P.A.C. No. 329

PUBLIC ACCOUNTS COMMITTEE
(1971-72)

(FIFTH LOK SABHA)

THIRTY-SEVENTH REPORT

[Report of the Comptroller and Auditor General for the year 1969-70, Central Goverment (Civil) relating to the Ministry of Irrigation and Power and Government of Punjab Audit Report, 1968 relating to Bhakra Dam Administration and Beas Project only]

LOK SABHA SECRETARIAT
NEW DELHI

April, 1972/Chaitra 1894 (Saka)

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Shri T. R. Krishnamachari—*Under Secretary*

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*Ceased to be member of the Committee w.e.f. 2-4-1972.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Thirty-seventh Report (Fifth Lok Sabha) on Paragraphs relating to the Ministry of Irrigation and Power included in the Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil) and Paragraphs relating to the Bhakra Dam Administration and the Beas Project included in the Government of Punjab Audit Report, 1968.

2. The Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil) was laid on the Table of the House on the 22nd June, 1971.

3. The Bhakra and Beas Projects have been brought under separate independent Boards, Bhakra Management Board and Beas construction Board respectively, with effect from 1st October, 1967, working directly under Central Government. The Paragraphs relating to these Projects included in the Government of Punjab Audit Report, 1968 which had not been examined by the Punjab Public Accounts Committee had, therefore, been transferred to this Committee. The Committee decided at their sitting held on the 6th July, 1971 that these paragraphs might be examined by them.

4. The Committee examined the paragraphs relating to the Ministry of Irrigation and Power and Bhakra Dam Administration and Beas Projects at their sittings held on the 25th and 26th August, 1971 (FN). The Committee considered and finalised this Report at their sitting held on the 12th April, 1972. Minutes of the sittings from Part II* of the Report.

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

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

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

7. The Committee would also like to express their thanks to the officers of the Ministry of Irrigation and Power for the cooperation extended by them in giving information to the Committee.

NEW DELHI; ERA SEZHIYAN,

April 12, 1972 *Chairman,*

Chaitra 23, 1894 (*S*). *Public Accounts Committee.*

MINISTRY OF IRRIGATION AND POWER

I

DELHI ADMINISTRATION

Allocation of expenditure on a drainage scheme

Audit Paragraph

1.1. The Najafgarh Drainage Scheme in Delhi was undertaken in 1959 as a flood control measure to be executed in three phases. The first phase envisaged immediate relief by desilting, removal of humps, etc., the second phase was to afford substantial interim relief by deepening and widening of the drain and the third phase was to give complete relief by draining away water within 3 to 4 days after rainfall.

1.2. After completion of the first phase in 1959 at a cost of Rs. 4.53 lakhs, the second phase, estimated to cost Rs. 79.20 lakhs, was taken up in 1959-60 for completion by June, 1962. Work on the second phase, however, continued when in 1964 Delhi faced heavy floods which caused damage to property of about Rs. 185 lakhs in the Union Territory.

1.3. In July, 1963, the scope of the second phase of the scheme was considerably widened by increasing the discharge capacity of the drain from 900 cusecs to 3,000 cusecs. The original estimate of expenditure was consequently revised from Rs. 79.20 lakhs to Rs. 236.00 lakhs. The increase in the estimate was on account of (i) increase in cost of material, labour, larger leads, (ii) increase in cost of land acquisition, (iii) unprecedented floods in 1964 which necessitated emergency works, (iv) increase in the capacity of the drain throughout its length and (v) additional works found necessary to prevent water contamination of Delhi Water Supply.

1.4. The work on phase II was completed in 1968-69 at a cost of Rs. 243.30 lakhs.

1.5. The Delhi Municipal Corporation which was one of the beneficiaries of the scheme having expressed its inability to meet its share of the cost without corresponding grant-in-aid from the Government of India, the Ministry of Finance agreed in August, 1962 to bear the Corporation's share of Rs. 24.00 lakhs (subsequently raised to Rs. 94.97 lakhs after widening of the scope of phase II).

1.6. Government of Haryana was also a beneficiary of the scheme. On the basis that 8,800 acres of land in Delhi would get relief as against 3,200 acres in Haryana (the ratio being 73:27) the share of Haryana was fixed in 1961 at Rs. 10.96 lakhs. In September, 1962, the Ministry of Irrigation and Power informed the Chief Engineer, C.P.W.D. (who then was executing the work) that the share of Haryana would not exceed Rs. 11 lakhs irrespective of any further increase in the cost of the scheme. In February, 1968, the Chief Engineer (Flood Control) (who then was executing the work) of Delhi Administration pointed out to the Administration that the above basis of allocation of cost was not correct and that instead the distribution should be according to the catchment area which was responsible for bringing flood waters into the Najafgarh Jheel. In support, the Chief Engineer pointed out that this principle was already being applied to the discharge of Mangeshpur drain lying in Delhi and Haryana territories. Of the total catchment area of 279 sq. miles of the Najafgarh Jheel 151 sq. miles lay in Haryana and 128 sq. miles in Delhi giving the ratio of 46:54 against the original ratio of 73:27 for Delhi and Haryana respectively for allocation of cost. The share of Haryana on this principle worked out to Rs. 131.38 lakhs after widening of the scope of Phase II. Even according to the original ratio of 73:27 the share of Haryana would be Rs. 65·69 lakhs.

1.7. Government of Haryana has, however, refused to accept any liability over and above the original estimate of Rs. 11 lakhs. Even the amount of Rs. 11 lakhs originally allocated to that State has not been paid (November, 1970).

1.8. The allocation of the cost of phase III, work on which commenced in 1965-66 and the estimated outlay of which is Rs. 232.07 lakhs, has not yet (July, 1970) been decided. The expenditure already incurred upto March, 1970 and borne by the Ministry is Rs. 167.16 lakhs.

1.9. Government stated in November, 1970 that "the question of sharing the cost is still under consideration in the Central Water and Power Commission. This question is also to be discussed in the next meeting of the Flood Control Board for Delhi and adjoining areas. Recoveries will be made as soon as the question of allocation is decided".

[Paragraph 33, Report of the C & AG for the year 1969-70].

(i) *Delay in execution of phase II of the scheme.*

1.10. According to the Audit para, the second phase of the work was taken up in 1959-60 for completion by June, 1962. It was not, however, completed by the target date. Asked to explain the delay, the Chief Engineer (Floods), Delhi Administration stated: "The position is like this. This drain at a cost of Rs. 79 lakhs was being executed by the Central P.W.D. Then, manual labour was not available and machines had to be arranged for. Three machines were arranged in 1960 and the other five were arranged in 1962. Even then we found that we could not cope up with the work so the help of the Punjab Government had to be obtained for deploying of six or seven machines in 1965. Even then, progress had not been achieved up to the desired level and the Delhi Administration had to create a Flood Control Wing to tackle it rather than depend on the Punjab Irrigation Department for carrying out the work. So far as the question relates to the cause of delay, it is because of the difficult nature of the work. It required equipment. So we had to go to Punjab to loan us the equipment. Land acquisition also took some time. It is a city area and land verification becomes more difficult than in normal rural acquisition."

1.11. The witness added: "The Punjab Department of Irrigation was doing this work for Delhi Administration. Delhi Administration was not organised at that time for execution of this work. They had promised to give certain items of equipments which they could not deliver because of the other commitments and therefore there was a time-lag in execution of the work."

1.12. Subsequently in a note, the Ministry intimated: "When the work on Stage II of the Scheme was taken up in 1959-60, the quantity of earth work had been estimated at about 594 lakh c.f.t. The target date of completion had been fixed as June, 1962. Bulk of the quantity of earth work had to be done under water in which sullage was also flowing. The work by manual labour could not proceed with the desired speed on account of the working condition and, therefore, earth moving machine had to be obtained. It was possible to get 3 draglines of 3/4 c.u.y. capacity by December, 1960. Another 5 Nos. draglines of 1¼ c.u.y. capacity were received in May, 1963. Till October, 1963, about 300 lakh c.ft. out of 594 c. ft. of earth work was carried out.

Subsequently, the work was transferred to the Punjab Irrigation Department in October, 1963, who were in a position to deploy more equipment for the work. It was possible to improve the progress and the balance quantity of 300 lakh c.ft. was completed by May, 1964 within the revised target date.

In November, 1964, the scope of the Stage II was increased and an additional 873 lakh c.ft. of earth work was to be done on this account. The work was completed before the monsoon of 1967 with due expediency."

1.13. The Committee desired to know the agencies through which phase II of the scheme was executed, period for which each agency executed the scheme and the progress made by each agency against the targets fixed from time to time. The following information was furnished by the Ministry:

Agency of execution of works	Period	Quantity of excavation to be done	Target fixed	Actual quantity of excavation done.
1. C.P.W.D. . .	1960 to Oct. 63	594 lakh c. ft.	30-6-62 revised to 30-6-64	162·5 lakh c. ft. upto June, 1962. 297·6 lakh c. ft. Oct. 63.
2. Punjab Irrigation Deptt.	Oct. 63 to May'64	(594—297·6) lakh c ft. or about 300 lakh c.f.t.	June, 1964.	310 lakh c. ft. upto May, 1964
	May'64 to Sept. 1965	Scope of work increased in Nov. 64. Approx. addl. quantity being about 900 lakh c.ft.	No specified date was fixed.	370 lakh c. ft. upto Sept. 65.
3. Flood Control Wing, Delhi Admn.	Since Oct. 1965	About 500 lakh c. ft.	Do.	The balance work of 500 lakh c. ft. was completed by June, 1967.

(ii) *Change of scope of Phase II of the scheme.*

1.14. As regards widening the scope of the second phase of the scheme by increasing the discharge capacity of the drain from 900 cusecs to 3,000 cusecs, the witness deposed: "The 3,000 cusecs capacity was available to the city reach. The upper reach was 900 cusecs and it flooded most of the area. In 1962 we had more waters coming in from Haryana Dassa Bund point which also flooded Najafgarh area and to de-water that the upper reach was also proposed to be of 3,000 cusecs." He clarified: "Ultimately, 3,000 would be required in the upper reaches. In 1964, it was decided that it should be done earlier than the development of the Master Plan."

1.15. According to the Audit para, the scope of the second phase of the scheme was widened in July, 1963, whereas the Secretary, Ministry of Irrigation and Power, claimed during evidence that the heavy flood in 1964 was the most important factor for revising the scheme upward. In a note, the Ministry confirmed that the decision to change the scope was taken at the Inter-State meeting held in November, 1964.

1.16. In a note, the Ministry explained, as required by the Committee, how the discharge capacity of 3,000 cusecs could not be contemplated in 1959 when the work was taken up.

"In the Reddy Committee Report, the discharge capacity in the upper reaches of the Najafgarh drain had been estimated as about 450 cs. This was based on office studies of Survey of India topo sheets. The catchment area contributing to the inflows into the Najafgarh Jheel had then been computed as 432 sq. miles. In 1959-60, detailed field surveys and investigations were carried out. Detailed studies were also made with the data of rainfall and levels of Najafgarh lake observed till then and the topography of the area. These studies brought out that the capacity of 450 cs. from Kakraula to Daryanala would not be adequate to give the desired interim relief in the Jheel area. It was estimated that the capacity required would be 900 cs."

"In 1964, there was heavy rainfall in the catchment of Najafgarh drain and the contiguous areas of Haryana and Rajasthan. Consequently, there was considerable inflow from the Sahibi river. Such heavy inflow has not been experienced in the past. The level in Najafgarh Jheel rose to all time record of 695.6 submerging an area of about 60,000 acres."

"A Committee of Technical Experts (Motiram Committee) was appointed by the Government of India to study the situation arising out of the 1964 floods and the measures required to provide relief from the drainage congestion. This Committee made detailed hydrological studies and came to the conclusion that the capacity of the Najafgarh drain between Kakraula and Daryanala should be increased from 900 cs. to 3,000 cs. for bringing down the level of Najafgarh Jheel to RL 686 after the monsoon to enable Rabi cultivation in the marginal area of the lake. This conclusion of the Committee was accepted and Stage II of the scheme was modified accordingly. It was considered that with the development in the upper reaches, the chances of flows as experienced in 1964, would be frequent and that the increase in capacity as recommended by the Committee was essential."

1.17. Asked to indicate the value of work done upto the date when the scope was expanded and the value of work rendered infructuous consequent on the increase in the discharge capacity, the Ministry intimated that the approximate total expenditure on the scheme till then was Rs. 90 lakhs and that there was no work which was rendered infructuous as a result of increase in the scope as the additional capacity of the drain was to be provided by widening and deepening of the drain already complete.

1.18. The emergency works which had to be undertaken due to floods in 1964 and the cost thereof are indicated below as furnished by the Ministry:—

(a)	Closing of the breaches in the Dhansa Bund . .	Cost Rs. 4.29 lakhs
(b)	Removal obstructions in the bed of the Najafgarh drain under some bridges	Cost Rs. 4,000

(iii) *Apportionment of cost of work between the beneficiaries.*

1.19. The final cost of Phase II of the scheme was Rs. 243.30 lakhs upto March, 1971 as against the cost of Rs. 79.2 lakhs estimated in 1960. The share of Haryana State was, however, fixed in 1962 as Rs. 11 lakhs irrespective of any further increase in cost. The Committee wanted to know the basis for restricting the share of Haryana to Rs. 11 lakhs. The Ministry had the following to state in a note:—

"The Najafgarh Drainage Scheme Stage II was sanctioned in 1960. The total cost of the scheme was Rs. 79.2 lakhs out of which the cost to be borne by the other agencies such as, Railways, Transport Ministry and Delhi Municipal Corporation etc. was worked out as Rs. 30 lakhs. The balance cost of Rs. 49.29 lakhs was for the work which were to relieve drainage congestion in a total of 14,100 acres of rural area of which 3,200 acres was in Punjab and the balance in Delhi. It was proposed to allocate the cost on the basis of the areas relieved from drainage congestion and on this basis the cost allocable to Punjab worked out to Rs. 10.96 lakhs."

"This allocation was discussed at the meetings of the Delhi Flood Coordination Committee in 1961 and 1962. At these meetings, the representative of Punjab had stated that they had prepared an alternative scheme for relieving the drainage congestion in the areas proposed to be served by the Najafgarh Drainage Scheme Stage II and that this scheme would be more ecnomical and beneficial to Punjab. Further, he had expressed doubts about the area of 3,200 acres which had been estimated as the benefit to Punjab while allocating the cost. He had also apprenhended that the cost of the scheme was likely to go up considerably and as such had stated that the Punjab Government did not want to make any commitment regarding the payment of proportionate cost."

"During the discussions, it had been pointed out by the Ministry of Irrigation and Power that the Phase II scheme had been drawn up on the basis of the recommendations of Reddy Committee which had considered all the factors and had also associated the Punjab Engineers with the decision. The Punjab representative had, therefore, been urged to accept the share of Rs. 1096 lakhs allocated to their State."

"At the meeting, the apprehension of the Punjab representative that the project cost was likely to go up had been considered and it had been agreed that the Punjab share of cost would not exceed Rs. 11 lakhs, irrespective of any further increase in the cost of the scheme. After this meeting, the matter had been further considered by the Ministry of Irrigation and Power in consultation with the Ministry of Finance and the following orders regarding the allocation of cost had been issued.

> 'The Punjab share of the cost of the Najafgarh Drainage Scheme Phase II would be proportionate to the areas in Punjab that would benefit from the scheme. The amount of share would be determined by the CW & PC in consultation with the Chief Engineer, Punjab and the Director (UT) CW & PC. The share of the Punjab Government would not exceed Rs. 11 lakhs irrespective of any further increase in the cost of the scheme'.

"The area to be benefited in Punjab by Stage II scheme had been checked in CW & PC. This had indicated that the total benefit to Punjab would be as originally worked out and as such their share of the scheme was Rs. 11 lakhs."

1.20. In reply to another query, the Ministry intimated that the amount of Rs. 11 lakhs had not been paid by the Haryana Government. It was further stated that in view of the increase in cost of Phase II of the scheme, the share of Haryana had been worked out as Rs. 49.81 lakhs and that the State Government had been requested to reconsider their stand and accept the revised allocation.

1.21. During evidence the Committee were informed that "now Haryana is in no hurry to revise the scheme because the real victim of floods is the Delhi area and they feel the need of doing it immediately. And they could not wait till Haryana comes for some agreement. That is the crux of the matter."

1.22. The estimated cost of Phase III of the scheme is Rs. 232 lakhs and the work is expected to be completed by March, 1972 as against the target date of March, 1971. The expenditure incurred upto the end of September, 1971 was Rs. 229.2 lakhs. The Ministry intimated that the cost was proposed to be allocated as Rs. 82.82 lakhs to be borne by Delhi and Rs. 149.25 lakhs to be borne by Haryana and that the final allocation had not been decided. A note on the allocation of cost amongst the beneficiaries as furnished by the Ministry is reproduced at Appendix I.

1.23. Asked to state whether the beneficiaries concerned were consulted with specific reference to the allocation of expenditure before expanding the scope of the second phase and undertaking the third phase of the scheme, the Ministry intimated:

"It was decided to increase the scope of the Phase II of Najafgarh Drainage Scheme from 900cs. Capacity to 3000 cusecs capacity between the Kahrola to Daryanala Junction at the Inter State meeting held on 27th November, 1964 in the wake of the serious drainage congestion in the Najafgarh Jheel area. This meeting amongst others was attended by the Chief Minister and the Minister of Public Works Department, Punjab."

"In regard to the sharing of cost of Phase II, it had earlier been decided in 1962 that the sharing would be proportionate to the benefits in Punjab and Delhi and that the Punjab share would not exceed Rs. 11 lakhs irrespective of any further increase in the cost of the scheme. In view of this, no specific reference to Punjab was made before undertaking the expanded scope of works. However, when the revised estimate for Rs. 235.8 lakhs was approved by the Ministry of Finance, they had suggested that action should be taken to allocate the cost between the beneficiaries. The matter was accordingly taken up and is still under correspondence."

"The work of Phase III was taken up in anticipation of the formal sanction to the scheme because of the urgency of works involved. After the estimate was received from the Delhi Administration, the allocation of cost was worked out by Central Water and Power Commission and was intimated to the beneficiaries for their acceptance. The matter is still under examination by Haryana."

(iv) *Execution of Inter-State drainage schemes.*

1.24. In a note submitted in advance of evidence, the Ministry stated that no specific basis had been prescribed for allocation of

Inter-State Drainage schemes and that allocation of cost is determined by mutual consent between the participating States based on merit. The general principles in allocating the cost of such schemes as intimated subsequently by the Ministry are as follows:—

(i) the allocation is done in the ratio of cusec miles;

(ii) the allocation is done in the ratio of the catchment areas where the catchments are of similar nature and the carrier drain is common;

(iii) the allocation is done in the ratio of the benefits actually derived by the beneficiaries.

1.25. The Secretary, Ministry of Irrigation and Power, deposed during evidence: "There is no uniform system in India. So far, we have been trying to do our best in given circumstances. The difficulty is that the parties down-stream which are affected by floods are in a hurry, while the parties upstream are not in a hurry. The parties down-stream will certainly suffer. There is no agency or authority which may implement and force the different States. This is a very wider question involving parliamentary legislation which has not been undertaken so far."

1.26. The execution of Phase II of the Najafgarh Drainage Scheme leaves much to be desired. Commenced in 1959-60 and estimated to cost Rs. 79.20 lakhs the work was expected to be completed by June, 1962. Out of total quantity of 594 lakh c.ft. earth work to be done, only 162.5 lakh c.ft. representing a mere 27 per cent could be done by the target date. The main reasons for the slow progress were (i) starting the work without any earth moving machinery and (ii) delay in getting sufficient number of earth moving machineries subsequently when their need was realised. To what extent the work was proceeding at a slow pace can be judged from the fact that while 300 lakh c.ft. of earth work was done in about 4 years between 1959-60 to October, 1963, an equal quantity of remaining work was done in 8 months between October, 1963 and May, 1964 with adequate earth moving machines. The Committee would like to know why the requirement of earth moving machines was not contemplated initially as the work of such a magnitude bulk of which had to be done under water could not obviously have been managed by manual labour alone. The Committee have reasons to apprehend that the late realisation of the need for the machinery to expedite the work would have resulted in acquiring more than what was needed initially. Incidentally the Committee find that there has been an increase in cost by Rs. 10 lakhs on account of the delay.

1.27. The scope of Phase II of the scheme was changed in 1964 by increasing the discharge capacity of the drain from 900 cusecs to 3000 cusecs uniformally. The Committee are not convinced that this could not have been done earlier as this capacity was already provided for in the city reaches and the ultimate requirement of this capacity in the upper reaches was also contemplated earlier. The Committee, therefore, feel that the scheme as originally conceived was not comprehensive enough to meet the future requirements with the result that during 1964 Delhi faced heavy floods which caused wide-spread damages to property amounting to about Rs. 185 lakhs. The emergency works which had to be undertaken as a result thereof cost Rs. 4.39 lakhs.

1.28. The Committee note that Government of Haryana who are one of the beneficiaries of the scheme have neither paid their share of cost of Phase II originally fixed as Rs. 11 lakhs nor accepted the revised share of Rs. 49.81 lakhs consequent on the increase in the scope of the scheme. Their share in Phase III of the scheme is stated to have been provisionally fixed as Rs. 149.25 lakhs. The Committee are of the opinion that the beneficiaries concerned should have been specifically consulted in enlarging the scope and financial implications of the second Phase of the scheme and before undertaking the third Phase. The Committee would like to know the settlement reached finally in this behalf and the principles followed in reaching the settlement.

1.29. The Committee learn that there are no uniform rules regarding allocation of cost of inter-State drainage schemes between the beneficiary States. In the Najafgarh scheme the Committee find that while the cost of Phase II is sought to be allocated on the basis of the area benefited, the cost of Phase III is to be allocated on the basis of catchment area in the respective States. The Committee desire that there should be some uniformity in this regard.

1.30. Another factor to which the Committee would like to draw the attention of Government is the understandable reluctance of the States upstream to agree to share the financial burden of inter-State drainage Schemes. In view of the vital importance of the drainage schemes as a flood control measure to save life and property, there should be some enforcing machinery so that execution of necessary inter-State drainage scheme is not impeded or their progress inhibited on account of lack of agreement between the States to share the cost of non-reimbursement in time their agreed share of the cost to the Project authorities.

Extent of use of draglines

Audit Paragraph

1.31. During 1966-67 to 1969-70 the Flood Control Wing of Delhi Administration operated thirteen draglines (cost Rs. 58.40 lakhs) for earthwork in resectioning and regrading of drains, rivers, etc., for flood control purposes. Rs. 29.40 lakhs were spent on their running, maintenance and overhaul during that period. Five of the draglines which were new were received during May to October, 1966 and the remaining eight were taken over from Punjab Government (which had bought them in 1962) alongwith the transfer of work in 1965. The machines have a life of 8 years with a total capacity of work for 20,000 hours. After excluding the period during which one dragline was worked as crane from December, 1967 to March, 1970, the 13 machines were capable of working for 1,24,000 (approximately) hours during the above-mentioned four years period. Actually, however, they worked for 61,000 hours only; the actual working hours have been progressively coming down (21,063 hours in 1966-67, 15,358 hours in 1967-68, 15,466 hours in 1968-69 and 9,113 hours in 1969-70).

1.32 Five of the machines were worked for one shift only from December, 1967 onwards, while the rest were worked for two shifts. Each shift is of 8 hours out of which 2 hours are allowed for transportation of staff at the beginning and at the end of the shift to the site of work and back and one hour is allowed for lunch break and servicing. During the four years 27,396 hours were lost owing to major break-downs. The Ministry stated (November, 1970) that it was not possible to operate the machines during rainy season and that "the period generally available for working the draglines is only from 15th November to 15th June and in comparatively wet years, as in the year 1967, this period is further reduced by about a month or so". Thus the machines work (in Delhi area) generally for 7 months only in a year. The staff for operating the draglines were engaged for the full year. The annual expenditure on their pay and allowances was about Rs. 2.57 lakhs.

(Paragraph 69 of the C&AG's Report, 1969-70)

(i) *Requirement of draglines*

1.33 The total quantity of earth work estimated to be done in Najafgarh drainage scheme on which the draglines mentioned in the Audit para were employed, the period during which the work was expected to be completed and the actual date of completion were intimated by the Ministry as follows:

"The total estimated quantity of earth work in Najafgarh drainage scheme Phase II for a discharge of 900 cs. was 594 lakh c.ft. When the scheme was subsequently revised, to carry a discharge of 3,000 cs., the total volume of earth work was estimated as 1,354 lakh c.ft. The total quantity of earth work in Najafgarh drainage scheme Phase III is 1,527 lakh c.ft."

"The work on the Najafgarh Phase II for a discharge of 900 cs. was started in 1959-60. It was envisaged that the scheme as revised for a discharge of 3,000 cs. would be completed by the end of March, 1967. The work was actually completed in November, 1967."

"The target date of completion for Phase III was March, 1971. The earth work has been practically completed by June, 1971."

