the direct administrative control of the authority which ultimately utilise the information. In this manner the Railway Board would be in a better position to get the information expeditiously in whatever form and manner they require.
36	81	Do.	With the integration of the entire railway system into a single unit, such neutral organisation is an anachronism. The Committee feel that there is no necessity to continue such neutral examination of wagons at inter-change points. Such a check can be entrusted to the train examining units of the respective railways. If the examination by these Units is not satisfactory, the Railway Board should take appropriate measures to improve the same. The Committee desire that the Railway Board should examine the whole matter in the light of the above observations.
37	82	Do.	In the light of their observations, (paras 77 to 81) the Committee suggest that the Railway Board might review the position of continuance or otherwise of the I. R. C. A. in its present form.
38	180	Do.	The Committee are of the view that the forfeiture of the security deposit of Rs. 10,000/- of the contractor who after receiving 735 tons of pig iron did

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39	184	Railways	<p>not supply sleepers would not adequately meet the needs of the case.</p> <p>The Committee suggest that the Railway Board, in consultation with the Ministries of Steel, Mines and Fuel, Law, etc. should devise suitable measures to safeguard against such contingencies arising in future. Strict instructions should be issued to the Railway Administrations impressing upon them the importance of executing formal agreements with private firms before the commencement of the works and supply of the material to the contractors as stipulated in the contract. Even in cases where a work is to be started on emergency basis adequate precautions should be taken to ensure that any material supplied to the contractor is properly utilised by him towards the fulfilment of the contract.</p>
40	185	Do.	<p>The Committee see no reason why the Railway Board can not proceed against the contractors who failed to supply C. I. Sleepers for breach of contracts and claim suitable damages.</p>
41	186	Do.	<p>The non-inclusion of the stipulation that the contractors should supply four tons of sleepers for every three tons of pig iron arranged by Government in the Contract agreements was a serious omission which requires further examination by the Ministry.</p>
42	187	Do.	<p>The fact that certain contractors had actually supplied the sleepers in full quantity and the defaulting ones had asked for</p>

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extensions of the delivery periods from time to time lead the Committee to apprehend that stocks were kept back with a view to taking advantage of the increase in price of scrap. It is unfortunate that the Railway Board did not assess the situation correctly and further that they refused to grant extension of time applied for by the contractors in respect of old contracts.