1.34 Asked to explain the basis on which the requirement of draglines for the work was assessed, the Ministry stated:—

"In the wake of the floods of 1964 which caused considerable damage in Delhi area, a review was made of the measures required for speeding up the work on the Najafgarh drain, in the Ministry of Home Affairs in August, 1964. It was decided to have a Flood Control Wing in Delhi Administration to execute the works connected with the flood problems of Delhi. Accordingly, the Wing was established and the work which was being executed by Punjab on the Najafgarh drain was transferred to the new Wing on 1st October, 1965. The equipment belonging to the C.P.W.D. consisting of 5 Skoda draglines and 3 R.B. draglines were also transferred to this Wing. At that time, nearly 400 lakh cu. ft. of excavation still remained to be done under Phase II. Further, at that time it was envisaged that at least 500 lakh cu. ft. would have to be done by earth moving machinery for Phase III."

"The target date of completion of Phase II had been fixed as end of 1966-67. With the machinery available, only about 180 lakh cu. ft. could have been completed upto the target date. Therefore, the balance of 220 lakh cu. ft. required additional earth moving equipment. For this work, it was considered necessary to have 5 P&H draglines and accordingly they were purchased."

1.35 The RBs and Skoda draglines were under C.P.W.D. till September, 1963 and were transferred to Irrigation Department, Punjab and were received by Delhi Administration in October, 1965 except one R.B. which was received in September, 1967. The five P&H draglines were purchased between May and October, 1966.

(ii) *Loss of operational days|hours*

1.36 According to the Audit para, after excluding the period during which one dragline was worked as crane from December, 1967 to March, 1970, the 13 machines were capable of working for 1,24,000 (approximately) hours during the four years period 1966-67 to 1969-70. The Ministry had, however, the following to state in this behalf:—

"Generally, on projects, the scheduled working hours are adopted as 2500 per year for two shift working of machine. This is based on the working period from 16th September to 15th June (after excluding the rainy season) allowing 43 days for Sundays and 10 days for National and public holidays which makes 250 working days. For a two shift work, 10 hours are adopted as the effective working hours in all the projects. Thus in a two shift working, the total schedule hours in a year are 2500 and 1250 for single shift. In the specific case of Najafgarh Drain in Delhi, however, the period available for actual working is from 16th November to 15th June. After allowing for 30 Sundays and 9 National and Public holidays, the actual working days available are 172. On this basis, the total schedule hours are 17.20 hours for two shifts and 860 hours for one shift per machine."

1.37 As required by the Committee, the Ministry indicated the number of shifts and the period for which the draglines actually worked as follows:—

"The Tata P&H worked two shifts throughout from 1966-67 to 1969-70. Skoda worked two shifts from April, 1966 to 15th June, 1967 and thereafter one shift. 3 R.B. draglines worked two shifts from 1966-67 to 1969-70. The machines remained on work except when

(a) they were under major overhauling or breakdown;

(2) during the rainy season.

"The Skoda draglines worked in two shifts on excavation of Najafgarh drainage scheme Phase II up to 15th June, 1967 in the city reaches of the drain where the bed width is 65 feet. The bed width of Najafgarh covered under Phase III is 146 feet and because of short boom length of 45 feet, these draglines could be used to a limited extent of final excavation after the P&H draglines with 90 feet boom had completed the major excavation, otherwise the work done by them would have required rehandling. The equipment could, therefore, be used in only one shift after 15th June, 1967."

1.38. A statement of schedule hours|working hours of each of the draglines for the period 1966-67 to 1969-70 as furnished by the Ministry is reproduced at Appendix II, an abstract of which is given below:—

Year	B.R. draglines			Skoda draglines			Tata P&H draglines		
	Schedule hrs.	Working hrs.	Percentage	Schedule hours	Working hrs.	Percentage	Schedule hrs.	Working hrs.	Percentage
1966-67	3460	4555	131·64	8650	8589·5	99	5980	7872·5	112·7
1967-68	4530	3843	84·81	6200	3386·5	54·6	8600	8128·0	94·5
1968-69	3460	3297	95·28	5425	4343·5	100	8650	7824·5	90
1969-70	4070	2162·25	63·14	4300	2750·5	64	8600	4284·0	49·8
Total	15520	13867·25		23475	19070·0		32830	28109·0	

1.39 Offering an explanation for the difference in working hours from year to year for the various types of machines, the Secretary, Ministry of Irrigation and Power, stated during evidence: "In the first year the performance has been exceedingly good because they were all in working condition—in good condition. In regard to the Rustin machines, the performance was as much as 100 per cent because there was hardly any sick machine and there were hardly any break-downs. But as we went along, our experience has been varying. Some machines developed defects, piston rod breakdowns etc. and we had to be satisfied with lower performance. So, in the latter three years, the performance had been varying and the average for the first category of machine (i.e. Rustin) came to 93.72 which, I would plead, is a very satisfactory performance. As regards Skoda, it is 79.4. Skoda machines were rather older machines. The third category is Tata's where the performance is 86.75. That also, I would say, may be regarded as satisfactory under the circumstances."

1.40 The Chief Engineer (Floods), Delhi Administration, explained further: "The R.B's are eleven years old. They worked with Punjab and the Punjab Government was operating them and when we received them, they had practically completed their life span of 9,000 hours—which is the normal span for this type of machines. But these machines actually completed 13,000 to 15,000 hours which means practically that we were using them beyond their prescribed life expectancy by better and more careful maintenance The fall in efficiency...is at the 11th year of life—when normally it starts falling off as the machine gets older. The schedule hours are not dependent on whether the machine is old or new Schedule hours means the hours for which a machine can work depending on the season and the site conditions etc. That is the way schedule hours are fixed."

1.41 As regards the performance of Skoda machines, the witness went on to say: "These Skoda machines were purchased in May, 1962. These machines were purchased by C.P.W.D. and were working with the Punjab Government. They were the executing agency and they were received by the present set up in October, 1965. During the period under which this examination was taking place, that is, from 1966 to 1970, these machines have already consumed part of their lives. The break-up for this period during which these machines have served is 9,000, 9,000, 11,000, 8,000 and 11,000 working hours. The average working hours is about 10,000, while 12,000 working hours is normally prescribed for these machines. So they are left with 25 per cent efficient working life and the performance that has been indicated for these machines is that one year they are good, next year they required more attention in terms of repairs to engines and so on. We attended to those repairs and again put the machines on work; and next year again it comes up for repairs and so this is how these machines are working. It is practically on the last legs of its life."

1.42 Dealing with the Tata P&H draglines, the witness continued: "These were purchased new (5 Nos.) in May, 1966. These machines have uptill now served 7,000, 5,000, 5,000 and 5,000 working hours, that is, a portion of the life of the machines has been consumed in the last 4 or 5 years. You will find that the percentage of efficiency of these machines works out to 112, 94, 90. This is the normal variation which could be expected after the machine is little worn out. That is after 5,000 working hours. In 1969-70, two machines were down for overhauling of engines and in one of them the lower shaft was broken. That is the reason why these two machines have not given as good performance in 1969-70 as the rest. These machines have been put into commission again in 1970-71."

1.43 The Secretary referred to the particularly low percentage of working hours compared to scheduled hours during 1969-70 and observed: "The mere fact that we have put down the full working capacity of the machine does not mean that in the last year the work was available to that extent as the work was coming to a close; that there is a disparity between the capacity of the work and the work available at different stages. In regard to the question whether the performance is relatively low, we cannot say that the performance is low where it is between 90 per cent and 100 per cent. It is only in the final year that it is 50 percent, even though the work was tapering off. That does not mean that the capacity of the machine was tappering off. That is why the same number of scheduled hours has been stated in 1969-70 just as in 1966-67. That is one major point I would like to be kept on record."

1.44 The life of the draglines in terms of working hours and the hours actually worked till March, 1970 as intimated by the Ministry subsequently are shown below:

Type of Machine	Life in hours	Hours actually worked till March, 1970.
R.B. Draglines		
3 Nos.		
DL 8	9,000	15,376
DL 11	9,000	13,019
DL 10	9,000	15,403
Skoda Draglines		
5 Nos.		
DL 3	12,000	9,672
DL 4	12,000	8,761
DL 5	12,000	11,032
DL 6	12,000	8,140
DL 7	12,000	11,900
P&H Draglines		
5 Nos.		
DL 12	15,000	5,242
DL 13	15,000	4,872
DL 14	15,000	6,958
DL 15	15,000	5,188
DL 16	15,000	5,888

1.45 The Committee were also informed that the machines could be capable of being used beyond the life period depending upon the use to which the equipment was put in its working life, standard of repairs and maintenance, the skill of the operating crew etc. The economic life could be considerably extended by proper maintenance and repairs and careful handling with prompt supply of spare parts.

1.46 The Ministry submitted to the Committee a revised note regarding the available hours of work for the draglines, which ran as follows:

"During the period under review, namely, 1966-67 to 1969-70, 7 machines were available for work throughout the period, 2 machines from May, 1966, 2 from June, 1966, one from October, 1966 and one from September, 1967. The working days in a year available vary from 172-173 days. The total available working days for all the machines in the above period were:

7 machines x (173-172-173-172) days—	4830	working days
2 machines x (145-172-173-172) days—	1326	Do.
2 machines x (116-172-173-172) days—	1266	Do.
1 machine x (110-172-173-172) days—	627	Do.
1 machine x (— —107-173-172) days—	452	Do.
	8501	working days

"The Skoda group draglines with 45 ft. boom could efficiently work in excavation of drain in the city reach where the bed width was 65 ft. These machines worked for two shifts when employed on this work upto November, 1967. In December, 1967, these were shifted to the work of Najafgarh Drainage Scheme Phase III where the bed width required was 146 ft. As such, these machines could not be used as primary excavative units as earth work done by them required to be rehandled to place it in correct position on the banks. Therefore, these machines had to be used for final excavation only after the major work had been done by the bigger Tata P&H machines. Consequently, it was not possible to operate the Skoda group of machines efficiently in two shifts and their use had to be restricted to one shift operation which provided enough help in work being excavated by P&H draglines. The Skoda group thus operated in one shift from December, 1967 to March, 1970."

"During the period, one RB dragline worked as a crane and was not available for earth work."

"Taking the above into account, the total scheduled hours and the actual working hours during the period 1966-67 to 1969-70 are as below:

Year	Schedule hours	Actual hour
1966-67	16,720	21,017
1967-68	17,610	15,357
1968-69	16,415	15,4
1969-70	16,340	9,207
	67,085	61,046

"In the period 1966-67 to 1969-70, there were in all 27,396 hours comprising of 24,642 hours during which the equipment was not available due to mechanical defects and 2,754 idle hours during which equipment was available but could not be put to work. However, with the machines employed outside the schedule working season taking advantage of favourable weather conditions and also by diverting one machine working as crane in the workshop for use as dragline, 21,357 hours were made up. Thus the actual shortfall during the period was only 6,039 hours."

1.47 The Committee desired to know the actual working hours in a shift. The Secretary said: "It depends upon the machine. But the effort is to work 7½ hours. Out of 8 hours, 7½ hours is the real time. Then many things happen. The Indian ropes used in these draglines are not so good. They break. And some times you have to move your machine. On the average, out of 8 hours working shift, after taking away these, if you get 5 hours, it is fairly good." He added: "And sometime is required for greasing. Greasing is to be done for every shift. Lunch is only half an hour. And the effort is made every day to work for 7½ hours. Greasing, fuelling etc. is done during the lunch time."

1.48 According to the Audit para, out of 8 hours of shift, 2 hours were allowed for transportation of staff at the beginning and at the end of the shift to the site of work and back. The Committee enquired whether it was the practice in other projects to transport the staff to the work spot and back within the shift time. It was intimated by the Ministry that wherever transport was provided by the project to move the labour from camp to work site it was done outside shift hours.

1.49 During evidence, the Chief Engineer (Floods) however stated: "So far as the schedule of hours are concerned, they are not based on 8 hours per shift but 5 hours are available for working in each shift. You have enquired about the type of machines that are used for one shift. The position is that the draglines are working in an extensive area of about 20 miles. The area covers from Najafgarh to Dhasa and from Jamuna to other end. And these workers have to be completely moved from one end to another. The places of work are not connected by roads. So when the two shifts start, the first shift starts at about 5 O'clock. If one man does not turn up, that is, one tool man does not turn up for some reason or other, then the machine is idle. So it was considered necessary to collect everyone and the team moves to the work spot; otherwise, we would find that the machine would be kept idle even if one man does not turn up."

(iii) *Output of excavation by the draglines*

1.50 As regards output capacity of the draglines, the Ministry stated the following in a note:—

"The output of excavation by draglines depends on a number of factors. The peak production of the different capacity draglines as indicated in the report of the Rates and Costs Committee for optimum depth of cut, angle of swing and 60 minute hour are as follows:—

2½ cu. yd. capacity—4700 cu. ft. per hour
1½ cu. yd. capacity—2550 cu. ft. per hour
¾ cu. yd. capacity—1500 cu. ft. per hour

"The optimum depth of cut for 2½ cu. yd. dragline is 12 ft., for 1½ cu. yd. dragline is 10 ft., for 3|4 cu. ld. dragline is 8.7 ft. against which the depth of cut in Najafgarh drain was on an average 6 ft. Further the angle of swing of disposal of earth excavated from the Najafgarh drain for placing it in position on spoil banks was 180. These two factors reduced the production of the machines as follows:—

2½ cu. yd.	73%
1½ cu. yd.	73%
¾ cu. yd.	75%

"Also the material excavated from the bed of the Najafgarh drain was clay and common earth. The clay swells up on excavation to a volume of 140 per cent and common earth to 125 per cent, the average being about 130 per cent. There is also loss of production because of washings from the bucket in underwater excavation. The effective outturn on account of this has been estimated as 90 per cent."

1.51 Taking all the factors into account, the estimated optimum production of the three types of draglines is stated to be as follows:

(i) Tata P&H 2½ cu. yd. dragline	2375	c.ft. per hour.
(ii) Skoda 1½ cu. yd. dragline	1290	Do.
(iii) R.B. ¾ cu. yd. dragline	780	Do.

1.52 The following table idicates the estimated quantity of work, the work that should have been done by the different draglines on the basis of their capacity for the hours worked by them and the actual output during each of the years 1966-67 to 1969-70:—

Year	Estimated quantity	Quantity should have been done	Quantity actually done
		(In lakh c.ft.)	
1966-67	275·85	334·33	326·96
1967-68	306·15	265·74	346·95
1968-69	288·05	268.02	295·49
1969-70	286·55	154·45	167·45

1.53 The Committee desired to know the quantity of earth work done by each dragline against the targets. The Ministry expressed their inability to indicate the outturn dragline-wise since they were employed in batches in different reaches.

(iv) *Cost of work done*

1.54 The estimated cost and the actual cost of work done by the draglines from year to year during the period 1966-67 to 1969-70 are indicated in the following statement:

Year	Estimate quantity lakh c. ft.	Estimate cost (Rs. in lakhs)	Estimate cost per 100 c. ft. Rs.	Quantity Actually done lakhcft.	Cost of actual work done (Rs. in* lakhs)	Cost per 100 cft. Rs.
1966-67	275·85	17·93	6·5	326·96	23·55	7·2
1967-68	306·15	19·90	6·5	346·95	19·92	5·74
1968-69	288·05	18·72	6·5	295·49	19·76	6·69
1969-70	286·55	18·62	6·5	167·45	11·28	6·73

1.55 The expenditure on running and maintenance of all the 13 draglines during the period 1966-67 to 1969-70 was Rs. 29.40 lakhs. The break-up of this expenditure on work charged establishment

*The cost of work actually done is based on the hously use rates of different categories of macking and the hours of work, actualy done by the machines and P.O.L., spare parts and repairs as furnished by the Ministry is given below:—

Year	W.C. Establishment	P.O.L. etc.	Total
1966-67	2·18	4·40	6·58
1967-68	2·57	5·60	8·17
1968-69	2·84	6·00	8·84
1969-70	2·88	2·92	5·80
	10·47	18·92	29·39

(v) *Repairs and maintenance of draglines*

1.56 Giving the break-up of the loss of 24,642 hours due to mechanical defects of the draglines, the Ministry stated:—

"The equipment was not available for 24,642 hours due to running repairs that became necessary during the service check up of the equipment during shifts. These repairs generally consisted of welding of the teeth of the buckets, changing damaged wire ropes, change of clutch linings, repairs to hydraulic and electrical systems. These hours also include the period during which the equipment was not available on account of major repairs. The major break-down hours for the various machines during the period 1966-67 to 1969-70 are as follows:—

(*i*) Skoda (DL-6) .	Due to breakage of crank shift from 11/66 to 3/68	2312 hours
(*ii*) Skoda (DL-3) .	On account of engine overhaul from 8/68 to 11/70	1522 hours
(*iii*) Skoda (DL-4) .	On account of engine overhaul from 8/67 to 11/69	1500 hours
(*iv*) P&H (DL-12) .	Due to crank-case brusting from 6/69 to 3/70	1182 hours
(*v*) Skoda (DL-5) .	Due to engine overhaul from 2/69 to 3/70	1090 hours
(*vi*) Skoda (DL-7) .	Due to engine overhaul from 6/67 to 3/68	615 hours
(*vii*) P&H (DL-16) .	Due to damage of blower from 7/69 to 12/69	380 hours
(*viii*) R.B.(D.L.—8)	Due to engine overhaul from 5/69 to 8/69	303 hours
		8904 hours

"Out of 8904 hours of major breakdown, 3494 hours were due to accidental breakdown and the remaining 5410 hours due to normal breakdown. The accidental breakdown hours could not be reduced as spare crank shafts and engine block were not available and repairs *had to be carried out by welding the cracked engine* block and after procuring new crank shafts."

"The time taken in normal repairs and overhaul is primarily in the case of Skoda draglines. This time could not be reduced as the procurement of spare parts for these machines. had become difficult after the sole distributors had been permanently black-listed in February, 1963."

1.57. The Ministry further intimated: "Also other running repairs required from time to time could not be done quickly as the work was spread out and there were no field or mobile workshops facilities. As far as the accidental breakdowns of 3494 hours, these also could not be rectified quickly since the spare crank shafts and engine blocks were not available for the imported machines and therefore repairs had to be carried out by welding the cracked engine blocks and procuring new crank shafts. This resulted in delays."

"The Government of India have set up a Construction Plant and Machinery Committee which is presently going into the question of finding ways and means of improving the efficiency of earth moving machinery working in different parts of the country."

1.58. According to the Audit paragraph the 13 draglines used in the Najafgarh Drainage Scheme between 1966-67 and 1969-70 worked only for 61,000 hours as against 1,24,000 hours available for work. The Ministry, however, informed the Committee that the available hours of work were 67,085 only. The difference is mainly on account of the fact that the working season in Delhi is stated to be only from 16th November to 15th June. That the machines were in fact worked beyond this period to make good the loss of 27,396 hours suffered due to break-downs and other reasons shows that the working season fixed is not such beyond which it is not possible to work. The Committee would therefore, urge Government to review this and fix a realistic working season so that progress of works may be judged against a more realistic target.

1.59.The relatively poor performance in the year 1969-70, the actual working hours being 9207 against the scheduled hours of 16,340, has been attributed to the reduction in the quantum of work to be executed. If this explanation is correct, the work on Phase III

of the scheme should have been completed much earlier than June, 1971. The Committee would, therefore, like the delay in execution of the scheme to be examined and the results intimated to them.

1.60. The Committee find that much time during the shifts was wasted in transporting the workers to the site of work. They feel that while it may be justified to move the labour, if so required, within work area during shift hours, any movement from camp to work site should be done only outside shift hours.

1.61. From the details furnished, the Committee have come to the conclusion that the optimum output capacity of the different types of draglines in relation to the work in the Najafgarh scheme, fixed by the Project authorities was on the low side; the optimum capacity fixed was only about 50 per cent of the production capacity indicated by the Rates and Costs Committee. If the production performance of these machines during 1967-68 was only indication, quantity of earth work actually done was 346.96 lakh cft as against 265.74 cft. which should have been done according to the norm adopted by the Project—they had not been working at the optimum level of efficiency in other years. The performance in 1966-67 was particularly unsatisfactory inasmuch as only 326.96 lakh cft. of work alone was done against the quantity of 334.33 lakh cft. which should have been done even according to the low norm of the project. All these, therefore, need detailed investigation with a view to inter-alia fixing realistic norms to effectively control the working of the machines.

1.62. The Committee are concerned to find that the estimated cost per unit of earth work to be done was exceeded in all the years except in 1967-68, the figures being Rs. 7.2, Rs. 5.74, Rs. 6.69 and Rs. 6.73 respectively during 1966-67 to 1969-70 as against the estimated cost of Rs. 6.5 per 100 cft. In view of what is mentioned in the foregoing paragraph, the Committee have reasons to believe that the estimated cost itself was on the high side. This was thus primarily due to the fact that nroms of ouonut of the draglines were not fixed realistically and adhered to. Further the staff for operating the draglines were engaged for thee full year although they worked generally for 7 months only in a year All these had pushed up the cost of the project considerably. The Committee would like to know what sort of cost control was exercised in this project. They hope that such laxities will not be in evidence in similar other projects.

1.63. Another disturbing feature of the performance of the draglines is the frequent breakdowns and consequent loss of 24,642 working hours in 4 years. The relatively newer ones viz. Skoda and P&H draglines have suffered most. Non-availability of spare parts and proper repair facilities on the spot have accounted for the delay in putting these machines in proper working condition. The Committee incidentally find that the repairs were taking place during working season. They would like this to be done as far as possible during the off-season. The Government of India are stated to have set up a Construction Plant and Machinery Committee to go into the question of findings ways and means of improving the efficiency of earth moving machines working in different parts of the country. The Committee would like to be apprised of their findings and the action taken thereon.

II

ELECTRICITY DEPARTMENT, ANDAMAN & NICOBAR ISLANDS

Audit Paragraph

(i) *Introduction*

2.1. The Electricity Department, Andaman and Nicobar Islands maintains eight power houses with 23 electricity generating sets (2 steam-operated and 21 diesel-operated) for the generation and supply of electricity in the Islands.

(ii) *Working results*

2.2 Working results of the Department for the four years ending 31st March, 1969 are given below (proforma accounts for 1969-70 have not been finalised by the Department). Simplified proforma accounts have been annexed as Appendix VIII.

	1965-66	1966-67	1967-68	1968-69
				(Rupees in lakhs)
Loss	3·29	4·94	7·58	7·77 (after excluding income of Rs. 1.99 lakhs of earlier years)

2.3. It will be seen that the losses incurred by the Department continue to rise from year to year; the increase being from Rs. 2·29 lakhs in 1965-66 to Rs. 7.77 lakhs in 1968-69.

2.4. A Tariff Advisory Committee appointed to go into the problems of revising the tariff structure and locating the causes of the losses sustained by the Electricity Department had observed in April, 1966 that there was no justification whatsoever, for upward revision of rates particularly in view of the fact that the rates for the supply of electricity in Islands were higher than those prevalent in the Mainland and that the losses were sustained because of uneconomical working on account of running of old and outmoded steam set engine. It was also mentioned by the Committee that the report of a Director of the Central Water and Power Commission who visited the Islands recently to study the working of the Electricity Department was expected very shortly and the matter could be reviewed, if necessary, in the light of observations made in that report.

2.5. Final action taken by the Andamans Administration on the above recommendations is not known.

2.6. The Management had, however, requested the Andamans Administration in July, 1968 for revision of the rate of 22 paise per unit (net) charged with effect from September, 1960, from the Forest Department which is the bulk consumer for industrial power, but no such revision has been made so far (September, 1970).

(iii) *Line Wastage*

2.7. Although a line loss of 12 per cent is permissible according to the Electricity Department, the loss on account of line wastage ranged from 16.3 per cent in 1965-66 to 25.8 per cent in 1968-69. According to the Department, the loading on the line in 1967-68 and 1968-69 "was much more than that of previous years thereby causing abnormal line loss during these years".

2.8. In this connection, the Management have stated (September, 1970) as follows:—

"....this Department has already taken up the simplest and easiest way of minimising such losses by changing the entire system in Port Blair area. The present system is 6.6 kv which is now being changed to 11 kv system. The amount required for the purchase of transformers will be of the order of Rs. 2,00,000. The transformers have been purchased and are being changed now. When the system is changed to 11 kv system there shall be a considerable saving...."

(iv) *Cost of generation/distribution vis-a-vis sale price of power*

2.9. The following table indicates the cost of generation/distribution of power and the average sale price per unit (on the basis of tariff fixed in September, 1960) during the years 1965-66 to 1968-69:—

	1965-66	1966-67	1967-68	1968-69
		(Figures in paise)		
1. Cost of generation and distribution per unit	48	49	56	53
2. Average sale price per unit	40	39	44	42

(v) *Sundry debtors*

2.10. A total amount of Rs. 4.83 lakhs (year-wise break-up given below) was outstanding for recovery from private parties, Government servants and Government Departments as on 31st March, 1969.

Year	Amount due from		
	Private parties	Government servants	Government Departments
			(Rupees in lakhs)
Upto 1965-66	0·05	1·09	0·45
1966-67	0·01	..	0·30
1967-68	0·10	..	
1968-69	1·03	..	1·80
TOTAL	1·19	1·09	2·55

2.11. Out of the amounts recoverable from private parties for the year 1968-69, a sum of Rs. 95,485 has been recoverable upto September, 1970.

2.12. The Management have stated (September, 1970) that all efforts are being made to realise the outstanding amounts as early as possible.

(Paragraph 73 of the C&AG's report for the year 1969-70).

(i) *Working results*

2.13. According to the Audit paragraphs proforma accounts for 1969-70 have not been finalised. During the evidence the Committee desired to know the working results for 1969-70. The Chief Commissioner, Andaman and Nicobar Islands stated: "We expect the proforma accounts for 1969-70 to be completed by end of October. Information had to be collected from distant islands and distant places. We are trying to improve the situation. In coming years we hope we will be able to compile the accounts quicker."

2.14. Asked to state the reasons for the delay in the compilation of the proforma accounts, the Ministry of Irrigation and Power intimated as follows:

"Delay in compilation of proforma accounts for 1969-70 was mainly due to the following reasons:—

(i) Dearth of commercially qualified staff to compile the accounts in perfect manner.

(ii) Post of Divisional Accountant was lying vacant from May, 1968 to August, 1969. The incumbent joined in September, 1969.

(iii) Inadequate communication system results in delays in receipt of information from far-flung islands and in exchange of letters and figures for the accounts."

2.15. The Ministry further stated that the accounts for 1969-70 had been finalised subsequent to the date of oral evidence (August, 1971) and that the Audit party had started auditing the accounts from 12-11-1971. The unaudited figures were also furnished by them.

2.16. The expenditure, revenue and losses of the Department during the years 1965-66 to 1969-70 were as follows:

Year	Expenditure	Revenue	Loss
	(Rupees in lakhs)		
1965-66	10·74	7·45	3·29
1966-67	13·31	8·37	4·94
1967-68	17·76	10·19	7·57
1968-69	20·91	13·14*	7·77
1969-70	25·64	13·18	12·46

*Excludes Rs. 1·99 lakhs per representing income relating to ear lier years but no accounted for as such in the respective years accounts.

2.17. The following table indicates the working results of the various power houses for the year 1969-70 as intimated* by the Ministry:—

S. No.	Name of Power House	(Capacity)	Expenditure Rs.	Revenue Rs.	Loss Rs.
1	Port Blair	1650 KW	19,34,915	11,13,895	8,21,020
2	Car Nicobar	63 KW	1,10,724	26,490	84,234
3	Rangat.	72 KW	95,131	26,523	68,608
4	Mayabunder	72 KW	94,256	26,168	68,088
5	Diglipur	72 KW	78,799	20,775	58,024
6	Nancewrie	18 KW	51,255	5,868	45,387
7	Bitg Lapathy	29·5 KW	40,261	4,106	36,155
8	Campbell Bay	72 KW	25,967	432	25,535
9	Wimberlygunj	72 KW	47,390	7,750	39,640
10	IAF Car Nicobar		85,495	85,495	..
	TOTAL		25,64,193	13,17,502	12,46,691

2.18. As per the information given by the Ministry to Audit in December, 1970, the reasons for losses in the working of the Electricity Department, Andamans were (i) low tariff for the revision of which a Tariff Advisory Committee had been set up in April, 1969, (ii) lack of demand on power stations other than the Port Blair, resulting in a recovery at the rates ranging from 20 to 25 per cent of the expenditure and (iii) increase in the cost of diesel oil which had to be imported from the Mainland in barrels, which cost Rs. 32 each but had to be auctioned locally at a lower price owing to the prohibitive cost of transportation to the Mainland. (Arrangements were, however, being made to obtain supplies of fuel oil from the Port Blair depot of the Indian Oil Corporation Limited which they had not hitherto been agreeing).

2.19. In a note submitted to the Committee, the Ministry attributed the increase in losses to the increase in expenditure without any increase in tariff rates. The tariff was last revised and fixed in the year 1960.

*Figures not verified by Audit.

2.20. The witness informed the Committee during evidence that the report of the Tariff Advisory Committee (July, 1971) was under examination and that most of the suggestions would be accepted. The Tariff Advisory Committee has recommended increased tariff for various categories of consumers with a special concessional rate of 31 paise per unit for the Forest Department (Chatham Saw Mill). The existing tariff and the revised tariff recommended by the Tariff Committee are shown in Appendix III.

2.21. The Committee were informed by Audit that one of the major factors contributing to the loss at the Port Blair Power House was concessional rate of electricity charged from the Forest Department, Andamans, which was much below the cost of production. (The present rate for Forest Department is 28 paise less 6 paise rebate for payment within due date as against 25—31 paise for Industrial Power). The Electricity Department had in July, 1968, specifically brought to the notice of Andamans Administration that although the cost of saw dust and sawn fuel (which is the main fuel for the steam seats) had been increased by the Forest Department from Rs. 12.50 per cord to Rs. 13.15 per cord in 1964 and to Rs. 16.45 per cord in 1968 (which was further increased to Rs 19.75 in 1970-71), the request of the Electricity Department made from time to time increase the tariff of 22 paise per unit (net) had not been agreed to.

2.22. During evidence the Committee were informed that the question of increase in rate applicable to the Forest Department was linked up with the subjects brought before the Tariff Committee which was appointed in 1969. When the Committee pointed out that power was supplied to the Forest Department at the rate much below the cost of production whereas the price of saw dust and sawn fuel was increased by them considerably, the witness stated that "their cost would be much more. I am not in a position to give what their actual figure is. They are the biggest consumers of electricity. They are located in the same vicinity as the Power House itself. This matter was taken up with the Tariff Committee. In view of all these considerations, they felt that an increase of three paise would suffice." The Forest Department had also represented to the Tariff Committee that fuel and saw dust were supplied by them at a highly concessional rate and that any increase in cost of energy would adversely affect cost of production. The rate of saw dust and sawn fuel for domestic consumption was increased from Rs. 5.5 per cord to Rs. 5.80 in 1963-64 and to Rs. 7.25 in 1968-69.

2.23. To a question whether the Forest Department was also running in loss, the witness answered in the affirmative and admitted that losses were sought to be reduced by having concessional rate for supply of power.

2.24. The figures of power generated at the Port Blair Power House as given during evidence are as follows:—

Year	(In lakh Units)
1965-66	23·29
1966-67	26·96
1967-68	30·19
1968-69	34·64

The witness explained that since the average sale price per unit was less than the cost of production and distribution the losses increased with the increase in consumption. He further clarified: "The element of cost of electricity has got two parts: one to fixed part, the other the running part. The fixed part, with more and more generation, gradually goes down. In case of fuel element, though there would be some minor variation in the efficiency of the machine up to the capacity of the machine, the fuel consumption per unit of electricity generated remains almost the same. Therore, with the fuel consumption remaining more or less the same, the result of increasing fuel cost is definitely reflected in more cost of generation, in the running element, part of it. Accordingly, there would be some reduction in the cost on account of the fixed charges. This had happened." In a note submitted subsequently, the Ministry intimated that the anticipated growth of demand for power in the Islands upto 1974-75 was "not on a scale that would yield significant economies."

2.25. As regards economy on fuel, the Chief Commissioner stated: "Most of the generating sets are diesel run. Oil has to be brought from the mainland, in drums. Apart from cost of transportation, there is some amount of loss intransit. The Indian Oil depot since 1st July has undertaken to supply diesel on the island itself which will result in saving of approximately 35 NP litre which will improve the working to a large extent. I doubt very much if we will in the coming few years be able to break-even because we are putting up new units during the Fourth Plan to cover new places and new areas." The Committee were further informed by a witness; "Where electricity production is entirely dependent on diesel oil, the cost of generation is high even in the mainland. Take, for example, Manipur where diesel oil had to be taken through the corridor inter-linking Bihar and Assam through a detour with the result that the cost of production today will be around 36-40p." He added: "According to the Electricity Act, it has been taken over by the Government. In Jalpaiguri, it is run only on the subsidy given by the West Bengal Government from time to time to keep the private sector concern going because the transport facilities between Jalpaiguri and the rest of the country is not that satisfactory even today."

2.26. The witness pointed out that the mangrove fuel prices had gone up from Rs. 16 to Rs. 27.5 per tonne in four years and said: "We had two steam disposal sets and we transported these coal-fired sets to the Andamans. But we found that it was not easy to have coal there. It is a big achievement to convert the coal-fire boiler into a wood-fire boiler. What happened was that with some modification, we could convert them into wood-fired boilers. We found that saw-dust in big quantities used to clog the boilers. We had to maintain the boilers frequently. We could not get full output from the machine; and when mangrove was in short supply, we had to use saw-dust. What is being done now is this: Since a rise in cost has been noticed by the management, we are now converting the boilers into oil-firing. In view of the fact that the Indian Oil Company has set up a depot, and the cost of oil will go down, we are converting the boiler to operate on oil to obtain better economy and a larger output from the boilers."

"There are two types of diesel oil. One is the high-speed diesel oil and the other is light diesel oil. High speed diesel oil is very expensive and we have suggested from the Centre that they should go in for bigger sets and use the less expensive light diesel oil. This would also reflect in the savings. The cost of generation also will in future be reduced by these changes and we will have better results in future years."

(...) *Line wastage*

2.27. The Ministry intimated the line wastage in 1969-70 and 1970-71 as 11.03 lakh units and 9.60 lakh units respectively representing the energy expended in conveyance of the energy sold. Asked to indicate whether the transformers were changed in order to change-over to 11 kv system, the Ministry stated: "The work has been taken up and 4 Nos. transformers were changed. Further the work is in progress. There would be a reduction in the line losses due to conversion from 6.6. kv. to 11 kv. Major portion of line losses is, however, in L.V. distribution system. Action is being taken to reduce distribution losses also but would take about a year to achieve some results."

2.28. Paragraph 3.6 of the Tariff Advisory Committee's Report (July, 1971) deals with the losses in distribution system as follows: "The losses may also possibly be due to defective working of metres. There is no arrangement, at present to calibrate or check the correctness of the meters. A meter testing bench should be procured and arrangements be made for periodical checking and testing of meters."

(iv) *Cost of generation|distribution* vis-a-vis *sale price of power*

2.29. According to the Tariff Advisory Committee's Report (July, 1971), the cost of generation of power in 1968-69 varied from 40 paise in Port Blair (45 paise in 1969-70) to 374 paise in Biglapathy. However, the average rate worked out to 46.1 paise for the department as a whole. The cost of distribution of energy had been separately worked out for Port Blair (13 paise in 1968-69 and 15 paise in 1969-70). The cost of distribution of other stations had not been worked out. The break-up of the cost of generation per unit during 1968-69 as mentioned in the Tariff Committee's Report is shown below:—

	Paise	As a percentage of total cost
Towards:—		
1. Salaries and Wages	8·25	17·9
2. Cost of fuel	26·80	58·10
3. Lubricants, cooling water and consumable stores . .	1·95	4·25
4. Rapairs and maintenance	2·00	4·35
5. Interest on capital	2·70	5·86
6. Depreciation	4·15	9·00
7. Miscellaneous	0·25	0.55
TOTAL	46·10	100·00

2.30. As regards expenditure on establishment, the Tariff Advisory Committee (1969—71) had the following to say:

"Regarding establishment, a detailed scrutiny revealed that the entire expenditure on establishment of the Electricity Department was being booked to the revenue head of account and no portion of it is being apportioned to the capital head of account or to other works, the Department is executing. Consequently, the entire expenditure on establishment is reflected in the proforma accounts increasing the losses. The appropriate portion of the expenditure should also be booked by the Department to other head of accounts for which they work."

"Unlike mainland, the skilled staff is not available in these remote islands and salaries and wages are more. The cost of establishment in terms of output of work is high. However, due to shortage of time detailed study of the adequacy or otherwise of the staff could not carried out. For this purpose it is desirable to supply necessary data of the future works (capital and maintenance) *vis-a-vis* staff strength to CW & PC(PW) for their expert opinion in the matter."

(v) *Sundry debtors*

2.31. In advance of oral evidence, the Ministry intimated that out of the outstanding amount of Rs. 4.83 lakhs upto March, 1969, an amount of Rs. 1.35 lakhs had been realised till the end of July, 1971. The following was the position as at the end of July, 1971:—

	Rs. in lakhs
(*i*) Private parties	0·14
(*ii*) Government servants	1·04
(*iii*) Government Department	2·30
TOTAL	3·48

2.32. During evidence the Committee pointed out that arrears amounting to Rs. 1.04 lakhs were to be recovered from Government servants. The Chief Commissioner clarified: "Before 1967 the recovery was being made from their salaries. From those to whom reference were made we have received the answer that they have made the payment. We are going through the old pay bills and ascertaining whether they have made the payment or not."

2.33. In a note subsequently submitted to the Committee, the Ministry intimated that out of the dues of Rs. 2.30 lakhs from Government Departments, a sum of Rs. 1.24 lakhs had been adjusted| recovered till 31st August, 1971.

2.34. The Tariff Advisory Committee (1969—71) suggested that "in order to reduce the revenue arrears of the Department and to enable the Electricity Department to take stringent measures in accordance with Indian Electricity Act, 1910, it is suggested that enforcement machinery should be suitably strengthened and made effective."

2.35. The Committee are unhappy that the proforma accounts of the Electricity Department, Andaman and Nicobar Islands, are not being finalised promptly. The accounts for 1969-70 were finalised only in November, 1971. The Tariff Advisory Committee (1969-71) have brought out some defects in the accounts in the matter of apportionment of cost of establishment between capital and revenue as also between the work done for the Department and on behalf of others. The "dearth of qualified staff to compile the accounts in perfect manner" should be remedied soon so that reliable working results are available promptly to the authorities to evaluate the performance and to take appropriate remedial measures to improve it.

2.36. It is distressing to note that the Department has been incurring losses successively over the period 1965-66 to 1969-70. The accumulated losses were Rs. 36.03 lakhs and the maximum loss of Rs. 12.46 lakhs was incurred in 1969-70. The losses represent about 41 per cent of the expenditure. The Committee note that the Tariff Advisory Committee's report recommending increase in tariff is under consideration and that cost of fuel will be less consequent on the Indian Oil Company agreeing to supply diesel oil on the island itself from 1st July, 1971. The Committee hope other measures designed to economise on the working expenses would be implemented speedily to reduce, if not to obviate the losses altogether in the coming years. They would like to watch the results.

2.37. The Committee find that saw-dust and sawn fuel were sold by the Forest Department to the Electricity Department at rates varying from Rs. 12.50 to Rs. 19.45 per cord during 1960-61 to 1970-71 whereas the rates for domestic consumption varied from Rs. 5.5 to Rs. 7.25 during the period. On the other hand the rate for supply of electricity to the Forest Department was 22 paise (net) as against the rates varying from 25 paise to 56 paise for domestic and other industrial consumption. As the Forest Department also is stated to be working in loss, the Committee would like Government to examine as to what kind of tariff for supplies of electricity and wood fuel between these two departments and by them to outsiders would result in obviating the losses to the Andaman and Nicobar Administration as a whole which may not necessarily obviate the losses of each of the departments.

2.38. As regards wastage in distribution of electricity, the Committee would like to refer to one important factor viz. defective working of meters, brought out by the Tariff Advisory Committee. It is hoped that the Department would take adequate steps to have periodical checking and testing of meters.

2.39. The cost of generation of power in 1968-69 varied from 40 paise in Port Blair to 374 paise per unit in Biglapathy. The Committee need hardly point out that the working of power houses such as Biglapathy which disclosed incredibly high cost of generation needs special examination by experts with a view to devise remedial measures.

2.40. The Committee note that the cost of distribution of power has not been worked out in respect of al power houses except for Port Blair. This is one of the deficiencies of accounting needing attention to which the Committee have referred earlier.

2.41. From the break-up of the average cost of generation of power (46.1 paise) the Committee find that element of establishment expenditure accounted for 17.90 per cent of the cost. The Tariff Advisory Committee have opined that the cost of establishment in terms of output of work is high. The Committee would suggest that this aspect should be examined in consultation with the CWPC (PW) expeditiously to rationalise the staff strength.

2.42. The Committee are at a loss to know how the dues relating to the Government servants (Rs. 1.04 lakhs) for the period prior to 1965-66 still remain unrecovered|unadjusted. They hope that the examination of old pay bills would be completed soon and necessary adjustment/recoveries effected. The Committee would like Government to take effective remedial measures to ensure that arrears are not allowed to be accumulated in future.

III

BHAKRA MANAGEMENT BOARD

Delay in erection of transmission lines

Audit paragraph

3.1. An order valued at Rs. 233 lakhs for supply of 2,285 steel towers of different sizes, required for erection of seven transmission lines, was placed (January, 1963) on a firm. The contract stipulated supply of complete towers in lots of 200 each at the rate of 750 long tons per month after shop assembly and inspection of one tower of each type. The towers for three priority lines were expected to be completed by March, 1964 and by October, 1965 for the remaining lines.

3.2. In April, 1963, the firm intimated that it could supply the various sections of the towers in different lots according to availability of steel and not the complete towers in each consignment stipulated in the contract. The consignee was not in favour of this and in April, 1963 itself the firm was asked to supply complete tower material in lots of 200 each (as stipulated in the contract). Piecemeal supplies were, however, made by the firm regardless of the order of requirement from 9th August, 1963 and supplies were completed only by middle of 1969.

3.3. No decision about levy of penalty, which at the rate of 5 per cent of the value of the order works out to Rs. 11.65 lakhs, has been taken so far (November, 1970).

3.4. Under the purchase order no import licence was to be arranged by Government and the firm itself was to arrange the requisite quantity of steel but owing to its inability to procure certain scarce sections of steel it was allowed in October, 1966 to use oversize imported steel sections entailing use of 480 tonnes of steel because of which Rs. 6.41 lakhs more than the original contract amount had to be paid by the Board. Decision about recovery of this amount from the firm has not been taken so far (February, 1971).

3.5. Owing to delay in erection of the transmission lines, insulator materials (value Rs. 13 lakhs) received in June, 1963 remained unutilised for one year to **five years.**

(Paragraph 43 of the C & AG's Report for the year 1969-70)

(i) *Provisions of the contract*

3.6. The offer of the firm dated 6th October, 1961 in response to the tender enquiry for the fabrication testing, supply and delivery of galvanised steel towers for the various 220 Kv transmission lines covered under Nangal Right Bank Project, contained the following regarding "delivery":—

"We expect to fabricate the first test tower in about 6|8 weeks after the approval of the working drawings and the receipts of the necessary matching steel. The bulk fabrication will be commenced after the approval of the test tower and after the receipt of sufficient matching materials at our Bombay|Bhawnagar Works. We anticipate fabricating and galvanising steel work at the rate of 400|500 tons per month on the basis that sufficient steel and zinc will be available regularly."

"Actual despatch will, however, depend upon transport facilities being available. The delivery period quoted above is firm subject to force majeure and circumstances beyond our control."

3.7. In a meeting on 16th February, 1962 of the Sub-Committee constituted by the Bhakra Control Board to examine the purchase proposal, it was decided *inter alia* that "the firm should be tied down to definite delivery because such offer as supply of the towers after sufficient steel and zinc was available, could not be accepted. The penalty clause, which the Chief Engineer said, had already been agreed to by the firm, should be made contingent on the deliveries specified."

3.8. An extract of the minutes of meeting held with the representatives of the firm on 1st March, 1962 at New Delhi is given below:—

"On the availability of steel for these towers, it was explained by them that they had good procurement arrangements for the purchase of steel from the open market. In this connection, they mentioned that their present stock was about 1,000 tons and another 5,000 tons on order. They, therefore, confirmed that they did not anticipate any difficulty in the purchase of steel for this contract.

However, in special circumstances where some help might be required, they would approach the P.S.E.B.|C.W. & P.C. and hoped that the same would be given. They agreed to guarantee the delivery and the penalty clause as given below:—

(i) The delivery would start at a rate of 750 tons per month after 30 days of the satisfactory test of the first design of the tower.

(ii) In the even of their failure to adhere to the above delivery, they would be liable to pay a penalty of ½% per week of the value of the materials delayed subject to a maximum of 5 per cent of the total value of the order.

It was agreed by them that the towers would be supplied in lots of 200 Nos. per batch till complete supply was made."

3.9. The contract entered into with the firm on 12th October, 1962, however, contained the following provisions regarding "delivery period" and "damages for delay in delivery":—

"*Clause* 13—*Delivery Period.*

The entire work including manufacture, supply, delivery and other items, as stipulated in this contract shall be completed by the Company within the period specified in Appendix-A. In case the company is unable to complete the whole or any item of work within the stipulated period for recognised reasons of 'Force Majeure' mentioned in clause 9....it shall be responsible to furnish, well in time, sufficient evidence and data to the satisfaction of the purchaser, to prove the existence of the conditions mentioned in the said clause....so as to justify grant of extension by the purchaser of the period stipulated in Appendix 'A'. Such extension will be granted by the purchaser for the period for which the completion of work is proved by the company to have been delayed for the said reasons of 'Force Majeure'."

"*Clause* 14—*Damages for delay in delivery.*

If the company fails to abide by the provisions of clause 13 above, the company shall be liable to pay one half of one per cent of the value of materials delayed per week of the period of delay subject to a maximum of five per cent of the contract price, as damages."

3.10. An extract from Appendix 'A' referred to in clause 13 of the contract is given below:—

"The company shall supply at the rate of 750 long tons per month and the delivery shall start one month after the successful Test on a tower is carried out. The company further agrees that the delivery shall be made in lots of 200 Nos. complete towers. However, so far as the imposition of penalty is concerned, the same shall be applied only on the average supply of every 6 months, as regards steel tonnage and number of complete towers. If the company's performance in the first three months is not up-to-date, the company shall be cautioned by the purchaser. Provided, however, that if during the execution of this order the company is not able to get certain steel sections on account of the fact that the same are not rolled by any of the steel producers during any particular period, the company shall bring it specifically to the notice of the purchaser and any short deliveries on account of this shall not be subject to the levy of penalty. To get the benefit of this saving clause, the company shall submit authentic proof to the effect that such sections are not being rolled by any of the steel producers during that period."

3.11. The detailed purchase order which was issued on 16th January, 1963 stated *inter-alia* that procurement of steel would be entirely the responsibility of the firm and that the purchaser would, however, be prepared to render every possible assistance in the early procurement.

3.12. The average equated rate of the firm worked out to Rs. 1351 per metric ton f.o.r. Jullundur. The Committee were informed that the work involved about 17,000 tonnes of steel. An extract of the price variation clause of the contract is given below:—

"*Item No.* 11—*Particulars and formula for price variations.*

The contract prices as given in item No. 9 of Appendix 'A' are based on the price of steel, bolts, nuts, zinc spelter and railway freight as detailed below and any variations in these prices will be to the purchaser's account.

(a) *Steel*

From producers in accordance with ordering instructions, at column I (Tested) rates, *vide* Iron and Steel Controller's Price Circular No. 1 of 1956, dated 11th June, 1956 as amended by circular dated 16th May, 1967 and extra list No. 1 of 1956 plus extra for metric sections as per circular No. AP|C1|59, dated 23rd July, 1959 and as per Iron and Steel Controller's circular No. ACS|10(132)|61| 430, dated 4th February, 1961 for galvanized sheets."

(ii) *Use of higher alternative sections of steel*

3.13. In a note submitted to the Committee, the Ministry of Irrigation and Power explained the circumstances under which oversize steel sections entailing use of additional 480 tonnes of steel had to be allowed:—

"There is a provision in the contract to the effect that the purchaser will render every possible assistance in early procurement of steel even though the responsibility for procurement will be that of the firm. The purchase in this instance involved about 17,000MT of steel which again comprised of different sections in varying quantities. The planning and procurement of such steel was thus a continuous process as so much quantities could not be expected to be procured in one lot, finances apart. The firm had submitted their tenders were finalised and a formal purchase order was placed, Chinese Aggression had taken place in October, 1962 in consequence whereof the procurement of steel of right sections had become very difficult on account of the scarcity caused."

"The difficulty arising due to non-availability of certain steel sections was first brought to the notice of the department by the firm in a meeting held at New Delhi on 7-6-1963. It was reported that steel sections comprising a tonnage of 2249 MT were not being rolled in the country while some further sections with a tonnage of 7155 MT were scarce and difficult to obtain. This obviously meant that there would be great delay in completion of the transmission lines in case the use of available alternative sections was not considered. Under the terms of the contract the firm was entitled to relaxation in the matter of levy of penalty in respect of steel sections which were not rolled in the country during any particular period. Even steps were initiated to import certain steel sections which were not being rolled in the country but this proposal had to be dropped in view of higher cost of imported steel which the firm was not prepared to bear besides difficulties in the release of foreign exchange."

"The details of the alternative sections that could be utilised were discussed in a meeting held with the representatives of the firm on 8-6-63 Taking cognizance of the difficult steel position in the country and urgency of requirements on the various transmission lines it was decided to allow the use of available alternative sections in place of non-available design sections for the three No. priority lines. For the remaining lines the firm was required to continue making efforts to procure the design sections. But since there was no appreciable progress in the supply position, approval was accorded in July, 1964, to the use of alternative sections for the remaining lines as well."

"Throughout this period strenuous efforts were continued by the department to enable the firm to procure maximum possible tonnage of design sections and as a result thereof the firm was able to arrange about 4300 MT of design sections against the total of 9400 MT of difficult steel sections. For the remaining requirements, however, suitable alternative sections were arranged from indigenous sources. Some further alternative sections had, however, to be allowed in October, 1966 in respect of about 560 MT of steel sections on account of their production being stopped consequent upon derationalisation of these sections by the Government. Finally, higher alternatives had to be used only in respect of about 5650 MT of steel sections resulting in a total weight increase of about 480 MT. It would be appreciated that this weight increase constitutes only 2.8% of the total supply order for about 17,000 MT of tower material."

3.14. As regards attempts to import Steel, the Ministry informed audit in March, 1971 as follows:—

"While the supply position of steel was generally very tight, certain steel sections as provided in the design were not rolled at all or were rolled in very small quantities. The position in this regard was reviewed in the meeting held in June, 1963, with the Vice-Chairman, Bhakra Control Board, when it was decided that efforts should be made to import such scarce steel sections for the completion of top priority lines. Accordingly, Government of India were approached to release foreign exchange for the import of 1000 MT of different steel sections at a cost of Rs. 6 lacs and 150 MT of M. S. plates valued at Rs. 0. 95 lac. Necessary permission for the import of these items from East European countries was received in 10/63 for angle sections and in 6/64 for M.S. plates. It was, however, observed that the imported steel sections were costlier than the indigenous steel and the matter regarding bearing on additional cost on this account was referred to the Bhakra Control Board. It was advised by the Financial representative of the Bhakra Control Board that the responsibility of procuring the steel being that of the firm, the additional financial burden will have to be borne by them and not by the project. Earlier, M/s. Alcocks had refused to bear any additional burden arising out of the higher cost of imported steel. In order to substitute import by indigenous sources the matter was taken up with the Iron and Steel Controller who advised that the department should consider the feasibility of utilising nearest alternative sections being rolled indigenously, in place of the sections proposed to be imported. In view of these developments the import of steel sections was dropped and serious efforts were made to arrange available sections in place of the scarce design sections. The requirements of the 2 No. priority lines were accordingly arranged by September, 1965. The overall position was, however, not too good and the issue was again considered by the Bhakra Control Board in its meeting held on 12-3-65. It was decided that early measures should again be taken for import of certain different steel sections so that the various lines could be completed, whereas the issue regarding bearing of additional cost on this account could be decided later in consultation with the Ministry of Law. Accordingly, the Government of India were approached in March, 1965 for permitting the import of 2150 M.T. of steel sections from East European countries. This proposal was agreed to in principle and accordingly tenders for import of following sections were invited in May, 1965:—

Angle 130 x 130 x 10 mm	1000 M.T
Angle 130 x 130 x 8 mm	650 M.T.
Angle 100 x 100 x 8 mm	500 M.T
Total	2150 M.T.

"Necessary purchase proposal as a result of these tenders was considered by the B.C.B. in its meeting held on 16-8-65 and it was decided to place the order on M/s J. S. Cohen & Co. The Government of India were thereon approached for the release of foreign exchange worth Rs. 13.65 lacs for the purchase which was sanctioned. The Import Licence issued by the Iron and Steel Controller in April, 1966 was, however, for a reduced value of Rs. 10.45 lacs by excluding section 100 x 100 x 8 mm. which was reportedly available from indigenous sources. Accordingly, formal purchase order dated 26-5-66 was placed on M/s. J. S. Cohen and Co. for the import of 1650 M.T. of angle sections valued at Rs. 10.47 lacs. However. *vide* their letter dated 8-8-1966 the department was informed by this firm that import from Poland was not possible and as such they might be permitted to supply these angles from U.S.S.R. and the import licence be got modified accordingly. In the meanwhile due to devaluation of Indian currency in June, 1966 the price of imported steel, inclusive of over-head charges had increased to about Rs.1400|- per M.T. as against the average indigenous price of about Rs. 750/- per M.T. M/s. Alcocks were not prepared to bear this additional financial burden. The matter was considered by the Bhakra Control Board in its meeting held on 24-9-66 when it was decided to cancel the order on M/s J. S. Cohen & Co. in view of their inability to import steel from Poland as agreed earlier. Further the economic study for the use of indigenous over-size steel sections in place of sections being imported was also carried out and it was considered that higher alternative sections would be more economical to use. The proposal for the import was accordingly dropped."

(iii) *Recovery of cost of additional tonnage of steel.*

3.15. The Ministry intimated Audit in March, 1971: "The issue regarding payment of additional expenditure due to this increase in tonnage has been a subject of protracted correspondence and discussions with the firm. In a meeting held between....the then Chairman, P.S.E.B. and....Chairman M/s Alcocks in March, 1966 it was agreed that the firm will forego their claim for manufacturing cost on this additional tonnage then estimated at 277 M.T. provided the liability in respect of steel was borne by the department. Based on these principles the rebate to be recovered from the firm towards the manufacturing cost of this additional tonnage of 480 M.T. has been calculated at Rs. 2.64 lacs and the firm has been asked to agree to the same. They are, however, agreeable to forego a sum of Rs. 1.90 lacs on *ad hoc* basis to expedite final settlement of their various pending issues. The matter is under consideration with the Bhakra Management Board for a decision."

3.16. Asked to state the details of the decision taken relating to the use of oversize steel sections, the Ministry informed the Committee shortly before the evidence was taken in August, 1971: "The total additional tonnage due to the use of higher alternative sections is 480 metric tonnes the cost of which at the contract rate works out to Rs. 6.41 lacs, comprising of Rs. 2.64 lacs on account of fabrication cost and the balance Rs. 3.77 lacs on account of cost of steel and railway freight. The issue regarding recovering of this cost stands referred to the Sub-Committee appointed by the Bhakra Management Board and a decision is awaited."

3.17. Replying to a question put by the Committee regarding the use of oversize steel sections, the Chairman, Bhakra Management Board, stated during evidence: "We did this because the normal size was not available at that time. Had we waited, it would have meant waste of some more time. It was beter to allow the higher size even at the cost of some extra money. We did that to save time." He further, however, clarified that unusual sections were not selected in the design of the towers and added: "The producers have certain programme and that programme is decided upon by the Iron and Steel Controller as well as the manufacturer. They decided that in the first quarter....they would manufacture and roll so and so sections in the second quarter and in the next quarter maufacture of another type of sections would be undertaken and so on."

"But if I want certain section and they do not roll it for about 6 to 8 months to come — the sections is no doubt rational — then for a total requirement of 17,000 tonnes of steel, the quantity of 480 tonnes in our opinion is not so large. Here the question is whether we should wait for the rolling programme to take place and consequential delay in the construction of the tower or spend Rs.6.41 lakhs and get the heavier section steel. In this case, we have taken the decision to ask the supplier to use higher section because that particular section was not rolled in the factory at that time. When we entered into the contract the contract is that the procurement of the steel would be entirely company's responsibility. However, the purchase will be prepared to render all possible help in the early procurement of the same. So this becomes again the purchaser's responsibility."

3.18. The Committee pointed out that the firm had been paid for the additional tonnage also and asked how it was justified. The witness stated: "As far as the question of steel is concerned, the supplier had put to us that it was not available in the market at that time and it was not to be rolled also; it could be rolled after some time for which he did not have any programme. He further told us that 'If you want me to use higher section, I can use it. If not, then there will be a certain amount of loss of time as well as loss of completion of the line.' This was the question for which the Board had make up its mind." He added that the Board had not so far paid full amount and that "the payment as such is still under dispute and meetings have been held between the Chairman of the erstwhile Punjab State Electricity Board and the supplier and they are trying to neogtiate as to what should be done." He further stated that "in the matter of penalty there is a clause which says that if a certain section is not rolled, then the supplier is not exposed to penalty. Taking this into account, it has been decided that the higher section should be utilised."

3.19. The Committee were informed subsequently that the financial aspects of the decision to use alternative sections of steel were clarified to the firm as early as in July, 1963. In a note, the Ministry stated. "It was clarified that the additional expenditure to be incurred due to use of heavier alternative sections was primarily due to the fact that the firm was unable to arrange steel as per its commitments under the contract. It was emphasised that they could not be allowed to make profit on this weight increase by charging for it at full rates. It was indicated that for the additional tonnage the firm would be paid for steel only and nothing extra shall be paid for fabrication and galvanising." A copy of the letter dated 10-7-63 addressed to the firm is reproduced at Appendix IV.

(iv) *Legal opinion.*

3.20 The firm having not agreed to any deduction on account of the additional tonnage, it was decided in January, 1964 to obtain legal opinion regarding the responsibility for bearing extra cost involved due to use of higher alternative sections in terms of the contract. The opinion of the legal section of the Punjab State Electricity Board is given at Appendix V. The opinion was that since the alternative arrangements had been made due to the defaults of the suppliers it would be entirely for them to bear the financial consequences involved as a result of the said arrangement.

3.21. Subsequently the advice of the Legal Remembrancer, Punjab was obtained and he was of the view that since the responsibility for procurement of steel was that of the supplier they should bear the additional cost of the increased tonnage due to use of alternative sections or pay damages for non-supply of the stipulated material. When the matter was referred to the Ministry of Law in May 1966, the advice of the L.R. Punjab was also concurred by them *vide* Appendix VI.

3.22. The issue again came up for discussion in a meeting held on 25-7-66 (Appendix VII) with the Ministry of Law by the representatives of the Department. The background of the contract along-with other relevant aspects of the case were explained by the Chairman, P.S.E.B. As a result of these discussions the Law Ministry desired to re consider the matter and accordingly furnished fresh advice in the matter vide their letter dated 13-10-1966 (Appendix VIII). The Law Ministry was of the opinion that the very fact that the supplier had been allowed the use of heavier alternative sections in order to avoid delay in the erection of transmission lines and was given to understand that extra cost of steel shall be borne by the department in case the firm could forego the additional manufacturing cost would mean that the stipulation originally made in the contract to the effect that procurement of steel would be the responsibility of the firm, underwent a change. In the light of these circumstances the Law Ministry observed that the expenditure involved in the use of oversize steel sections will have to be borne by the Board.

(v) *Penalty for the delay in delivery*

3.23. As regards commencement of delivery, the Ministry informed Audit in March, 1971: "The first set of designs having been finalised by September, 1962 and testing facilities being not readily available, it was decided in December, 1962 to waive of the testing of the tower. The firm was accordingly asked to commence delivery of tower material in Febuary, 1963 at the rates provided in the contract." Subsequently, use of alternative sections was permitted and the delivery schedule and the actual delivery were stated to be as follows:—

"Considering the deliveries to commence from the dates when use of alternative sections was allowed and permitting a period of one month for preparatory works, the supplies of tower material should have been completed by March, 1964 in respect of 3 No. priority lines and by Octoer, 1965 for the remaining lines. The supplies were actually completed by about August, 1966 for Bhakra-Ganguwal line and February, 1967 for Bhakra-Ludhiana line. The supplies for Pong-Jullundur line which was also a priority line originally were, however, diverted to other lines of similar design since the priority on this line had been lowered. The supplies for the other lines covered under the order were, howevr, completed by about mid-1969."

3.24. It was further stated by the Ministry: "In the meeting held with representatives of the firm in June, 1963 they were permitted to despatch the already fabricated tower members for the three number priority lines without insisting upon prior inspection of the horizontal assembly. This was done on the assurance of the firm that they would be fully responsible for the inter-changeability of various tower members. This decision did not allow any relaxation in the terms of supply provided in the P.O. according to which complete towers had to be supplied during 6 months period. This fact was brought to the notice of the firm again and again by the Chief Engineer as well as field officers and it was emphasised that the supplies of incomplete towers were in contravention of the agreed delivery clause and they would be liable to damages for delay for this default on their part. This had, however, no effect and the firm continued supplying incomplete towers on the plea that certain steel sections required for completing these towers were not available. This had resulted in accumulation of huge stocks of tower material and delays in the completion of various 220 KV lines. Under the terms of the order, the maximum that could be done is to consider these supplies as incomplete|delayed supplies and penalise the firm for the same taking cognizance, however, of the relaxation admissible to the firm under the delivery clause."

3.25. The Committee were informed in advance of oral evidence that the matter of levy of penalty had been referred to a Sub-Committee by the Bhakra Management Board and that their findings were awaited.

3.26. Asked during evidence as to when the firm supplied the first complete prototype of each type of tower, the Chairman, Bhakra Management Board stated that "it was not insisted upon because of the paucity of steel sections and other things."

3.27. The Committee desired to know the avoidable extra expenditure on the project and the loss of revenue on account of the delay in the delivery of the towers which resulted in delay in energising 220 KV lines. The Ministry stated that "there was no loss of revenue to the department since, available, power was utilised by making suitable temporary arrangements on the available transmission lines and sub-stations at a nominal cost of about Rs. 0.86 lac. Regarding avoidable expenditure on account of establishment, it is stated that the personnel engaged on the construction of lines were put to optimum use compatible with the physical requirements of works."

3.28. The Committee find that the Sub-Committee constituted by the Bhakra Control Board to examine the proposal for the purchase of 2285 galvanised steel towers for the 220 KV transmission lines at the cost of Rs. 233 lakhs, specifically decided on 16th February, 1962 that "the firm should be tied down to definite delivery because such offer as supply of the towers after sufficient steel and zinc was available could not be accepted." They also decided that the penalty clause "should be made contingent on the delivery specified". The firm which was called to discuss inter alia **this matter on 1st March, 1962 agreed to the delivery period and the penalty clause. When the contract was finally entered into on 12th October, 1962, a proviso was, however, added to the delivery period that "if during the execution of this order the company is not able to get certain steel sections on account of the fact that the same are not rolled by any of the steel**

producers during any particular period, the company shall bring it specifically to the notice of the purchaser and any short deliveries on account of this shall not be subject to the levy of penaltty." The Committee would like it to be investigated as to how this proviso came to be inserted in the contract which went counter to the decision of the Sub-Committee especially when there was no mention of it in the minutes of meeting with the firm's representative on 1st March, 1962. This proviso in effect nullified the provision contained in the detailed purchase order issued on 16th January, 1963 that the procurement of steel would be entirely the responsibility of the firm. To what extent this lacuna in the contract went against the interest of Government can be seen from the following.

3.29. Due to non-availability of certain sections of steel the firm had to be allowed to use oversize steel sections on various dates viz., June, 1963, July, 1964 and October, 1966 to avoid delay in delivery as the firm was entitled to relaxation in the matter of levy of penalty in respect of steel sections which were not rolled in the country during any particular period. Further, attempts were made to import steel in June, 1963 and again in March, 1965. It was decided finally in September, 1966 to drop the idea after prolonged correspondence mainly on account of the firm's refusal to bear the extra cost although the purchaser was liable for any increase in the cost of indigenous steel only. The Committee would like to know how far the time spent in such attempts was responsible for the relaxation in the firm's efforts to procure the necessary quantity of steel in time.

3.30. The use of oversize steel sections resulted in the increase of the quantity of the finished product by 480 tonnes valued at Rs. 6.41 lakhs. The Committee find that the opinion of the legal section of the Punjab State Electricity Board given in 1964 as also of the Legal Remembrancer, Punjab and the Ministry of Law obtained in 1966, was that since the responsibility for procurement of steel was that of the supplied they should bear the additional cost of the increased tonnage or pay damages for non-delivery of the stipulated material. However, even earlier in July, 1963 the firm was told that they would be paid for the additional tonnage excluding the cost of fabrication and galvanising. The Committee would like to know how this understanding was created without taking legal opinion. This is all the more important because the Law Ministry have subsequently held inter alia that this had the effect of modifying the stipulation that procurement of steel would be the responsibility of the firm.

3.31. Although supply of tower materials should have been completed by March, 1964 in respect of 3 priority lines and by October, 1965 for the remaining lines, the supplies were actually completed in February, 1967 for two lines and for the rest by mid 1969. The penalty for late delivery amounting to Rs. 11.65 lakhs according to Audit, is yet to be recovered. The Ministry is of the opinion that the penalty would have to be determined taking cognizance of the relaxation admissible to the firm under the penalty clause. The Committee would like to know the decision taken in this regard.

3.32. The Committee do not get any idea regarding the increase in the cost of the supplies on account of the delay as particularly under the price variation clause of the contract the increase in price of steel was to the purchasers account. It is common knowledge that the price of raw materials keeps on increasing. The Committee would, therefore, like to know how far the supplies cost more on account of the delay in delivery.

3.33. After examining the case, the Committee have come to the conclusion that in a contract entailing payment of over Rs. 2 crores the authorities have not shown sufficient care to safeguard the financial interests. The contract and the connected documents should, therefore, be got examined in consultation with the Ministry of Law in view of the lacuna pointed out by the Committee to see whether there was any malafide intention. Further, it should also be seen whether similar contracts were entered into by other authorities with the attendant difficulties of the kind noticed in this case. The results should be intimated to the Committee within six months.

Outstanding recoveries

Audit Paragraph

3.34. The Bhakra Management Board supplies electricity to the Delhi Electric Supply Undertaking under an agreement which has not been formally executed.

3.35. The Board revised tariff rates of electricity with effect from 10th December, 1968; but the Undertaking has been paying only at the pre-revised lower rates agreed to in February, 1965 although the revised rates were notified to it and bills were presented on the basis of the revised tariff. Rs. 212.75 lakhs were recoverable from it on the account upto February, 1970.

3.36. Under the draft agreement. When the power factor of the consumer falls below 80 degrees between certain hours of consumption it is liable to pay at higher componded rates. Rs. 28.90 lakhs on this account were recoverable from the Undertaking upto December, 1966. In addition, Rs. 19.92 lakhs for electricity supplied and Rs. 4.75 lakhs surcharge leviable for delay in payment (from March, 1964 onwards) were outstanding against it. Against these outstandings Rs. 25.19 lakhs were adjusted in June, 1966.

3.37. Total arrears recoverable upto February, 1970 were Rs. 241.13 lakhs.

3.38. The Undertaking stated in February, 1970 that the question of revision of tariff had been referred by it to the Ministry of Irrigation and Power; final outcome thereof is still awaited (February, 1971).

(Paragraph 45 of C & AG's Report for the year 1969-70)

3.39. The Ministry of Irrigation and Power intimated to the Committee that the draft agreement for the supply of power to Delhi State Electricity Board (now known as Delhi Electricity Supply Undertaking) was drawn up in September, 1954. A chronological statement of action taken for finalisation and formal execution of the agreement, furnished by the Ministry is given at Appendix IX. It is seen that a Committee constituted by the Bhakra Management Board to resolve the pending issues with DESU in July, 1971, has submitted its report which is under consideration by the Bhakra Management Board.

3.40. As per the information furnished to the Committee, the amount claimed by Bhakra Management Board from DESU to the end of March, 1971 is Rs. 511.42 lakhs *vide* details in Appendix X. In addition to not accepting these claims DESU has a counter claim of Rs. 80.08 lakhs *vide* details in Appendix XI. The Ministry further intimated as follows:—

"The Committee appointed by the Bhakra Management Board to negotiate various issues relating to these recoveries with DESU have recommended dropping the claims of Rs. 16.43 lakhs but have not been able to reconcile some of the major issues involved in the matter such as the revised rates of power supply of DESU and its date of application. A major part of the claim made by Bhakra Management Board arises out of its proposal to increase the rate of power supply to DESU from 4.3 paise per kwh to 7.93 paise with effect from 10th December, 1968. BMB issue notice on 9th June, 1971 of their intention to terminate power supply to DESU after 13th April, 1975. At the 24th meeting of the BMB held on 26th October, 1971 the Board decided as under:

"After hearing the details, which the Chairman summed up at the time of the meeting, the Board decided that it should act as the Law on the subject provides. Therefore, they desired that expert legal person be consulted in regard to:—

(1) The status of the Bhakra Management Board *vis-a-vis* DESU and other consumers in respect of power supply.

(2) Whether in view of the previous meetings and correspondence exchanged the Bhakra Management Board can restrict the demand of DESU to 60 MW by cutting off feeders, if need be.

(3) Disconnect supply of power to DESU if they do not agree to make payment at these revised tariff since notified to them by giving 15 days 'notice'.

"A communication has just been received from the Delhi Electric Supply Undertaking wherein it has made a reference to this Ministry for a decision on the following points:

(i) whether firm power supply to Delhi Electric Supply Undertaking was 60MW or 80 MW?

(ii) What should be the date of applicability of the revised tariff? and

(iii) What should be the revised Tariff for supply to Delhi Electric Supply Undertaking?

The matter is being examined."

3.41. As regards the possibilities of eventual payment of dues by the DESU, the Ministry stated: "In so far as 1971-72 is concerned, DESU according to its latest forecast furnished to the World Bank shows anticipated gross revenue of Rs. 2070 lakhs agaist an estimated revenue expenditure (excluding interest) of Rs. 1550 lakhs leaving a surplus of Rs. 520 lakhs. This was hardly sufficient to meet the annual interest liability and depreciation, DESU have not provided for purchase of power from BMB at the revised rate and will not be able to meet the additional cost of BMB power. DESU proposes to meet the additional cost of Bhakra power, if required, by raising tariffs to its consumers suitably. DESU also contends that it cannot raise additonal charges from consumers for past transactions."

3.42. Asked about the role of the Ministry of Irrigation and Power in the matter, it was clarified: "The Central Government cannot interfere in the day to day functioning of the DESU or the BMB. As indicated earlier, the question of the execution of the power supply agreement and its subsequent compliance by the parties is a matter to be decided between the parties to the agreement *viz.* the Punjab Government and the Delhi Electric Supply Undertaking. The Ministry of Irrigation and Power cannot interfere in the matter unless specifically requested by the parties concerned. The Ministry of Irrigation and Power has always been playing a positive role in the settlement of any dispute between DESU and the Bhakra authorities whenever called upon."

3.43. The draft agreement for the supply of power to Delhi State Electricity Board (now known as Delhi Electricity Supply Undertaking) by the Bhakra Management Board drawn up in September, 1954 and as revised on the basis of various discussions has yet to be finalised and normally executed. This inordinate delay of over 17 years gave rise to needless disputes regarding the liability of the former to pay for supplies as demanded by the latter from time to time. According to the information furnished to the Committee, the amount claimed by the Bhakra Management Board to the end of March, 1971 was Rs. 511.42 lakhs which however had been disowned by the DESU who preferred a counter-claim of Rs. 80.08 lakhs. The Committee view all these between two Government Undertakings in both of which people have a stake, with great concern. They trust that through the good offices of the Ministry of Irrigation and Power the issues would be settled expeditiously to the mutual satisfaction of both the undertakings taking into account particularly the financial position of the DESU and without injuring the interest of consumers. The settlement reached and the execution of the agreement may be reported to the Committee within six months.

Outstanding dues for unauthorised stay in Rest Camp and for trunk call charges

Audit Paragraph

3.44. Out of payment of Rs. 10,104 made to the Posts and Telegraphs Department during August-October, 1966 on account of trunk calls booked from the Bhakra and Beas Designs Organisation Rest Camp, Delhi from August, 1961 to July, 1966, a sum of Rs. 7,236 on account of unverified trunk calls was shown by the Chief Design Engineer, Bhakra and Beas Designs Organisation in accounts as recoverable from certain officers/private individuals.

This included a sum of Rs. 4,195 stated to be recoverable from a private individual or his representative for the period from July, 1962 to May, 1964 for which no entry was made by them in the telephone register. Based on the dates on which the trunk calls were booked by them, a sum of Rs. 1,678 was also recoverable from them on account of stay charges in the Rest Camp, which was occupied by them forcibly without permission from authorities concerned.

3.45. The matter regarding recovery from the individual was referred to Legal Remembrancer, Punjab in January, 1965 who entrusted the case to an advocate for instituting a civil suit. The advocate held in July, 1966 and again in November, 1966 that he did not find enough material on record to sustain any action against the individual concerned. The case was now being referred by the Bhakra Management Board to the Law Ministry of the Government of India for advice.

(Paragraph 46 of Government of Punjab Audit Report, 1968)

3.46. The Senior Design Engineer, Beas Design Organisation intimated Audit on 5th August, 1970 that Rs. 7317.94 on account of unverified trunk call charges and stay charges had been written off as per details given below:—

(*i*) Stay charges pertaining to Sh.	Rs.	1,678·04
(*ii*) Trunk call charges relating to Sh.....................	Rs.	4,195·35
(*iii*) Irrecoverable trunk call charges relating to other Visitors (year 1961-66)	Rs.	1,232·90
(*iv*) Irrecoverable trunk call charges for subsequent period .	Rs.	211·65
TOTAL	Rs.	7,317·94

3.47. As regards the recovery from the private individual, the Secretary, Ministry of Irrigation and Power stated during evidence: "This is really a bad case. Unfortunately we are helpless because evidence is not available. Law Department advised that we have not sufficient evidence to pursue this person for recovering the amount." Asked as to how the individual was allowed to forcibly occupy and stay on in the Rest Camp, the Committee were informed that as the project was a Punjab Government project at that time and as the individual was the son of the then Chief Minister the authorities were helpless. The Chowkidar could not insist on his entering the details of stay and trunk calls booked in the relevant registers and he "did not want to be beaten or dismissed".

3.48. The Committee were further informed that there were enough circumstantial evidences that the charges pertained to the individual but there was not sufficient evidence to file a suit in the court.

3.49. Subsequently the Ministry of Irrigation and Power intimated in a note that "the bills are verified on their receipt and necessary adjustment is made. To avoid the disconnection of the telephone, the amounts of unverified and unclassified calls are placed in the Misc. Advance of the person concerned which are cleared subsequently by adjustment or by recovery. In this case, it may be mentioned that the telephone provided in the Rest Camp at Kakanagar was provided for the use of visiting officers and persons staying. Inspite of clear instructions recorded on the notice board and repeated requests by Chowkidar, the trunk calls made by visitors (including Sh.—————— and his men) were not generally entered in the telephone register maintained in the Rest Camp for the purpose. Letters to the visitors who stayed in the Rest Camp during the relevant period, were also issued, requesting them to intimate if they had made any trunk calls from the Rest Camp at Kakanagar. The replies in some cases were received after a long time. As a result of this effort, it had been possible to locate calls amounting to Rs. 1045.54 in addition to the calls that were verified immediately on receipt of the bills. The amount of the bills accumulated upto 1966 was paid to the Posts and Telegraph authorities by placing the unverified calls in P.W. Misc. Advance under the approval of the then General Manager, Bhakra Dam so as to avoid disconnection."

3.50. The following measures were stated to have been taken to avoid the cases of the kind mentioned in the Audit para:

(i) Notices have been displayed in bold letters near the telephone as well as in the other rooms of the Rest Camp, requesting the visiting officers|persons not to forget to enter the trunk call (s) in the telephone register maintained in the Rest Camp.

(ii) A column has been introduced in the stay register, again reminding the visitors to enter the trunk calls in the telephone register.

(iii) The chowkidar has been given definite and strict instructions to put up to each visitor the telephone register along with the stay register and insist on them to give necessary remarks in the trunk call column.

(iv) One Assistant Design Engineer has been instructed to exercise occasional check in this connection soon after the visitor leaves the Rest Camp.

(v) The chowkidar has been instructed to keep telephone locked, when not in use.

3.51. The Committee note that out of trunk call charges amounting to Rs. 10,104 for the period from August, 1961 to July, 1966 paid by the Bhakra and Beas Designs Organisation Rest Camp, Delhi, a sum of Rs. 7,236 had accumulated on account of unverified calls. Ultimately a sum of Rs. 5,428.25 had to be written off by the Organisation as irrecoverable. The Committee was given to understand that the telephone was provided in the Rest Camp for the use of visiting officers and private individuals and that despite clear instructions the trunk calls made by them were not generally entered in the relevant register. In view of this experience, the Committee would suggest that the desirability of barring the trunk/STD call facility in respect of telephones installed for the use of visitors in the rooms of the Rest Houses/Rest Camps except where it is necessary for official purposes may be examined in consultation with the telephone authorities in case it is not possible to collect the charges from the occupants before they vacate.

3.52. The Committee are concerned to learn that stay and trunk call charges amounting to Rs. 1,678 and Rs. 4,195 respectively during the period July, 1962 to May, 1964 in respect of a private individual who is stated to have been highly connected when the Beas Project was under the Punjab State Government, could not be recovered for want of sufficient details and that the authorities were helpless in the matter of ensuring the relevant registers being filled in by him. The Committee do not, therefore, desire to pursue this unfortunate episode further. They, however, wish to observe that abuse of Government facilities is all the more reprehensible and unbecoming if it is indulged in by close relations of highly placed persons to the embarassment of lower officials. They accordingly desire that any deliberate defiance of rules by such individuals should be ought to the notice of the highest executive then and there.

Locking up of funds due to excessive purchase

Audit Paragraph

3.53. In September, 1954, the Board estimated that 2,800 square metres of 'wool felt' would be needed to cover the scroll casing on sturbines under erection at Bhakra Right Bank Power Plan. Accordingly, during March, 1965 to June, 1965, 2,800 square metre of 'wool felt' was purchased. Out of the quantity purchased only 1,000 square metres were used for the work and 1,800 square metres valued at Rs. 1,71,181 are lying unutilised since November, 1965. In June, 1966, the Board held that the excessive purchase was primarily due to wrong estimation for which responsibility was required to be fixed. No responsibility has, however, been fixed as the Board has held subsequently in February, 1967 that the excessive estimation of the requirements was due to some misunderstanding and genuine error. In July, 1967, the Board stated that efforts were being made to dispose of the surplus material.

(Paragraph 76 of Audit Report, Government of Punjab, 1968)

3.54. Asked to specify how the estimation of the requirement of 'wool felt' went wrong and what was the exact nature of misunderstanding and error, the Ministry stated. "The Russian Designers intimated that the area of the roofing material was 210 sq. meters for each turbine and that wool felt of 25 mm. thick should be laid in 2 layers making a total thickness of 50 mm. We mistook this as the area of each layer whereas in fact it was the total area of two layers i.e. the actual area to be covered on scroll casing was only 105 sq. metres."

3.55. The Ministry further intimated that so far barring a quantity of 120 sq. metres sent to Gumati Project (Tripura) the surplus material could not be disposed of despite efforts made.

3.56. The Committee were informed by Audit that it came to notice in July, 1968 that 600 sq. metres of wool felt (value Rs. 60,000) had been damaged by white ants and were not fit for use. The Committee desired to know whether the Bhakra Management Board fixed responsibility for improper storage which resulted in large damage to the material. The Ministry stated: "No responsibility can be fixed as the storage was done properly and disinfectants applied. The damage to the wool felt has occurred despite taking precautions."

3.57. The Committee note that out of 2800 sq. metres of 'wool felt procured to cover the scroll casting in two layers on 5 turbines under erection at Bhakra Right Bank Power Plant, only 1,000 sq. metres were actually required. That the excess purchase was due to a genuine 'misunderstanding' that area of 210 sq. metres indicated

by the Designers was of each layer for a turbine is hardly convincing as even according to this 'misunderstanding' the quantity required for 5 turbines was only 2,100 sq. metres. Further it is not clear how the Project Engineers failed to check the requirements with reference to the designs available with them. As surplus material valued at Rs. 1,71,181 could not be disposed of since November, 1965, except a small quantity of 120 sq. meters, the Committee desire that suitable action should be taken against the official concerned for the excessive purchase and that it should also be investigated whether any favourtism was shown to the supplier.

3.58. The Committee regret to learn that 600 sq. metres of wool felt valued at Rs. 60,000 had been damaged by white ants and were not fit for use. If the storage conditions were proper as claimed by the Department and the condition of the material was periodically checked, the Committee fail to understand how there could be such large-scale damage. They accordingly desire that responsibility for the lapse should be fixed.

3.59. The Committee desire that concerted efforts should be made to dispose of early the remaining quantity of wool felt through the DGS&D so as to avoid further losses due to damages or deterioration of the stock.

IV

BEAS PROJECT

Acceptance of defective wheels

Audit Paragraph.

4.1. A purchase order for 494 chilled cast iron wheels for mine cars was placed on a firm in December, 1966. The wheels were to be supplied by the firm unmachined. Machining was to be done in the workshop of the Beas Project. Before despatch, the wheels were inspected by the Director of Inspection of the Directorate General of Supplies and Disposals and passed by him. In accordance with the agreement with firm, 90 per cent payment was made against railway receipts. After receipt in the Project, on machining the wheels were found to have blow holes and other casting defects. The firm refused to replace the defective wheels on the ground that they had been inspected, passed and accepted by Director of Inspection before despatch. The Director of Inspection who had checked only the dimensional accuracies after visual examination contends that since no machining was provided for in the purchase order, he cannot be held responsible for not detecting during inspection the blow holes, which can be discovered only after machining which in this case was to be done by the consignee. The Ministry of Irrigation and Power, on the other hand, is of the view that since it was known that blow holes could occur in a work of this kind, it was for the Director of Inspection to find out how the existence of blow holes could have been detected and that, as a matter of fact, they could have been detected by X-ray examination (X-ray examination is a specialised test).

4.2. Total expenditure on account of 90 per cent payment, freight' wharfage, machining and other miscellaneous charges incurred was Rs. 92,764. No bills of the supplier were pending with the department or the Director General, Supplies and Disposals. The firm has closed down its business due to labour trouble.

4.3. Government intimated (November, 1970) that the matter of recovery from the firm has been taken up for arbitration and that the scrap value of the rejected wheels was Rs. 0.26 lakh.

Paragraph 42 of C&AG's Report for the year 1969-70).

4.4. The Ministry of Irrigation and Power intimated that the firm on whom orders for 494 chilled cast men wheels for mine cars were placed by the Beas Project authorities, was neither registered with the DGS&D nor with the Punjab Government. Asked as to what safeguards the indentor had provided in the contract against defective supplies, the Ministry stated that it was stipulated that the material will be despatched by the firm after inspection by the representative of the DGS&D.

4.5. To a question whether the inspection proceed as decided upon was correct, the Secretary, of Irrigation and Power, stated during evidence that the As alongwith the relevant documents including the drawings were sent to the DGS&D and added: "In the drawings it is also stated that the wheels will have to be machined after receipt by the project. The DGS&D being a very expert organisation having in their hands all the documents and also the object of placing this AT including the conditions of purchase, namely that on the basis of their certificate the indenting authority has to make payment of 90 per cent against the RR otherwise demurrage would be incurred and the goods may not be given, the identing authority assumed that whatever inspection was necessary for this purpose would have been done by the DGS&D. We wrote to the DGS&D asking why they did not do the inspection which could have detected the air holes which could be exposed only when you started machining. Their reply has been that they had done the visual inspection and checked up the dimensions etc., but they did not subject the wheels to test for finding out air holes under the surface which could be done possibly by a percentage of X-ray test. These are the facts of the case. Ordinarily, these difficulties do not arise if it is a company which has been supplying stores for so many years. But this company had quoted very much less than the companies which were usually supplying. Under these circumstances, it is a question whether the DGS&D should have been careful or the indenting authority should have been extra careful. The indenting authority left it to the DGS&D. They said, 'We did usual inspection, that is visual inspection. We did not resort to an X-ray test'."

4.6. Explaining how the necessary precautions against defective supplies were not taken by the Beas Project authorities while entering into the contract, the Deputy Director General (Inspection) of the Directorate General of Supplies and Disposals stated: "In this particular case, the purchase was done by the Beas Project themselves. Had this work been given to us—I do not suggest that this should have been given to us—then our purchase experts would have taken two or three precautions. They would have seen that either the party was registered with us or would have specially examined it for the purpose of their having the capacity to produce these stores. Secondly, they would have also seen that the firm was prepared to agree to a usual clause, that is, notwithstanding inspection, the consignee has the ultimate right of rejection should anything happen at his end. These are some of the few loose-ends which the expert purchase organisation would have tied before placing the order. Unfortunately, the purchaser in this instance was not an expert purchase and these slips did take place."

4.7. As regards X-ray examination, the witness said: "The fact remains that these wheels, when they reached the destination, had to be machined. The blow holes could only be located when the machining was completed. The suggestion that came from the indentor to X-ray them would be impractical because a wheel costs Rs. 150 or so and an X-ray plate will cost me Rs. 50|-. Moreover, the suggestion came too late. Only the proof-machining could be done on the balance supply which too unfortunately was not provided in the contract. My inspectors are absolutely legalistic minded as well as technical minded. They would only carry out the inspection as provided in the specifications of the contract and this they had done." He added: "This is not unusual and many times we have released stores like that, machining being done at the consignee's end. The only lacuna in the contract was that the consignee's right of rejection was not there. Had it been there, the contractor could not have escaped. In this case, we could have still pressurised him if he had existed. Unfortunately, he does not exist now." Earlier the Committee were informed by Audit that the firm had closed down its business due to labour trouble. The Ministry further intimated that a registered cover sent to the firm on 4-3-1971 asking them to convey their consent to the holding of arbitration was received back undelivered on 30-3-1971 with the remark by Postal authorities that the addressee had 'left'.

4.8. Asked during evidence as to whether it was not the business of the inspecting officer to advise on the adequacy or otherwise of the test, the Deputy Director General (Inspection) deposed:—

> "In an ordinary course, the inspecting officer will not advise the purchaser because he will take it for granted that the purchase has been done in an expert manner as is expected to be done. Obviously Inspector cannot take over purchaser's responsibility as that will mean delays etc. Then he will be blamed for unnecessary correspondence by the purchaser."

4.9. According to the Audit pargraph the scrap value of rejected wheels was Rs. 0.26 lakh. The Secretary, however, informed the Committee: "On receipt of the machines, however, we have made the best use of them. We could have used all these wheels except 22. In the first place, out of 241 wheels out of the total when they were machined, were found in order without holes or any bubbles but the remaining ones at the time were falling short of the appropriate quality. The project had some special type of steel which they had imported for penstocks and they have found by retreading the outer surface with the left out pieces of this type of steel they have been able to use all the wheels except 22 wheels and this process has led to a very interesting, if I may say so, piece of research. That is by doing a little retreading at extra cost, the life of the machines has been doubled. That is, if ordinarily the wheels could be used for four months, with this retreading we found we could double the life, namely, for 8 months. This is the latest information we have. We could not give this information earlier as they were not sure as to what would be the performance of the wheels after this retreading. I am very happy to say that of the remaining wheels, apart from the first 241 wheels which were used, the remaining 230 wheels have been retreaded and actually used and their performance is double the life of the normal wheels. This is the position and it has been economically worked out. We are also fighting out with the assistance of legal authority just how the maximum we can get out of them. There is no loss as such because this 10 per cent in any case we are going to retain. We are going to see whether we can get anything out of the arbitration proceedings.

4.10. Regarding the whereabouts of the firm, he stated: "We are making local enquiries whether they have gone somewhere else or whether they are trading in some other name and this we are doing and if at all we can get anything more out of them in addition to the 10 per cent we will try to do so."

4.11. Subsequently the Ministry intimated *inter alia* the cost of retreading as required by the Committee as follows:

"In all 494 wheels were received from the firm. 241 were found in order after machining. 230 were used after retreading. The details of the balance 23 wheels are as follows:—

Lying in broken conditions	9
Lying in stock	13
Issued to Nangal Workshop	1
TOTAL	23

The cost of retreading one wheel is Rs. 175.00. By retreading the life of the wheel has increased by 100 per cent."

4.12. Dealing with the procedural aspects, the Secretary deposed: "On the procedure, both of us must have grown wiser after this experience. We have also gained out of this experience that in inter-Ministerial transactions we should be able to give and exchange expertise much closer and much more useful then it has been the case earlier."

4.13. As regards corrective measure, he added: "The first thing we have taken care of now is to look into the credentials of the firm, whether they are registered or not."

4.14. The Committee desired to know the present position of arbitration. The Ministry intimated after the oral evidence: "Now that the wheels have been used no further action has been taken to start the arbitration."

4.15. It is distressing to note that while going in for the purchase of 494 chilled cast iron wheels for mine cars at an approximate cost of Rs. 1.03 lakhs, the Beas Project authorities failed to take sufficient precautions against defective supplies. The credentials and capacity of the firm were not verified. The usual right of rejection notwithstanding the inspection before despatch when machining was to be done by the consignee and the proof machining before inspection were not provided for in the contract. All these resulted in the firm refusing to replace the defective supplies. The Committee understand that the firm had since closed down their business and their present whereabouts are not known. That the organisation lacked expertise is clear from the foregoing facts of the case. The Committee would like to know whether there were similar lapses in other contracts entered into by them which led to losses.

4.16. The Committee also notice a rather rigid attitude taken by the DGS & D's organisation which was requested to arrange for inspection of the wheels in not bringing to the notice of the purchaser the loopholes in the contract and the inadequacy of inspection. The Committee would, therefore, like to suggest that there should be closer coordination and exchange of expertise between the independent purchasing agencies and the DGS&D who are the experts in the field, in order to safeguard the larger interests of Government as a whole.

4.17. Although the Committee were assured during evidence that local enquiries were being made to locate the supplier in order to see whether anything more than the 10 per cent payment withheld

could be recovered from them for the defective supplies, the Ministry subsequently intimated that "now that the wheels have been used no further action has been taken" in the matter. The Committee were informed that 230 out of 253 defective wheels could be used after retreading at the cost of Rs. 175/- per wheel which incidentally enhanced the life of the wheels by 100 per cent. The cost of each wheel was, however, stated to be Rs. 150/-. As the defective wheels could be used only after spending more than their original cost, the Committee do not appreciate the decision of Government not to proceed against the supplier further. They would, therefore, like Government to explore the possibility of recovering the loss fully.

Irregular advance payments

Audit Paragraph

4.18. In order to utilise savings of budget allotment during 1965-66, Pandoh Township Division, Sundernagar Township Division and Electrical Division of Beas Sutlej Link Project made advance payments in February, 1966, to the extent of Rs. 65 lakhs, Rs. 40 lakhs and Rs. 35 lakhs respectively to certain other divisions outside the Project for works to be carried out by them on behalf of these divisions. The procedure of making advance payments for works to be executed by the other divisions was in contravention of the relevant financial rules. The amount was debited to the Suspense Head "Miscellaneous Public Works Advances".

4.19. Adjustments to the extent of Rs. 12.61 lakhs, Rs. 10.86 lakhs and Rs. 16.55 lakhs only were made upto March, 1967, against the works executed by the divisions concerned.

(Paragraph 49 of Audit Report, Government of Punjab, 1968).

4.20. Asked to explain how advance payments mentioned in the Audit paragraph were made in contravention of the financial rules, the Ministry of Irrigation and Power stated as follows:—

> "Since the work was to be done by the Divisions not forming part of the project, it was necessary that funds should be placed at their disposal before they could undertake the works for the project. Moreover, before the funds were placed at their disposal, the matter was discussed with the concerned officers of those divisions who had stated that they would utilise the funds for the works of the project and the funds were accordingly placed at their disposal."

4.21. The Ministry further intimated that a sum of Rs. 13,962 still remained to be adjusted.

4.22. The Committee are inclined to take a serious view of the violation of financial rules in making advance payments to the extent of Rs. 1.40 crores to Divisions outside the project by certain beas project Divisional authorities towards the end of the year 1965-66 just to avoid surrender of funds with the result that the money was not available for other immediate needs. The lapse is all the more deplorable as the advance has not been adjusted fully as yet (1971-72). The Committee trust that such improprieties diluting the budgetary control will not be committed in future.

ERA SEZHIYAN,

NEW DELHI;

Chairman,

Public Accounts Committee

April 12, 1972

Chaitra 23, 1894 (*Saka*).

APPENDIX I

(Ref. Para 1.22)

Note on the allocation of cost of the estimate of Najafgarh Drainage scheme Phase III amongst the beneficiaries

The Technical Committee for scientific assessment of the problems of Floods in Delhi and neighbouring areas decided in May, 1964 to increase the capacity of Dhasa regulator and the outfall channel from Dhasa to Kakraula to 3000 cs. The estimate for Phase III provides for works from Kakraula-regulator to Dhasa Bund. The details of works are shown in abstract of the estimate (enclosed).

It is seen that in the estimate some items have been provided for the specific benefit of Haryana, some for Delhi and the rest are of common interest to both the territories. To allocate the cost, between Haryana and Delhi, the following basis are taken.

1. Specific cost for specific works debited to the territory concerned. Construction of outfall channel from Dhasa bund upto Jheel has been charged to Haryana as it is specifically to drain Haryana waters.

2. Cost on construction of Dhasa bund, 2 regulator, strengthening of Dhasa Bund, etc. in addition to the works from Najafgarh Jheel upto Kakraula has been taken as common cost. This cost is first divided in proportion of 450:2550, as 450 is the discharge from Jhazgarh Jheel to be drained on all times and has been charged to Haryana. The balance cost for 2550 cs. has been again sub-divided in the ratio of catchment areas of the Jheel (Haryana being 131 sq. miles and Delhi being 149 sq. miles).

APPENDIX II

(Ref. Para—1·38)

Statement of Schedule Hours/Working Hours of 22—R.B. Draglines, 3/4 Cyds. Capacity 40' boom.

Machine No. RB-1 (DL-8).
RB-3 (DL-10).
RB-4 (DL-11).

Purchase in December, 1960 @ Rs. 1·70 lacs each.

Machine No.	Year 1966-67		1967-68		1968-69		1969-70	
	Schedule Hours	Working Hours	Schedule Hours	Working Hours	Schedule Hours	Working Hours	Schedule Hours	Working Hours
1	2	3	4	5	6	7	8	9
R.B.-1 (DL-8)	1730	2560·5	1720	1364	1730	1726·5	630	198·5
R. B.-3 (DL-10)	..	..	1090	1060	1730	1496·5	1720	1186·5
R. B.-4 (DL-11)	1730	1994·5	1720	1419	..	74	1720	787·25
	3460	4555	4530	3843	3460	3297	4070	2172·25
% efficiency of operation		131·64%		84·81%		95·28%		63·14%
				Overall 93·72%				

Statement of Schedule Hours Working Hours of Skoda Draglines Capacity 1 1/4 Cyd. 45' Boom.

Machine No. DL-3
DL-4
DL-5
DL-6
DL-7 Purchased in May , 1962 @1·80 lacs each.

Machine No.	Year 1966-67		1967-68		1968-69		1969-70	
	Schedule Hours	Working Hours	Schedule Hours	Working Hours	Scheule Hours	Working Hours	Schedule Hours	Working Hours
1	2	3	4	5	6	7	8	9
DL-3	1730	2047·5	1240	722	865	504·5	860	..
DL-4	1730	1768	1240	542·5	865	24	860	167
DL-5	1730	1771	1240	1565·5	865	1488·5	860	28
DL-6	1730	530·5	1240	27·5	865	818	860	1394·5
DL-7	1730	2472·5	1240	529	865	1508·5	860	1161
	8650	8589·5	6200	3386·5	4325	4343·5	4300	2750·5
% Efficiency of operation		99%		54·6%		100%		64%

Overall 79·4%

Statement of Schedule Hours/Working hours of Tata P. & H. 2½ Cubic yards. Capacity 90' Boom.

Machine No.		
DL-12	Purchased in 5/66	
DL-13	Purchased in 5/66	
DL-14	Purchased in 6/66	
DL-15	Purchased in 6/66	
DL-16	10/66	@ Rs. 8·96 lacs each.

Machine No.	Year 1966-67 Schedule Hours	Year 1966-67 Working Hours	1967-68 Schedule Hours	1967-68 Working Hours	1968-69 Schedule Hours	1968-69 Working Hours	1969-70 Schedule Hours	1969-70 Working Hours
1	2	3	4	5	6	7	8	9
DL-1154 (DL-12)	1470	2509·5	1720	1255·5	1730·5	1283·5	1720	194
DL-1155 (DL-13)	1470	1015·5	1720	1667·0	1730	913·5	1720	1276·5
DL-1156 (DL-14)	1470	1510	1720	1622	1730	2069·5	1720	1757
DL-1162 (DL-15)	1470	1647·5	1720	1647	1730	1691·5	1720	202
DL-1169 (DL-16)	1100	1190	1720	1936·5	1730	1866·5	1720	854·5
	6980	7872·5	8600	8128·0	8650	7824·5	8600	4284·0
% Efficiency of operation . . .		112·7%		94·5%		90%		49·8%
				Overall 86·75%				

APPENDIX III

(*Ref.* Para 2.20)

Statement showing existing tariff and revised tariff recommended by the Tariff Committee

(A) THE EXISTING TARIFF IN ANDAMAN AND NICOBAR ISLANDS WAS LAST REVISED AND FIXED IN THE YEAR 1960. THE TARIFF IS AS UNDER :

(1) Domestic light and fans	56 P per KWH less 6 paise rebate if paid within the grace date.
(2) Public Lighting (Street Light) .	40 P. per KWH nett.
(3) Domestic power	31 P. per KWH less 6 paise rebate if paid within the grace date.
(4) Industrial power:—	
Below 3000 KWH per month . .	31 P.
3001 to 5000 KWH „ . . .	30 P.
5001 to 7500KWH „ . . .	27 P.
7501 to 10000 KWH „ . .	26 P.
above 10,000 KWH „ . . .	25 P.

The special rate fixed for the Forest Department is 28 P. less 6 Paise rebate for payment within due date.

(B) PROPOSED REVISED TARIFF FOR SALE OF ELECTRICITY BY THE ELECTRICITY DEPTT. OF ANDAMAN AND NICOBAR ISLANDS

(*a*) *Domestic Supply*:

Available for lights, fans domestic appliances, cooker, refrigator etc. at low tension.

For first 30 Kwh per month @55 P. per Kwh.

Balance consumption per month @ 35 P. per Kwh.

Minimum charges; Rs. 5 per month for service.

Late payment surcharge @5 per cent.

(*b*) *Non-Domestic Supply*:

(Single phase low tension supply upto 5 Kw and 3 phase low tension supply for higher loads).

Available for lights, fans, small motors, appliances to all non-residential premises, such as shops, business houses, cinemas, clubs, government and private offices, wireless, school, hospital, hostels, guest houses etc.

For first 50 Kwh per Kw of connected load per month @ 60P per Kwh.

Balance consumption per month @ 45P per Kwh.

Minimum charges Rs 7.50 P per month for service.

Late payment surcharge @ 5 per cent.

(c) *Industrial Supply—General*

Available at 3 phase low tension for motive power and other purposes, All India Radio, Water Works etc.

All consumption @ 40 P. per Kwh.

Minimum charges Rs. 5 per H.P. of connected load per month.

Late payment surcharge @ 5 per cent.

(d) *Chatham Saw Mill—Special Tariff*

Available at 3 phase from the 400 volts. LT bus of the Chatham Power House.

All consumption @ 31 P. per Kwh.

Minimum charges Rs. 5 per KVA per month.

Late payment surcharge @ 5 per cent.

Lighting

For all industrial consumers at (C) and (D) above:—

Permitted upto 5 per cent of the total consumption for bonafide factory lighting and other fittings in the factory building, its office compound etc. located within the factory premises. The balance of the consumption will be charged under category 'B' above.

(e) *Street Lighting*

Applicable for lighting on public streets and roads, parks in municipalities, panchayat etc.

All consumption @ 45 P. per Kwh plus line maintenance and lamp renewal charges.

Minimum charges Rs. 2.50 P per point per month.

Late payment sucharge @ 5 per cent.

(f) *Temporary Supply*

For periods not exceeding one month in the first instance, extendable for further periods of one month each, in all not exceeding 6 months. Available for fairs, exhibitions, temporary cinemas, marriages or any other purposes.

Supply would be available at single or 3 phase at low tension.

Rates of Supply

Applicable for relevant category of load for permanent supply plus 20 per cent.

Minimum charges: Two times that applicable for the relevant category.

APPENDIX VI

(*Ref.* Para 3.19)

PUNJAB STATE ELECTRICITY BOARD

No. 16855|PNT-135|S dt. 10-7-63

From

The Chief Engineer (Planning),
Projects Section,
Patiala.

To

M|s. Alcock Ashdown & Co. Ltd.,
16, Bank Street,
Bombay-1.

SUB:—*P.O.* 607|1215|*PNT*-141|1 *dt.* 16-1-63—*Procurement of steel tested|untested of higher sections.*

Dear Sirs,

Your attention is invited to the minutes of the meeting held on 8-6-63 in New Delhi, a copy of which has already been supplied to you, regarding the use of tested|untested higher sections of steel in place of design sections.

The case has been further examined in this office and the following points emerge as a result thereof:—

1. That according to the contract agreement, you have to supply towers @ 750 long tons per month and further in lots of 200 Nos. complete towers. This is subject to levy of penalty. The only saving is in case of those sections which are not being rolled by any of the steel Producers.

2. It will thus be seen that the approval of higher tested|untested sections in place of design sections which are being rolled in India but in short supply will enable you for exemption from levy of

penalty which in terms of the contract you are liable to pay. It has been observed that most of the design sections for which alternate sections have been approved are being rolled in India.

3. Further, it can be readily appreciated that approval of higher sections in place of design sections is going to have a considerable effect on the weight of finished structures. It has been calculated that if all the alternate sections approved are procured in full, it shall mean an additional tonnage of approx. 1,300 M. tons of finished structures and assuming the cost of finished structures at site @ Rs. 1500 M. tons, it shall mean an additional expenditure to the purchaser to the tune of Rs. 20 lacs.

4. That this additional expenditure which the purchaser shall have to incur is an unnecessary expenditure and is being incurred primarily on account of the fact that you have not been able to honour your commitments according to the contract. It has been clearly established in the meeting held on 7.6.63 in Delhi under Sh. M. R. Sachdeva, Secretary, Irrigation & Power Ministry, Govt. of India, when Sh. M. R. Chopra, Chairman, C.W. & P.C., Sh. H. R. Bhatia, Chairman, Punjab State Elecy. Board and your very senior representatives were also present that blame for the delay in supply of tower materials lies entirely at your door.

5. Further, your expenditure on the fabrication and galvanising of this additional tonnage will be negligible. For example, it does not cost anything extra if holes are punched in M.S. angle 100x100x8 in place of 100x100x6 mm and any charges on that account will simply mean enhanced profits to you.

6. It will thus be seen that approval of higher alternate sections in place of design sections is beneficial to you from two main points of view, exemption from penalty clause and huge additional profits whereas to the purchaser they mean an unnecessary additional expenditure of huge magnitude which may touch the figure of Rs. 20 lacs.

7. You will please appreciate that this is a very unfortunate situation and it is not fair play that your inability to procure steel in terms of the contract may mean additional profits to you, while inflating the cost of our project.

In view of the position detailed above, it is suggested that a meeting of your very senior representatives with purchaser's representatives be held in Patiala in near future to thrash out this problem and find an equitable solution. The matter has been examined and it is considered that for the additional tonnage, you shall be paid for steel only and nothing extra shall be paid for fabrication and galvanisation.

Please acknowledge receipt.

Yours faithfully,

Sd|-

DA|Nil.

Superintending Engineer (Projects), for 6 E. (Planning), PSEB, Patiala.

APPENDIX V

(*Ref.* Para 3.20)

Opinion of the legal Section of the Punjab State Electricity Board

"In view of the position explained and as can be seen from the documents enclosed with the reference, clause 15(1) of the P.O. in question attached with the contract (which forms a part of it) provides that the procurement of steel will be entirely the responsibility of the supplier. The purchaser, however, would be prepared to render every possible assistance for the early procurement of the same. It would, therefore, appear that the responsibility to procure the proper design sections for the manufacture of the towers was the sole responsibility of the suppliers and it was for them to arrange to procure the requisite material in time for the necessary manufacture of the towers and delivery thereof within the stipulated period under the contract. This the suppliers failed to do, which necessitated making of alternative arrangements by providing untested sections in place of design sections. The suppliers plead their inability to procure the necessary design steel sections on the ground that the Indian producers were either not producing the said material in that particular period or the same was in short supply and as such it was beyond their control to procure the requisite material for the manufacture of the towers according to the terms of the agreement. According to the Purchaser, however, the blame far the delay in supply of towers material lies on the suppliers because the responsibility to procure the necessary material was entirely theirs. Necessary assistance was, however, given by the purchaser to the suppliers as envisaged under the terms of the contract.

In the above view of the matter, therefore, it was the clear responsibility of the suppliers to have complied with the terms of the contract, which they failed to do. Even their alleged contention regarding their inability to do the needful due to reasons beyond their control would not appear to be covered by the force Majeure clause provided under the contract. Since the alternative arrangements have consequently been made due to the defaults of the suppliers, it would be entirely for them to bear the financial consequences involved as a result of the said arrangement."

APPENDIX VI

(*Ref.* Para 3.21)

Advise of the Ministry of Law

Reference D.O. letter No. 20778—284 dated 15-5-66 from Shri K. P. Matharani to Shri R. S. Gai, Secretary, M|Law.)

The firm was satisfied that it had good procurement arrangements for the purchase of steel from the open market. The contract also has made it clear that the procurement of steel would be entirely the responsibility of the firm. But what happened was that the firm could not stick to delivery of the steel towers as stipulated in the contract on account of difficulty in arranging certain steel sections which were scarce in the country and difficult to procure or were not being rolled in India. In view of the aforesaid difficulty, the use of over-size sections of tested|untested sections was agreed to by the Bhakra Control Board for the fabrication of towers. It was also decided to import certain sections of the steel which were not being rolled in India even though the cost of imported steel was higher than the indigenous steel. This involved additional expenditure on account of increase in the rate of imported steel, extra fabrication and galvanising charges on additional weight of oversize sections of steel and additional freight charges on additional weight of steel. (See the portion side-lined 'X' in the D.O. letter dt. the 13th May, 1966).

2. The firm seems to have contended that the responsibility for the cost of additional cost due to use of oversize sections or the additional cost for importing steel is not theirs. According to the firm, since the manufacturing cost and freight are based on tonnage, they are entitled to claim these on the higher tonnage.

3. The matter has been examined by the Legal Remembrancer, Punjab. According to him, the design of towers furnished and approved by the C.W. & P.C. are not in variance of the contract. On the question of extra costs he has come to the conclusion that it is the responsibility of the seller to bear them.

4. We have carefully considered the matter. It is true that, under the contract the rate is to be determined on a tonnage basis, but this does not absolve the firm from the responsibility to bear the extra costs. When it was realised that the firm could not stick to the delivery schedule as stipulated in the contract and extra

costs had to be incurred on steel, the firm did not stipulate that the additional expenditure involved should fall to the account of the Purchaser. In other words, the firm continued to be responsible for the procurement of steel. In this connection, the Legal Remembrancer, Punjab, has rightly observed that if the supplier is not in a position to procure the tested steel of stipulated quality, he is not to benefit from the breach of his own contract. If the purchaser gives him the indulgence of using untested steel of higher sections, it is the supplier who is to bear the extra costs and not the purchaser. According, therefore, to the Legal Remembrancer, the purchaser can still insist on the supply of the tested steel within the stipulated time which has already expired and claim damages for the non-supply of stipulated quality. If in lieu of this the purchaser has to resort to acceptance of untested steel of higher sections, it does not mean that the seller can escape his responsibility for the extra costs. We agree with this conclusion of the Legal Remembrancer. In this view of the matter, it may not be necessary to negotiate a settlement with the firm. However, it is open to the Punjab State Electricity Board, which is a corporate body independent of the Government, to consult its own legal advisers before any firm decision is taken.

Sd|- G. VENKATASUBRAMANIAM,

Additional Legal Adviser.

APPENDIX VII

(*Ref.* Para 3.22

SUBJECT: *Order of the Punjab State Electricity Board placed on M|s. Alcock Ashdown for fabrication and galvanising of Steel towers for transmission lines under the Bhakra Right Bank Power Project—Use of oversize sections of steel and import of certain sections involving higher expenditure—Minutes of meeting held on* 25-7-1966.

The above cited matter was considered at a meeting held in the room of Shri K. P. Mathrani, Secretary, Ministry of Irrigation and Power, on 25th July, 1966 at 4.00 P.M. which was also attended by the following:—

1. Shri R. S. Gae, Secretary, Ministry of Law.
2. Shri Nawab Singh, Chairman, P.S.E.B.
3. Shri K. R. Mahndiratta, Secretary, B.C.B.

2. The Chairman, Punjab State Electricity Board, had brought out the following points for reconsideration of the case:—

(i) Higher Sections had to be used and steel imported mainly due to the circumstances beyond the control of the manufacturers.

(ii) The Officers of the Punjab State Electricity Board had been proceeding on the basis that the extra cost of steel would be borne by the Punjab State Electricity Board. They had been asking the manufacturers to forego the additional manufacturing cost.

(iii) According to the agreement, the price of steel was to be borne by the Punjab State Electricity Board and the manufacturing costs were to be paid on tonnage basis.

(iv) The Punjab Sate Electricity Board agreed to allow the manufacturers to use heavier sections and also decided to import steel. It more or less implied that additional cost in this regard would be borne by the Punjab State Elecy. Board.

(v) The erection of transmission lines would have been even more delayed if the Punjab State Elecy. Board had insisted that extra cost of steel should be borne by the manufacturers.

(vi) Use of oversize steel sections at the cost of the project had been permitted to Govt. Galvanising Plant, Mettur Dam and Nangal Workshop, on whom orders for fabrication galvanising of steel towers|structures and had been placed.

3. Shri Gae was of the view that as per agreement, cost of steel was to be borne by Punjab State Electricity Board and Payment to the firm was to be made on the tonnage basis of finished towers. Since certain designed sections were scarce and others were not being rolled in India, the Bhakra Control Board decided to allow the use of alternative oversize tested and untested steel sections in place of certain designed sections in order to avoid delay in completion of towers. The decision was stated to have been taken so as to complete the erection of transmission lines in time for utilising Power available from the Commissioning of Units of Bhakra Right Bank Power Plant. Keeping these facts in view, he was of the opinion that expenditure involved in the use of oversize steel sections might be payable to the firm.

As regards the extra cost involved in importing steel the prices which were higher than those of indigenous steel, he desired that further information be collected in respect of the following and a note furnished to his Ministry:—

(i) The sections which were scarce and|or not being rolled in India, at the time when the specifications for calling quotations in respect of this order were issued alongwith type designs of the towers.

(ii) The sections which were scarce and /or not rolled in India, at the time when designs for steel towers in this case were finalised.

(iii) The changes made in respect of certain steel sections between the period from issuing of tender notice and finalisation of designs.

(iv) The position about the availability in India of steel sections which were scarce and/or not rolled in India during the different periods as at (i), (ii) above and also subsequently when the import of certain steel sections was decided, and whether the steel section, now being imported, would have to be imported during the different periods as at (i) (ii) above and subsequently.

(v) What were the circumstances leading to non-import of steel sections worth about Rs. 6 lacs which was issued by the Govt. of India, sometime during 1964.

APPENDIX VIII

(*Ref.* Para 3.22)

Notes in the Ministry of Law (Department of Legal Affairs) Advice (F) Section.

It appears from the minutes of the meeting held on 26-7-1966 that the Secy. desired further information on the extra cost involved in importing steel the prices of which were higher than those of indigenous steel. So far the information has not been furnished. Be that as it may, the Chairman, P.S.E.B. seems to have mentioned in the meeting certain points which have not been brought out in the self-contained note accompanying the D.O. letter dated the 13th May, 1966 of Sh. Mathrani. Obviously these points were not also present before the legal Ramembrancer Punjab when he gave his opinion in the matter which was concurred in by us. According to the Chairman of the Elecy. Board the heavier sections of steel were permitted by the Board to be used in the erection of transmission lines in order to avoid more delay in the erection of transmission lines. The Board also decided to import steel thereby implying that the extra cost would be borne by the Board. The officers of the Board seem to have also made the firm understand that the extra cost would be borne by the Board by asking the firm to forego the additional manufacturing cost. All this would necessarily mean that the stipulation orginally made in the contract, *viz.*, that the procurement of steel would entirely be the responsibility of the firm underwent a change when it was realised that the firm had a genuine difficulty in arranging certain steel sections which were scarce in the country and difficult to procure or were not being rolled in India. In the light of the clarification now furnished by the Chairman of the Elecy. Board it would appear that the expenditure involved in the use of oversize steel sections will have to be borne by the Board, as opined by the Secy. in the meeting. In view of the above the file returned to the Ministry of I & P. If any fresh points arise needing our advice in the matter the file may be referred back to us for our consideration.

Secretary has seen the file.

Sd/- G. VENKATASUBRAMANIAM,
Additional Legal Adviser.

Min of I. & P.
U.O.No. 24388/66—Adv.(F) dated 13-10-1966.

APPENDIX IX

(*Ref.* Para 3.39)

Chronological statement of action taken for finalisation and formal execution of the Agreement by the Ministry of Irrigation and Power

1. The Draft Agreement was prepared by Chief Engineer (Punjab), Public Works Department, Electricity Branch, Simla and sent to the Chairman, Delhi State Electricity Board *vide* his letter No. 31026|T-57, dated the 3rd September, 1964.

2. The Draft Agreement was discussed between representatives of Punjab and Delhi at Delhi on 27th, 28th, 29th and 30th September, 1954 and from 10th to 17th December, 1954 and the revised draft was sent to Delhi State Electricity Board by Sales Engineer, Punjab, Public Works Department *vide* No. SE|1|AP-85, dated the 26th January, 1955.

3. Delhi Electricity Board requested *vide* their letter No. 730|384, dated the 16th April 1955 for switching on the supply to them on interim basis on terms and conditions indicated therein, pending finalisation of the Agreement. The supply was actually switched on on the 19th April 1955.

4. Bhakra Control Board in its 41st meeting held at New Delhi on the 22nd to 24th December 1955 decided that a sub-Committee, consisting of S|Shri N. N. Kashyap, Mirchandani, A. C. Malhotra, H. R. Bhatia and the Power Member of Central Water and Power Commission should be associated with the finalisation of the Draft Agreement with the Delhi State Electricity Board. The above Sub-Committee had several sittings.

5. The issue of agreement of supply of power between Delhi State Electricity Board and Punjab Government was discussed on the 27th August 1956 (in the room of Secretary to the Government of India, Irrigation and Power) where representatives from Ministry of Irrigation and Power, Finance Ministry, Central Water and Power Commission, Punjab Government, Rajasthan Government, PEPSU Government and Delhi State Electricity Board, were present. The draft Agreement revised in the light of these discussions with Delhi State Electricity Board was sent to Secretary, Bhakra Control

Board by Chief Engineer, P.W.D., Electricity Branch, Punjab *vide* letter No. 35432|RG304|III, dated the 31st January 1957 for concurrence, with a copy to the Secretary to the Government of Punjab (Finance Department) for approval. A separate reference was also made to the Legal Remembrancer for his scrutiny so as to ensure that no legal flaw was left in the documents.

6. The Draft Agreement duly vetted by the Legal Remembrancer to Government of Punjab was forwarded to Bhakra Control Board by Chief Engineer (S), Punjab, P.W.D., Electricity Branch *vide* U.O No. 974|RG-304| Sales dated the 5th April 1958. This draft agreement was again discussed by Sales Engineer with Chairman, Delhi State Electricity Board on the 19th April, 1958 (now Chairman, Delhi Electric Supply Undertaking) and the amended draft sent to Bhankra Control Board *vide* No. 1249 dated the 24-5-1958.

7. The Draft Agreement was approved by Bhakra Control Board during its 58th meeting held at Delhi on the 19th July, 1958 and 20th July, 1958 against item No. 80|B subject to the acceptance by the Government of Rajasthan. When the Government of India changed over to decimal system of coinage, a dispute arose between the concerned parties regarding the rate for suply of power whether the rate to be adopted should be correct to two decimal places of a naya paisa or three decimal places. This dispute was resolved by them by mutual discussions by October, 1958 when both the parties agreed to adopt a rate correct to two decimal places of a naya paisa.

8. The Draft Agreement was referred to Secretary to the Government of Rajasthan Electricity Department, Jaipur for concurrence in the first instance *vide* Chief Engineer (S), P.W.D., Electricity Branch U.O. No. 1250|RG-304, dated the 24th May 1958. Later it was decided in the Technical Review meeting of the Pnujab State Electricity Board held on the 20th May 1961 in the room of the Chairman that the Draft Agreement be executed without waiting for the concurrence of Rajasthan Government as the Punjab State Electricity Board being successor to Punjab Government was the operating authority for the Common Pool Works.

9. The summation meter on Delhi I & II feeders was installed during December 1963, but subsequently, it developed fault during January 1964. The bills were issued to Delhi Electric Supply Undertaking on the basis of indvidual meter readings during January, February and March 1964. D.E.S.U. authorities made the payment during 1&2|1964 under protest, but made the payments from March to July 1964 on the basis of summation meter readings. The issue was

discussed between the representatives of Punjab State Electricity Board and Delhi Electric Supply Undertaking on the 2nd July, 1964 and 6th July 1964 when it was revealed that previous summation meter was not functioning correctly and was replaced. It was decided that for the past period, a correction factor may be applied and accordingly the bills were revised.

10. The finalised Draft Agreement was approved for execution by the Punjab State Electricity Board during its meeting held on the 30th November, 1961. This Draft Agreement was again discussed amongest the officers of Punjab State Electricity Board and Delhi Electric Supply Undertaking on the 3rd March 1962. Minor changes of wording were agreed to but the main differences were on Clause 2 and regarding revision of the tariff. The issue regarding Clause 2 and for revision of tariff was discussed at Patiala on the 6th May 1963 between the representatives of Punjab State Electricity Board and Delhi Electric Supply Undertaking and agreement reached subject to ratification of all the parties concerned. The issue regarding revision of tariff was however settled in the meeting presided by Dr. K. L Rao, Union Minister for Irrigation and Power on the 15th February 1965. The Revised tariff was made effective from 1-4-1965. For the interim period from 1-4-1962 to 31-3-1965, it was decided that a lumpsum additional payment of Rs. 20 lakhs be made by D. E. S. U. to P. S. E.B. in complete settlement of their claims for the entire power supply to D.E.S.U. by Punjab during the said period.

11. According to 4th Proviso of Clause 11 of the Draft Agreement, the rates for supply to D.E.S.U. are subject to review 2 years after the commencement of commercial operation of Bhakra Power House and at the end of every period of five years thereafter. According to Bhakra Management Board, the first Power House was fully commissioned on the 10th December 1961 and thereafter, the first revision fell due on the 10th December, 1963. The tariff for supply to D. E. S. U. was however, discussed amongst the representatives of D. E. S.U. and P. S. E. B. at Patiala on the 5th June 1963, but it was settled in a metting held on the 15th February, 1965. D. E. S. U. is of the view that since the rates were revised with effect from 1-4-1965, the next revision could be made only from 1-4-1970.

12. According to Clause 13 (c), of the Draft Agreement, D. E. S. U. is to be levied penalty, when the power factor of their system falls

below 80% during 1-1|2 hrs. preceding and 1-1|2 hrs. succeeding the time of Maximum Demand recorded during the day and if such happening occur more than 6 days a month. There has been a difference of opinion on the applicability of this clause. But, Punjab State Electricity Board was including this penalty charges in the regular bills being sent to D. E. S. U., since April 1965, but D. E. S. U. did not pay the amount and as such the arrears went on swelling up month by month DESU's view is that the provisions of Clause 13 (c) were harsh and that Bhakra Management Board should drop it.

13. The correspondence regarding amendment in Clause 13 (c) "Payment on account of Low power factor" was exchanged *vide* Secretary, Punjab State Electricity Board's letter No. 15676|SS|RG-393|L, dated the 5th April 1966 and D. E. S. U. letter No. C. O. |CBN|688, dated the 25th April, 1966, but no agreement could be reached.

14. Temporary supply over and above the contract demand of 60 MW was given to D. E. S. U. during the period August 1964 to February 1965 on their request. This supply was charged at 20% enhanced tariff which D. E. S. U. did not agree to pay.

15. Supply to D. E. S U. was restricted during the lean period of the driest year 1965-66 *i.e.* from November 1965 to May 1966. D. E. S. U. in view of the restrictions imposed regarding demands, made payments after effecting reductions to the amounts billed by P. S. E. B., thus increasing the arrears.

16. During February 1966, D. E. S. U. supplied energy to P. S. E. B. at night hours on experimental basis and raised a bill for which the rates were not settled. As the bills were not honoured by P. S. E. B., D. E. S. U. authorities deducted the amount from hydro energy bills, which was shown as arrears by P.S.E.B.

17. A meting was held between the Chairman, DESU and Chairman, P. S. E. B. at Delhi on the 30th July 1966 to settle the above outstanding issues. It was decided to drop the claim mentioned in para 14 above and ad-hoc setlement for making payment of Rs.7.5 lakhs by DESU to P. S. E. B. was made against claim in para 15 above. The tariff for night supply to P. S. E. B. given on experimental basis during February 1966 was also settled. Regarding the amount outstanding (refer para 12 above) on account of low power factor, it was agreed to constitute a Committee to examine as to how the measurements of power factor can be computed for entire supply for the past and also to devise measures for proper calculations of power factor in future.

18. The Committee of the Chief Engineers of D. E. S. U. and P. S. E. B. set up for examining the computation of power factor met on the 6th September 1966 and finalised their report indicating how the power factor was to be computed. This was subject to ratification by both the Boards.

19. During the transitional period at the time of bifurcation of Punjab State Electricity Board, the Delhi Electric Supply Undertaking billing record was transferred to Haryana State Electricity Board authorities. The billing for the period 2|67 to 4|67 was done by the Administrative Officer, Haryana State Electricity Board, Delhi on the basis of individual meter readings which was against the spirit of Clause 8 (b) of the Draft Agreement. D. E. S. U. authorities adjusted the bills as per summation meter readings and paid, accordingly.

20. Due to acute power shortage in the Punjab State, D. E. S. U. was asked to give relief from December 1968 to May 1969 to Punjab was drawing less energy from Rohtak Road Sub-Station as per discussions in the meeting amongst the representatives of P.S.E.B.| H. S. E. B.|D. E. S. U.|Bhakra Management Board held at New Delhi on the 4th January, 1969. D.E.S.U. authorities had earlier been notified *vide* Member Power letter No. 1670|PA|BMB dated the 21st December 1968 to restrict their load by 12½% as per provision of clause 15 of the Draft Agreement. D. E. S. U. authorities did reduce their drawal, but charged the Bhakra Management Board for the less drawal at the rate of the difference between the thermal rate of 11 paisa| unit and hydro rate. This amount was being deducted regularly by D. E. S U. authorities from the hydro bills presented by Bhakra Management Board. D. E. S. U. contended that this was an agreed arrangement between the two parties (D. E. S. U. and Bhakra Management Board) and the amount has been correctly adjusted and Bhakra Management Board has recovered the amount from Punjab State Electricity Board. This amount is shown as outstanding by Bhakra Management Board since the quantum of relief remained disputed so far.

21. According to Bhakra Management Board the tariff for supply to D. E. S. U. was to be revised with effect from the 10th December 1968 and as such the revised tariff was notified to D.E.S.U. authorities *vide* Secretary, Bhakra Management Board letter No. 11823|B-862|3B, dated the 25th September 1969. The earlier rates had been settled by both the parties through mutual negotiations on the 6th May 1963 and were effective from the 1st April 1965 after the decision taken in the Ministry during the Joint meeting held

on the 15th February 1965 (para 10 above). This time the Bhakra Management Board did not consult the D. E. S. U. authorities while formulating the new tariff. The billing is since being done as per new tariff, but D. E. S. U. authorities have been making payments as per old tariff so the arrears are piling up regularly.

22. Secretary, Bhakra Management Board requested D. E. S. U. to execute the draft agreement on the 14th November 1969 at Chandigarh in Board's office vide his letter No. 11830|B-592|3B, dated the 25th September 1969, after incorporating the revised text for the following portion| clauses:

(i) Preamble.

(ii) Clause 3—Duration of agreement.

(iii) Clause No. 15—"Coordination of suppliers and consumer system".

Secretary, Bhakra Management Board further indicated that so far as clause 13 (c) regarding low power factor is concerned, there will be no change.

23. Due to power shortage in the Bhakra service area, D. E. S. U. authorities were notified *vide* Member (Power) leter No. 30407, dated the 5th December 1969 to reduce their hydro off-take by 20 M.W. In response thereto arrangements were made by the D. E. S. U. authorities to inject equivalent energy of 0.3 million units daily (20 MW at 60% load factor) into the Bhakra Management Board system. During the meeting convened by the Vice-Chairman, Central Water and Power Commission on the 19th December 1969, while considering the power supply position in Bhakra Service Area, a pro-rata cut of 10 MW continuous was also applied on hydro power drawal by D. E. S. U. (to be affected by transfer of load from Bhakra Service Area to 33 KV Bus of Indraprastha Power Station). This cut was in addition to the previously agreed arrangements of injecting 0.3 MU|day by parallel operation of the two systems. It was clearly stated in the metting of 19th December 1969 and reiterated in the meeting on the 17th January 1970 that D.E.S.U. would restrict its hydro drawal to 0.85 MU/day from Rohtak Road Sub-Station and inject 0.3 MU/day to Bhakra Management Board System over and above the Haryana's share, subject to financial adjustments. D.E.S.U. is of the view that the cut does not supply unless generation at Bhakra falls below 410 M.W.

D.E.S.U. authorities reduced their drawal from Rohtak Road Sub-Station and also injected energy over and above Haryana's share since December 1969 onwards, but claimed compensation for their short drawal with reference to their allocation of 35.92 MU|month at the rate of the difference between 11 paisa|unit and the hydro rate and charged for the relief over and above Haryana's share at the rate of 11.85 paisa|unit plus 2.0 paisa|unit as Electricity Tax. Their claim towards Bhakra Management Board went on increasing. Since Bhakra Management Board did not consider their claim justified and did not make payment on this account, DESU authorities stopped payment to Bhakra Management Board since 8|70 even at the old tariff and started adjusting the amount towards their claim.

24. Further correspondence was exchanged between DESU and Bhakra Management Board on the proposed amendments *vide* Chief Commercial Officer, DESU letter No. C.O.|54|CBN|5954, dated the 7|11th November 1969 and Secretary, Bhakra Management Board letter No. 14236|B-562|3B, dated the 1st December 1969 wherein Secretary Bhakra Management Board proposed for the execution of the agreement by deleting clause 13(c) by mutual exchange of an undertaking to the effect that such deletion will be without prejudice to either party's views for recovering the amount so claimed by Punjab State Electy. Board|Bhakra Management Board prior to the execution of this agreement.

Chief Commercial Officer, DESU indicated *vide* his letter No. C.O.|54|Pt Folder|CBN|36, dated the 1st April, 1970 that they did not accept the modified portions|clauses in respect of preamble, clause 3 and clause 15 (a). However, they agreed to the suggestion for deleting the clause 13 (c) by mutual exchange of letters on the lines proposed by Bhakra Management Board.

25. As explained above, huge claims from the Bhakra Management Board to DESU consequent to the supply of power to them, had accumulated. Bhakra Management Board authorities served Notice to DESU in June 1971, as per provisions of Clause 14 of the Draft Agreement for discontinuing supply from Rohtak Road Sub-station. But the supply was not actually disconnected on the expiry of the notice period as per decision of the Chairman, It was resolved to settle the outstanding amounts through mutual discussions.

26. Discussion were held amongst the officers of B. M. B. and DESU on the 21st January 1971, 16th March 1971 and 12th April 1971. Both the sides maintained their stand. However, various issues along-

with the view points of both the parties were brought out in the shape of a Memorandum. Further discussions were held at the level of Chairman, Bhakra Management Board and General Manager, DESU on the 13th July 1971, so as to arrive at an agreed solution.

The position as emerging from out of the mutual discussions was placed before the Bhakra Management Board meeting held at Delhi on the 16th July 1971.

A committee was constituted by Bhakra Management Board to resolve the pending issues with DESU. The Committee comprised:

(i) Chairman, Bhakra Management Board.

(ii) Member (Power), Bhakra Management Board.

(iii) Member Finance & Accounts, Haryana State Electricity Board.

(iv) Technical Member, Punjab State Electricity Board.

(v) Financial Adviser & Chief Accounts Officer, Bhakra and Beas Projects.

The said Committee met the representatives of DESU on the 3rd September 1971 in the office of General Manager, DESU.

The Committee is understood to have submitted its report to the Bhakra Management Board. The report is under consideration by them.

APPENDIX X

(Ref. Para 3.40)

Statement showing the Details of Revenue Outstanding from Delhi Electric Supply Undertaking upto Aprial, 1971.

Serial No.	Details	Amount Rupees)
(1)	(2)	(3)
	A.—*Revenue outstanding prior to* 31-3-1965.	
1	Amount withheld by DESU during the period 8/64 to 2/65 on account of temporary supply, given to DESU on Delhi III feeder since 23-8-1964. Separate bills were sent to DESU for permanent supply on usual tariff and temporary supply at 20 per cent enhanced tariff. But DESU authorities changed the bill and prepared the same on the basis of pooled consumption of permanent and temporary supply at usual tariff.	6,81,831·85
2	Amount withheld by DESU during the period 3/64 to 7/64 on account of defective summation motor readings. The summation meter was installed during 12/63 and remained defective as notified by the S.S.E., Delhi to DESU authorities. The bills prepared by S.S.E Delhi were on the basis of sum total of the individual meter readings and these were also later on refused as per the decision taken in joint meeting on 6-7-1964. But DESU authorities changed the bill in accordance with the summation meter readings and paid accordingly.	3.48,460·75
		10,30,292·60
	B. —*Revenue outstanding after* 31-3-1965.	
3	Amount withheld by DESU during the period 8/65 to 10/67 and 5/70 on account of low Power Factor, as per clause 13(c) of Draft Agreement.	30,85,361·01
4	Amount withheld by DESU during the period 11/65 to 5/66 and 9/66 when the supply was restricted to them, on account of demand charges and energy charges . .	9,26,327·26
5	Amount withheld by DESU during the period 2/67 to 4/67 when they changed our bills on the basis of summation meter readings. while the original bills were prepared on the basis of indifudual meter reading.	27,885·00
6	Amou t withheld by DESU during 10/67 for supplying night load on experimental basis during 2/66 . .	7,203·84
7	Amount withheld by DESU during the period 12/68 to 5/69 when they were requested to supply relief to PSEB on account of:	
	(i) Change of energy slabs	10,001·32
	(ii) For giving relief to PSEB	41,58,829·09

(1)	(2)	(3)
8	Amount withheld by DESU since 10-12-1968 on account of revision of tariff	3,26,47,199·20
9	Amount withheld by DESU with effect from 8/70 for adjusting the same against their dues because of relief to B.M.B. system since 12/69	1,12,81,893·20
10	Amount withheld by DESU since 11/68 on account of surcharge forfeited.	2,88,558·99
		5,24,33,258·91
	A—B = 10,30,292·60 + 5,24,33,258·91 = 5,34,63,551·51	—B
C	Amount withheld by PSEB from 1/3 share of I.P. Station as per C.A.O. P.S.EB. Memo No. 9547/WM&G-II/A - 58 (SC)IV, dated 29-8-66 to the address of the R.E. Faridabad.as per details given below:—	
	(i) On account of wrong computation of demand charges = 7,50,000.00	
	(ii) On account of low power Factor = 15,71,432.71 . .	23,21,432·71
	Net amount payable by DESU.	
	A + B—C = 5,34,63,551.51 — 23,21,432.71 = 5, 11, 42, 118·80	

(Rupees Five Crores, eleven Lacs, forty-two Thousand, one Hundred eighteen and Paise eighty only).

APPENDIX XI

(Ref. Para 3.40)

Details of Relief given and amount claimed by the DESU from B.M.B. from December 1969

(A)	Relief by way of injection at I. P. Station	Relief given in KWH.	Amount in Rupees
1	2		3
1	Energy injected to Bhakra System from IP Station with effect from 20-12-69 to 1-4-1970 vide A.E. (M&R)'s letter No. Nangal/BSR/1369, dated 12-8-1970 . . .		24,55,246·82
2	Energy injected from 1-4-1970 to 30-9-1970 vide A.E. (M&R)'s letter No. Nangal/DSR/526, dated 6-11-1970		78,82,685·29
3	Energy injected tin B.M.B. System during October & November, 1970 vide A.E. (M&R)'s letter No. BSR/Nangal/1545, dated 28-12-70	5,204,000 3,388,000	12,34,201·06
4	Energy injected into B.M.B. System during December, 1970 vide Bill No. Nangal/BSR/3060, datet 10-2-1971		6,91,221·64
5	Energy injected into B.M.B. System during January, 1971 vide Bill No. Nangal/BSR/6072, dated 1-3-1971 . . .	6,008,000	8,63,021·34
6	Energy injected into B.M.B. System during February, 1971 as per A.E. (M&R)'s letter No. Nangal/BSR/3318, dated 2-4-1971 .	6,180,000	8,87,728·34
			140,14,104·64
(B)	Relief given by way of less Drawal from Rohtak Road S/S Delhi.		
7	December, 1969 @6.68 P/Unit . . January, 1970 @6.57 P/Unit . . February, 1970 @6.64 P/Unit . .	2,253,450 1,925,110 931,670	3,38,371·74
8	May, 1970 @6.85 P/Unit . . June, 1970 @6.80 P/Unit . . July, 1970 @ 6.67 P/Unit . .	577,910 1,664,790 2,774,390	62,69,129·16
9	August, 1970		3,22,561.20
10	September, 1970		5,63,524·49
11	December, 1970 @6.39 P/Unit . .	8,166,070	3,21,811·87
12	January, 1971 @6.28 P/Unit . .	10,408,110	6,53,315·31

(1)	(2)		(3)	(4)
13	February, 1971	@6.38 P/Unit . . .	13,708,910	8,10,790·18
14	March, 1971	@6.44 P/Unit . . .	10,401,030	6,09,826·33
				41,49,830·28
	TOTAL A+B			1,81,63,934·92
(C)	Adjustment withheld by DESU Authorities from The Hydro Bills sent by B.M.B.			
1	August, 1970			13,46,495·00
2	September, 1970			13,65,955·20
3	October, 1970			13,37,167·70
4	November, 1970			13,85,949·60
5	December, 1970			12,80,006·60
6	January, 1971			12,04,408·00
7	February, 1971			10,73,255·00
8	March, 1971			11,63,105·20
	(C) TOTAL			1,01,56,339·60
	Balance claim of DESU (A+B)—(C)			80,07,595·32

(Rupees Eighty Lacs, Seven Thousand, Five Hundred Ninety Five and Paise Thirty Two only).

APPENDIX XII

Summary of main Conclusions|Recommendations

(Referred to in Para 5 of Introduction)

S.No.	Para No. & Report	Ministry/Deptt. concerned	Conclusion/Recommendation
(1)	(2)	(3)	(4)
1	1.26	Ministry of Irrigation and Power/Delhi Administration	The execution of Phase II of the Najafgarh Drainage Scheme leaves much to be desired. Commenced in 1959-60 and estimated to cost Rs. 79.20 lakhs the work was expected to be completed by June, 1962. Out of total quantity of 594 lakh c.ft. earth work to be done, only 162.5 lakh c.ft. representing a mere 27 per cent could be done by the target date. The main reasons for the slow progress were (i) starting the work without any earth moving machinery and (ii) delay in getting sufficient number of earth moving machineries subsequently when their need was realised. To what extent the work was proceeding at a slow pace can be judged from the fact that while 300 lakh c.ft. of earth work was done in about 4 years between 1959-60 to October, 1963, an equal quantity of remaining work was done in 8 months between October, 1963 and May, 1964 with adequate earth moving machines. The Committee would like to know why the requirement of earth moving machines was not contemplated initially as the work of such a magnitude bulk of which had to be

			done under water could not obviously have been managed by manual labour alone. The Committee have reasons to apprehend that the late realisation of the need for the machinery to expedite the work would have resulted in acquiring more than what was needed initially. Incidentally the Committee find that there has been an increase in cost by Rs. 10 lakhs on account of the delay.
2	1.27	-do-	The scope of Phase II of the scheme was changed in 1964 by increasing the discharge capacity of the drain from 900 cusecs to 3000 cusecs uniformally. The Committee are not convinced that this could not have been done earlier as this capacity was already provided for in the city reaches and the ultimate requirement of this capacity in the upper reaches was also contemplated earlier. The Committee, therefore, feel that the scheme as originally conceived was not comprehensive enough to meet the future requirements with the result that during 1964 Delhi faced heavy floods which caused wide-spread damages to property amounting to about Rs. 185 lakhs. The emergency works which had to be undertaken as a result thereof cost Rs. 4.39 lakhs.
3	1.28	-do-	The Committee note that Government of Haryana who are one of the beneficiaries of the scheme have neither paid their share of cost of Phase II originally fixed as Rs. 11 lakhs nor accepted the revised share of Rs. 49.81 lakhs consequent on the increase in the scope of the scheme. Their share in Phase III of the scheme is stated to

(1)	(2)	(3)	(4)
			have been provisionally fixed as Rs. 149.25 lakhs. The Committee are of the opinion that the beneficiaries concerned should have been specifically consulted in enlarging the scope and financial implications of the second Phase of the scheme and before undertaking the third Phase. The Committee would like to know the settlement reached finally in this behalf and the principles followed in reaching the settlement.
4	1.29	Ministry of Irrigation and Power/Delhi Administration	The Committee learn that there are no uniform rules regarding allocation of cost of inter-State drainage schemes between the beneficiary States. In the Najafgarh scheme the Committee find that while the cost of Phase II is sought to be allocated on the basis of the area benefited, the cost of Phase III is to be allocated on the basis of catchment area in the respective States. The Committee desire that there should be some uniformity in this regard.
5	1.30	-do-	Another factor to which the Committee would like to draw the attention of Government is the understandable reluctance of the States upstream to agree to share the financial burden of inter-State drainage schemes. In view of the vital importance of the drainage schemes as a flood control measure to save life and property, there should be some enforcing machinery so that execution of necessary inter-State drainage schemes is not impeded or their progress inhi-

			bited on account of lack of agreement between the States to share the cost or non-reimbursement in time their agreed share of the cost to the Project authorities.
6	1.58	-do-	According to the Audit paragraph the 13 draglines used in the Najafgarh Drainage Scheme between 1966-67 and 1969-70 worked only for 61,000 hours as against 1,24,000 hours available for work. The Ministry, however, informed the Committee that the available hours of work were 67,085 only. The difference is mainly on account of the fact that the working season in Delhi is stated to be only from 16th November to 15th June. That the machines were in fact worked beyond this period to make good the loss of 27,396 hours suffered due to breakdowns and other reasons shows that the working season fixed is not such beyond which it is not possible to work. The Committee would, therefore, urge Government to review this and fix a realistic working season so that progress of works may be judged against a more realistic target.
7	1.59	-do-	The relatively poor performance in the year 1969-70, the actual working hours being 9207 against the scheduled hours of 16,340, has been attributed to the reduction in the quantum of work to be executed. If this explanation is correct, the work on Phase III of the scheme should have been completed much earlier than June, 1971. The Committee would, therefore, like the delay in execution of the schemes to be examined and the results intimated to them.

(1)	(2)	(3)	(4)
8	1.60	Ministry of Irrigation and Power/Delhi Administration	The Committee find that much time during the shifts was wasted in transporting the workers to the site of work. They feel that while it may be justified to move the labour, if so required, within work area during shift hours, any movement from camp to work site should be done only outside shift hours.
9	1.61	-do-	From the details furnished, the Committee have come to the conclusion that the optimum output capacity of the different types of draglines in relaion to the work in the Najafgarh scheme, fixed by the Project authorities was on the low side; the optimum capacity fixed was only about 50 per cent of the production capacity indicated by the Rates and Costs Committee. If the production performance of these machines during 1967-68 was any indicatión, quantity of earth work actually done was 346.96 lakh c.ft. as against 265.74 lakh c.ft. which should have been done according to the norm adopted by the Project—they had not been working at the optimum level of efficiency in other years. The performance in 1966-67 was particularly unsatisfactory inasmuch as only 326.96 lakh c.ft. of work alone was done against the quantity of 334.33 lakh c.ft. which should have been done even according to the low norm of the project. All these, therefore, need detailed investigation with a view to *inter alia* fixing realistic norms to effectively control the working of the machines.

10	1.62	-do-	The Committee are concerned to find that the estimated cost per unit of earth work to be done was exceeded in all the years except in 1967-68, the figures being Rs. 7.2, Rs. 5.74, Rs. 6.69 and Rs. 6.73 respectively during 1966-67 to 1969-70 as against the estimated cost of Rs. 6.5 per 100 cft. In view of what is mentioned in the foregoing paragraph, the Committee have reasons to believe that the estimated cost itself was on the high side. This was thus primarily due to the fact that norms of output of the draglines were not fixed realistically and adhered to. Further the staff for operating the draglines were engaged for the full year although they worked generally for 7 months only in a year. All these had pushed up the cost of the project considerably. The Committee would like to know what sort of cost control was exercised in this project. They hope that such laxities will not be in evidence in similar other projects.
11	1.63	-do-	Another disturbing feature of the performance of the draglines is the frequent breakdowns and consequent loss of 24,642 working hours in 4 years. The relatively newer ones *viz.* Skoda and P&H draglines have suffered most. Non-availability of spare parts and proper repair facilities on the spot have accounted for the delay in putting these machines in proper working condition. The Committee incidentally find that the repairs were taking place during working season. They would like this to be done as far as possible during the off-season. The Government of India are stated to have set up a Construction Plant and Machinery Committee to go into the question of finding ways and means of improving the efficiency of earth moving

(1)	(2)	(3)	(4)
			machines working in different parts of the country. The Committee would like to be apprised of their findings and the action taken thereon.
12	2.35	Ministry of Irrigation and Power / Electricity Department, Andaman and Nicobar Islands	The Committee are unhappy that the proforma accounts of the Electricity Department, Andaman and Nicobar Islands, are not being finalised promptly. The accounts for 1969-70 were finalised only in November, 1971. The Tariff Advisory Committee (1969-71) have brought out some defects in the accounts in the matter of apportionment of cost of establishment between capital and revenue as also between the work done for the Department and on behalf of others. The "dearth of qualified staff to compile the accounts in perfect manner" should be remedied soon so that reliable working results are available promptly to the authorities to evaluate the performance and to take appropriate remedial measures to improve it.
13	2.36	-do-	It is distressing to note that the Department has been incurring losses successively over the period 1965-66 to 1969-70. The accumulated losses were Rs. 36.03 lakhs and the maximum loss of Rs. 12.46 lakhs was incurred in 1969-70. The losses represent about 41 per cent of the expenditure. The Committee note that the Tariff Advisory Committee's report recommending increase in tariff is under consideration and that cost of fuel will be less consequent on the Indian Oil Company agreeing to supply diesel oil on the island itself from

			1st July, 1971. The Committee hope other measures designed to economise on the working expenses would be implemented speedily to reduce, if not to obviate the losses altogether in the coming years. They would like to watch the results.
14	2.37	-do-	The Committee find that saw-dust and sawn fuel were sold by the Forest Department to the Electricity Department at rates varying from Rs. 12.50 to Rs. 19.45 per cord during 1960-61 to 1970-71 whereas the rates for domestic consumption varied from Rs. 5.5 to Rs. 7.25 during the period. On the other hand the rate for supply of electricity to the Forest Department was 22 paise (net) as against the rates varying from 25 paise to 56 paise for domestic and other industrial consumption. As the Forest Department also is stated to be working in loss, the Committee would like Government to examine as to what kind of tariff for supplies of electricity and wood fuel between these two departments and by them to outsiders would result in obviating the losses to the Andaman and Nicobar Administration as a whole which may not necessarily obviate the losses of each of the departments.
15	2.38	-do-	As regards wastage in distribution of electricity, the Committee would like to refer to one important factor viz. defective working of meters, brought out by the Tariff Advisory Committee. It is hoped that the Department would take adequate steps to have periodical checking and testing of meters.
16	2.39	-do-	The cost of generation of power in 1968-69 varied from 40 paise in Port Blair to 374 paise per unit in Biglapathy. The Committee need

7-12-61 The clarification sought for by the Company was furnished vide letter No. W/338/BBGN/W-2 dated 4/7-12-61.

13-1-62 The Company was reminded to return the estimate duly accepted vide No. W/338/BBGN/W-2 dated 13-1-62.

20-1-62 The Company informed the Railway vide their letter No. ASS 33/58/112 dated 20-1-62 that the estimate had been forwarded to the Registrar of Cooperative Societies, Assam for scrutiny and negotiation with the Railway.

27-2-62 Joint Registrar of Co-operative Societies asked for certain clarification for the excess vide his No. CF 88/59/ 309 dated 27-2-62.

3-5-62 The clarification sought for by the Joint Registrar, was furnished vide letter No. W/338/BBGN/W-2 dated 3-5-62.

6-6-62 Joint Registrar of Coop. Societies was reminded vide No. W/338/BBGN/W-2 dated 6-6-62 for acceptance of the estimate.

7-8-62 The Joint Registrar of Co-operative Societies, Assam was reminded vide No. W/338/BBGN/W-2 dated 7-1-62 endorsing a copy to the G.M./Assam Coop. Sugar Mills Ltd.

16-10-62 The Registrar was again reminded vide No. W/338/BBGN/W-2 dated 16-10-62.

26-11-62 The Registrar was again reminded vide No. W/338/BBGN/W-2 dated 26-11-62.

16-1-63 The Registrar was again reminded vide No. W/338/BBGN/W-2 dated 10-1-63.

7-3-63 The Registrar was again reminded vide No. W/338/BBGN/W-2 dated 7-3-63 endorsing a copy to the G.M./Coop. Sugar Mills Ltd.

8-5-63 The Registrar was reminded vide No. W/338/BBGN/W-2 dated 8-5-63.

17-6-63 The Registrar was reminded vide No. W/338/BBGN/W-2 dated 17-6-63.

13-7-63 The Registrar, Cooperative Societies informed vide his No. CG/116/56/322 dated 13-7-63 that all papers lost and requested the General Secy. of the Sugar Mills Ltd. to send copy of the estimate endorsing a copy to Chief Engineer, N.F. Railway, Pandu.

3-10-63 The Registrar was again reminded vide No. W/338/BBGN/-W-2 dated 3-10-63.

18-11-63 The Registrar was again reminded vide No. W/338/BBGN/-W-2 dated 18-11-63 endorsing a copy to the G.M. of the Mills.

2-1-64 The General Secretary of the Sugar Mills was reminded vide No. W/338/BBGN/W-2 dated 2-1-64 endorsing a copy to the Registrar.

9-1-64 The General Secy. of the Sugar Mills informed vide his No. ASS 58/125-28 dated 9-1-64 that action would be taken on receipt of the draft agt.

30-3-64 The General Secy. was again reminded vide No. W/338/ BBGN/W-2 dated 30-3-64 endorsing a copy to the Registrar of the Society.

21-4-64 The District Engineer, N.F. Railway, Dibrugarh reminded General Secy. of the Mills to deposit the balance amount vide his No.W/338/BBGN/W-2 dated 21-4-64.

3-6-64 The General Secy. was again reminded by Chief Engineer, N.F. Railway vide No. W/338/BBGN/W-2 dated 3-6-64.

23-6-64 The General Secy. of the Society informed vide his No. ASS 53/58/8-10 dated 23-6-64 that the draft agt. and revised estimate had been returned to District Mechanical Engineer, Dibrugarh for reconsideration.

8-7-64 Distt. Engineer, Dibrugarh, informed vide his No. W/338/ BBGN dated 8-7-64 that the est. was received by him and again returned to the General Secy. on 20-3-64.

19-8-64 The General Secy. of the Sugar Mills informed to DEN/-Dibrugarh vide his No. ASS 53/58/21-22 dated 19-8-64 that they had not received the estimate.

1-9-64 DEN/Dibrugarh furnished the particulars of registered cover vide his No. W/338/BBGN dated 1-9-64 in which the revised estimate was returned to Mill authority.

20-11-64 Another copy of the revised estimate and a copy of Railway's letter dated 27-10-60 was again sent to General Secy. vide No. W/338/BBGN/W-2 dated 20-11-64.

15-12-64 DEN/Dibrugarh reminded the General Secy. of the Coy. to accept the revised estimate and deposit the balance amount vide No. W/338/BBGN dated 15-12-64.

5-1-65 The General Secy. was reminded by a D.O. letter from Dy. CE/S vide No. W/338/BBGN/W-2 dated 5-1-65 to accept the estimate and deposit the amount.

2-2-65 General Manager of the Coy. was reminded vide No. W/ 338/BBGN/W-2 dated 2-2-65.

1-2-65 Managing Director of the Coy. wrote to General Manager (Commercial), N.F. Railway to send bill for the work done vide No. ASS 58/58/33-34 dated 1-2-65.

27-2-65 Managing Director was informed that no separate bill will be preferred. He should accept the estimate and deposit the amount of Rs. 1,09,619/- vide No. W/338/BBGN/W-2 dated 27-2-65.

25-2-65 GM (Commercial), N.F. Railway, informed the Managing Director to accept the estimate and deposit of the balance amount vide No. C/402/3/1/23/Pt. I dated 25-2-65.

9-3-65 Managing Director of the Coy. again requested the Railway (G.M./Comml.) to send bill vide No. ASS 58/58/39 dated 9-3-65.

13-5-65 DEN/Dibrugarh was asked by Dy. CE/S vide his D.O. No. W/338/BBGN/PII/W-2 dated 13-5-65 to meet the Managing Director personnally and explain in the details so that the amount may be deposited.

21-5-65 DEN could not meet the Managing Director and therefore he wrote to him vide No. W/338/BBGN dated 21-5-65 to fix up a date for meeting.

7-7-65 DEN/Dibrugarh informed Dy. CE/S vide his D.O. No. W/338/BBGN dated 7-7-65 that he met the Cane Manager of the Coy. in absence of Managing Director. The Cane Manager informed DEN that the Managing Director would visit Dibrugarh to settle up the issue.

21-7-65 General Manager and the Managing Director met DEN on 21-7-65 and a minutes was drawn. But the minutes was not signed by any of the Coy's representative.

12-8-65 The General Manager of the Coy. was again written vide No. W/338/BBGN/W-2 dated 12-8-65 explaining the point recorded in the minutes.

10-8-65 Managing Director wanted a copy of the original estimate and a copy of their letter accepting the original est. vide his No. ASS 58/58/58-60 dated 10-8-65.

25-8-65 General Manager of the Coy. vide his No. ASS 58/58/66 dated 25-8-65 informed that the minute was signed by them. He requested the Railway not to charge more than 20% of the original estimate for the works included in the original estimate. For the new items he however agreed to pay the full cost for the new items as per revised estimate.

21-9-65 Draft agreement signed by the Mill Authority without prejudice to the right and interest of the Society. vide—Chairman's letter No. ASS 58/58/74-75 dated 21-9-65.

30-8-65 DEN/Dibrugarh reminded the General Manager of the Coy. to deposit of the balance amount of Rs. 1,09,619/- vide his No. W/338/BBGN dated 30-8-65.

14-9-65 DEN/Dibrugarh reminded the General Manager of the Coy. to deposit of the balance amount of Rs. 1,09,619/- vide his No. W/338/BBGN dated 14-9-65.

23-2-67 General Manager of the Coy. vide his No. ASS 58/55/574 dated 23-2-67 requested to grant extension of time for payment of Railway's dues.

10-4-67 Chief Engineer/Railway served notice for closing the siding vide No. W/338/BBGN/PII/W-1 dated 10-4-67 if Railway dues are not paid within a month.

20-4-67 DEN/Dibrugarh reminded the Managing Director of the Coy. to deposit the amount vide No. 338/-W/BBGN dated 20-4-67.

26-4-67 General Manager of the Coy. vide No. ASS 58/58/94-9 dated 26-4-67 requested to allow payment of the due in suitable instalments.

5-6-67 General Manager of the Coy. vide No. ASN 2/66 244-246 dated 5-6-67 forwarded a copy of resolution of the Executive Committee. It was decided to clear the outstanding dues by instalment.

12-7-67 A final notice was served by the Railway vide No. W/338 BBGN/PII/W-1 dated 12-7-67 to stop supply of wagon to the Mill if the payment not made by 15-8-67.

18-9-67 The Coy. was reminded for the payment vide No. W 338/BBGN/PII/W-1 dated 18-9-67.

28-9-67 General Manager (Commercial), N.F. Railway reminded the Company to deposit the dues vide No. C/402/3/1 23 PI dated 28-9-67.

3-8-68 The Company was written vide No. W/338/BBGN-PII W-1 date 3-8-68 to fix up a date for meeting. The Managing Director of the Company stated to fix up a date after 18th April, 68.

10-8-68 The Managing Director of the Coy. was again written vide No. W/338/BBGN/PII/W-1 dated 10-8-68 to fix up a date for meeting.

9-8-68 General Manager of the Coy. vide No. ASS/58 50 122 9376 dated 9-8-68 fixed date for meeting on 17-8-68.

13-8-68 Cancel the fixed date vide No. Nil dated 13-8-68.

27-8-68 Managing Director again written vide No. W 338 BBGN PIII/W-1 dated 27-8-68 for fixing a date for the meeting.

24-9-68 Managing Director again written vide No. W 338 BBGN PIII/W-1 dated 24-9-68.

3-10-68	The Managing Director of the Mills informed vide No. ASS/58/50-58/137/9899 dated 3-10-68 to make at least a part payment after arranging with their financing bank.
7-11-68	The Railway agrees to accept payment in 4 monthly instalment—the first instalment of Rs. 50,000/- beingpaid in Dec./68 vide Rly's letter No. W/338/BBGN/PII/W-1 dated 7-11-68.
19-11-68	The date of Meeting was fixed on 19-11-68 Dy. CE/S went/ Baruabamungaon but the Managing Director was out. A letter dated 19-11-68 was written by Dy. CE/S for Baruabamungaon requesting the Managing Director to attend Shillong on 22-11-68 for discussion with the Secy. Co-operative Department. He was also requested to attend Gauhati at 11 hrs. on 21-11-68 for preliminary discussion. The Managing Director was however contacted at Golaghat court on the same day. He expressed his inconvenience to attend Shillong on 22-11-68. The meeting was therefore arranged on 2-12-68, at Shillong.
23-11-68	The Managing Director vide his No. ASS 58/58/148-149 dated 23-11-68 again stated to pay for the new item in full and the old item of works 20% excess over the original cost.
5-12-68	Secy. to the Govt. of Assam, Cooperative Deptt., Shillong confirmed vide his No. Coop 240/68/25 dated 5-12-68 to pay Rs. 75,000/- by end of March/69. He also agreed to make effort to release Rs. 1,00,000/- within the financial year.
4-1-69	The Managing Director of the Mill, was written to refer Assam Govt's letter dated 5-12-68 and to arrange payment of the amount vide Rly's letter No. W/338/BBGN/PII/W-1 dated 3/4-1-69.
11-2-69	The Managing Director of the Sugar Mill vide No. ASS 58/50-69/178-179 dated 11-2-69 informed that they are trying to make payment of their dues but at the same time they requested the Railway to consider the point raised in their letter No. ASS 58/58/148-149 dated 23-11-68.
26-3-69	The Managing Director of the Sugar Mills was informed vide Rly's letter No. W/338/BBGN/PII/W-1 dated 26-3-69 that the Rly. cannot share the excess expenditure over the original estimated cost.
27-3-69	The Secy. to the Govt. of Assam Cooperative Deptt. was referred vide Dy. CE/S D.O. No. W/338/BBGN/PII/W-1 dated 26/27-3-69 to arrange payment of Rly's dues.
31-3-69	The Managing Director of the Sugar Mills Ltd. was informed vide Rly's letter No. W/338/PII/W-1 dated 29/31-3-69 that the Railway cannot agree to bear any portion of the expenditure incurred for construction of the siding.

27-3-69 The Secy. to the Govt. of Assam, Cooperative Deptt. vide his letter No. Coop 240/68/51 dated 27-3-69 forwarding a copy of Managing Director's letter No. ASB/58/58/148-149 dated 23-11-68 requested the Railway to reconsider if the excess expenditure over the original item of work may be restricted to 20%.

11-4-69 The Managing Director of the Sugar Mills Ltd., referring to Railway's letter dated 26-3-69, requested the Railway to reconsider the matter vide his No. ASS 58/50-69/190 dated 11-4-69.

24-4-69 The Railway vide their letter No. W/338/BBGN/PIII/W-1 dated 24-4-69 explained the rulings applicable for Assisted siding to the Secy. to the Govt. of Assam and urged for payment of the Railway dues early endorsing a copy of the letter to the Managing Director of the Mill.

ANNEXURE II

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 70-B(C)-PAC-IV/116/Para 49 New Delhi, dated 1-8-1970
Sravana 10, 1892

The General Managers,
All Indian Railways.

SUB :—Recommendation contained in PAC's 116th Report (IV Lok Sabha)—Non recovery of the cost of construction of a sugar mill siding—para 49 of Audit Report (Railways), 1969.

A case has been reported by Audit in Railway Audit Report 1969 wherein a siding for a Cooperative Sugar Mill was sanctioned and the party deposited their estimated share of cost amounting to Rs. 71,362 in April, 1957. The siding was completed and opened to traffic in August, 1957. The party later asked for certain additional works in July, 1958 which were completed by the railway administration on a priority basis. Although paras 934 and 935 of the Indian Railway Code for Civil Engineering Department clearly provide for the prior acceptance of the party to the estimate and deposit of cost before the work is undertaken, neither the estimate was revised at that stage nor the party was asked to deposit additional share of the cost. The estimate was finalised only in October, 1960 for an amount of Rs. 2.29 lakhs out of which party's share worked out to Rs. 1.81 lakhs. The party has failed to deposit the balance amount of Rs. 1.10 lakhs even after 11 years of the opening of the siding.

The P.A.C. commenting on the case in their 116th Report (1969-70) have recommended that necessary instructions may be issued to all concerned to ensure that in all such cases of the type mentioned above, suitable advance is obtained as deposit to cover the estimated cost so that Railways' interests are not jeopardised. The Board have accepted this recommendation and desire that suitable instructions may be issued to all concerned for taking necessary action in this regard adhering strictly to the provisions in para 934 and 935 of the Indian Rly. Code for Engg. Department and also keeping in view the instructions contained in Board's letter No. 57/W1/SA/28 dated 27-5-66.

Sd/-
U. S. RAO.
Director, Civil Engg.,
Railway Board

Recommendations

6.34 The Committee are dissatisfied with the position regarding assessment and realisation of dues from siding holders in the South-Eastern Rly. According to instructions issued by the Railway Board in December, 1962, these siding holders were to be asked to execute revised agreements, so that interest and maintenance charges at certain stipulated rates could be recovered from them. However, the South-Eastern Railway has yet to finalise the agreements with as many as 78 out 106 siding holders. There was quite a good deal of delay in finalising the new agreement form itself as this was issued to siding holders only in 1966 and 1967. Besides, the Amount to be recovered for the period ending 1966-67 on the basis of old rates (as obtaining before December, 1962) was as high as Rs. 4.93 lakhs as on 31st March, 1969. The amount actually due for recovery on the basis of revised orders would be still higher.

6.35 The Committee consider that effective steps need to be taken to realise the outstanding dues. A target date for completing the realisation may be laid down and the Railway Administration asked to make all out efforts to complete the works by that time.

[S.Nos. 126 & 127 of Appendix VII-Paras 6.34 & 6.35 of 116th Report of the PAC (4th Lok Sabha)]

Action Taken

6,34 The observations of the Committee are noted.

6.35 The S.E.Rly. has reported that amount of the outstanding dues towards interest and maintenance as on 31-3-70 was Rs. 4.01 lakhs. As this position is still unsatisfactory, the S.E. Rly. has been directed, in the light of the recommendation of the Committee to make all-out efforts to complete the work by 31-7-71. Periodical reports are being called from the Railway to watch the progress of realisation.

This has been seen by audit.

[O.M. No. 70-B(C)-PAC/IV/116 dt. 23-10-1970/Kartika 1,1892.]

Recommendation

6.43 The Committee observe that, though over six years have elapsed since the Railway Board issued instructions for revising the rent of private sidings situated on railway land, (to include rental value of the land which was previously not being recovered), the rental value has not even been finally assessed in respect of 12 sidings in South Eastern, Western and Southern Railways. Besides, even in cases where siding rents have been revised, a sum of Rs. 8.92 lakhs is awaiting realisation.

6.44 The Committee would like to be informed whether the delay in assessing the revised rents would preclude retrospective revision of rents resulting in loss of revenue to the Railways. Expeditious action should also be taken to assess the revised rent in all the cases where the work is still pending and to realise the dues in these cases where assessment has been completed but recovery of the rent has not been made, either in whole or in part. The position in regard to revision of rent on other Railways should also be revised by the Board and steps taken to realise all the dues arising out of re-assessment of rental values.

[(S.Nos. 128 & 129, Appendix VII), Paras 6.43 and 6.44 of 116th Report (4th Lok Sabha).]

Action Taken

6.43 The position regarding recovery of outstanding rent for railway land occupied by private sidings on the 3 railways as on 30-4-70 is as follows:

(1) *S.E.Railway:*—Assessment of rent in respect of all the private sidings in question has been completed except in 13 cases, the position regarding which is explained below:—

(i) Assessment of rent is in progress in respect of 2 sidings. In respect of the other 11 sidings, assessment of rent is held up pending acceptance of the plans by the parties concerned despite repeated requests. The Divisional Officers are pursuing the matter vigorously with the parties concerned.

Out of the total rent of Rs. 10.28 lakhs (upto 31-3-68) assessed so far, and amout of Rs. 2.47 lakhs has been realised upto 30-4-70 leaving a balance of Rs. 7.81 lakhs. The Divisional Officers are pursuing the cases with the defaulters towards early realisation of the balance dues.

(2) *Southern Railway:*—Assessment of the rent has been completed in respect of all the private sidings. The balance amount due as on 30-4-70 was Rs. 36,000. Efforts are being made for realisation of the arrear amount.

(3) *Western Railway:*—Provisional rent has been fixed in respect of all the sidings and in majority of cases the parties have paid the amount. The outstanding amount as on 30-4-70 is Rs. 20,000 in respect of the 27 sidings referred to in the audit para. In respect of the eight sidings referred to in the audit para, the amount outstanding as on 30-4-70 is Rs. 6000. The matter is being pursued by the Divisional Officers with the parties concerned for realisation of the outstanding balances.

6.44 On the Southern Railway it was given effect to with retrospective date and in most cases from 1-11-64 as the siding owners were advised in April 1964, that the revised rent would be levied from 1-11-64 giving them 6 months' notice as in the agreement. On the South Eastern Railway, it is proposed to give retrospective effect even where assessment could not be made as yet. On the Western Railway provisional rent has been made effective in most cases from 1964, and there has been no loss to the administration.

As regards revision of rent on other Railways, it may be stated that reports regarding revision and realisation of rent for railway land occupied by private siding at 6% of the market value as per Railway Board's instructions issued to all the Railways in March 1964 have already been called for from the Railways. Replies from some of the Railways are still awaited. An overall position in the matter will be assessed and indicated after receipt of replies from all other railways concerned.

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

"The position in regard to the Western and Southern Railways stated in the action taken note is under verification by local audit offices and further communication would follow."

[O.M. No. 70-B (C)/PAC/IV/116 Dated 23-12-70]

Recommendations

1.10 The Committee feel that the contracts for the sale of coal ashes at Lallaguda and Secunderabad on a lumpsum basis should not have been extended without ascertaining whether the Railways could have got better rates for sale of the coal ashes from other contractors. The contracts were no doubt extended on the condition that the original contractors should pay to the Railways the difference between the old rates and any higher rates that might be offered during the extended terms of the contracts, but it took nearly two years to ascertain the market rates through tender enquires. The result was that the Railways could not press their claim against the old contractors for the difference between the rates for the period prior to the date on which the tenders were called.

7.11 As the case relates to an old period and the amount of losses sustained is not capable of being determined, the Committee do not wish to pursue this case. The Committee hope, however, that instances of this kind will not be repeated.

7.12 Legal advice should also be taken before incorporating in the contracts stipulations of the type included in the present case.

[S.Nos. 130-132, Appendix VII, para Nos. 7.10-7.12 of 116th Report (1969-70)]

Action Taken

The observations of the Committee are noted and the instructions have been issued vide Railway Board's letter No. 70-BC-PAC/IV/116 (para 53) dated 8-7-70 (Copy enclosed).

This has been seen by Audit.

[Ministry of Railways (Railway Board)
O.M.No. 70-BC-PAC/IV/116 dated
16th September, 1970 Bhadra 25, 1892.]

GOVERNMENT OF INDIA
MINISTRY OF RAILWAY
(RAILWAY BOARD)

[No. 70-B(C)-PAC IV/116/Para 53 *New Delhi, dated July 8, 1970*
Asadha 17, 1892.]

The General Managers,
All Indian Railways
(Including CLW, DLW and ICF).

Sub:— Recommendation contained in 16th Report of the PAC Para 53 of Railway Audit Report 1969.

Audit have pointed out that two contracts for sale of coal's ashes in a Division were extended for short periods of one or two months each time, covering a total period of 21 months in one case and 13/½ months in the other, on the condition that the contractors would be liable to pay the difference in amount, if a higher rate was quoted or offered during the extended period. These extensions were given on account of a reference having been made to the headquarters office for revising the existing orders for sale of coal ashes. When however, fresh tenders were called for, the rates were found to be higher but the difference in the rates could be legally claimed only for the last extension and not for the full period of piecemeal extensions. Legal advice was not obtained at the time the extensions were given to the existing contractors to safeguard the interests of the administrations.

The Board desire that suitable action should be taken to ensure that similar lapses do not occur in future. Legal advice should be taken before incorporating in the contracts stipulations of the type referred to in the present case.

Director, Civil Engineering.
Railway Board.

No.70-B(C)-PAC IV/116/Para 53. New Delhi, dated July 8. 1970
Asadha 17, 1892.

Copy with 40 spares forwarded for information to A.D.A.I. (Railways) New Delhi.

Director, Civil Engineering.
Railway Board.

Recommendation

7.39 The committee feel that the Railway Administration was slipshod in dealing with costly imported stores. These stores, valued at Rs. 36.34 lakhs, were meant for use in a disel loco shed set up in Siliguri in May, 1961. Due to inter-departmental wrangles about relatively minor matters of accounting and delay in providing the requisite staff, an organisation to maintain accounts for these stores was not set up till five years elapsed. In the meanwhile, no systematic accounts of stores received or issued were kept nor any verification of the balances done. The value of stores accounted for as consumed during this period was as much as Rs. 21.34 lakhs.

7.40 The Committee are not convinced by the view expressed by the Railway Board that an investigation into this case at this stage "is not practicable." The Committee would like the Board to investigate why such an unsatisfactory state of affairs as this was allowed to persist for over five years and take suitable disciplinary action. It should particularly be examined why the higher formations in the Zonal Railway showed a complete lack of awareness of their responsibilities in dealing with valuable Railway property.

[(S.Nos. 134 and 135 Appendix VII, Paras 7.39 and 7.40 of 116th Report of the P.A.C. (Fourth Lok Sabha)]

Action Taken

7.39 The ovservations of the Committee are noted.

7.40 As desired by the Committee, the matter has been examined by the General Manager, Northeast Frontier Railway, who after a careful assessment of the various developments from time to time, considers that the following officers are responsible for the delays which occurred at various stages, resulting in non-maintenance of accounts of spare parts in question:—

1. Senior Mechanical Engineer, Planning.
2. Dy. Chief Mechanical Engineer (R).
3. Controller of Stores.
4. Dy. Controller of Stores.
5. Dy. Chief Accounts Officer.

Out of the above, the officers at items 3 and 5 have retired and the officer at S.No. 2 has resigned. In respect of officers at S.No.1 and 4, the matter is being processed further.

This has been seen by Audit who have stated that the position stated in reply to the P.A.C.'s recommendation contained in para 7.40 is under verification by local audit office and further communicaton would follow.

(O.M. No. 70-B(C)-PAC/IV/116 Railway Board. dated 23-11-1970/Agrahayana 2, 1892.

Recommendation

7.50 The Committee observe that one of the Railways continued to retain stocks of C.I. pipes valued at Rs. 1.6 lakhs left over after completion of a work in October, 1958. During this period of protracted storage pipes valued at Rs. 53, 000 got lost or misappropriated. Disciplinary proceedings against the official held responsible for the shortages are stated to be in progress. The Committee would like this to be expeditiously finalised.

7.51 The Committee notice that there was a delay of over three years in reporting the shortages to Audit. The Board should issue instructions to ensure that these delays do not recur.

7.52 The Railways are still holding part of the stock of pipes on the ground that they would be necessary for maintenance purposes. The data furnished by Audit, however, raises a doubt whether stocks on the present scale need be kept. The Railways should review the position in this regard and dispose of expeditiously such of the stocks as cannot be reasonably used up in the foreseeable future.

[S.Nos. 136, 137 and 138 Appendix VII Paras 7.50,7.51 and 7.52 of 116th Report of the PAC (Fourth Lok Sabha)]

Action Taken

7.50 In spite of several attempts made by the Railway Administration to serve the Memorandum of charges on Shri....retired Inspector of Works, for fictitious accountal of 194 pipes, Shri........,refused to accept the same. Considering the gravity of the case and non-cooperation of Shri...the Railway has recommended to the Railway Board that the entire amount of his pension may be withheld. This matter is under consideration of the Board.

7.51 Necessary instructions have been issued to the Railways vide Board's letter No. 67AC.III/25/40A/Policy dated 18-6-1970 (copy enclosed).

7.52 The necessity for holding 213 pipes for the purpose of maintenance has been reviewed by the Board, and the Board have advised other Railways to draw their requirements from the existing stock with the Eastern Railway. The Eastern Railway has also been advised to release the surplus stock if other Railways require the same.

This has been seen by Audit.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-PAC/IV/116 Dated September 16, 1970/Bhadra 25 1892.]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

No. 67AC.III/25/40A/Policy. New Delhi, *June 6, 1970*
Jaistha 28, 1892.

The General Manager,* In duplicate.*
All Indian Railways,
(Including CLW DLW, and ICF.)

SUB:—*Cases of frauds, losses etc.*

Para 1802-GI requires, *interalia*, that every important case involving loss of cash, stores or property whether caused as a result of frauds perpetrated or negligence shown by the railway servants or caused purely by accidents such as fire etc, should be brought to the notice of the Railway Board, as soon as possible, by the General Manager and a copy of the report endorsed to the Chief Auditor simultaneously through the F.A. & C.A.O. The Board in their letter No. 59-AC.III/25/58 dated 20-4-60 further desired the Railways to ensure that these reports are submitted within three months from the date of occurrence of the loss or from the date the loss comes to notice and are followed by the detailed report in terms of para 1803-GI at the earliest/possible date. These instructions were reiterated in Board's letter No. 67ACIII/25/40-A/Policy dated 26-8-1969.

2. A case has, however, been reported in Railway Audit report 1969 in which shortages noticed in the stock of C.I. pipes with a Permanent Way Inspector were reported to the Board and the Audit after a delay of over three years, as the papers were being processed for the 'write off' of the loss and hence the urgency of reporting the loss in accordance with the codal provisions was lost sight of. The P.A.C. while commenting on this case in their 116th Report (IV Lok Sabha) have desire that Railways should ensure that these delays do not recur.

3. The Board desire that suitable instructions may be issued impressing on all concerned the need for strict observance of the existing provisions and to ensure that there are no delays in reporting the losses etc. to the Board and Audit in future.

Dy. Director, Finance (A/cs)
Railway Board

[No.67ACIII/25/40A/Policy: New Delhi, Dated 18-6-70]

Copy (with 45 spares) forwarded to ADAI (Railways) for information with reference to P.A.C.'s recommendation on para 56 of RAR. 1969.

Dy. Director, Finance (A/cs)
Railway Board.

Recommendation

7.63. The Committee observe that the Inquiry Committee which was appointed to investigate into a case of loss of Rs. 5 lakhs of cash from the Fairlie Place Calcutta Cash Office in October, 1967 found 'ineffective supervision over the closing and opening of the strong room', "delegation of important functions to class IV staff by the Chief Cashier's and non-observance of instructions regarding shroffing and remitting of cash as well as of some important security instructions." The Committee note that the Railway Administration have taken a number of steps in pursuance of the findings of the Inquiry Committee. They would like to be informed of the action taken against the officials responsible for ineffective supervision and disregard of instructions relating to shroffing and remittance of cash.

7.64. The Committee trust that the procedure laid down particularly with regard to shroffing of cash will be strictly complied with in future and that arrears will not be allowed to accumulate. The need for strict observance of security instructions by the staff dealing with cash cannot be over emphasised. Any lapses in this regard should be visited with deterrent punishment.

7.65. The Committee understand that at present Railway cash has to be transported under security guard to and from Zonal Divisional headquarters. As this poses an unnecessary and avoidable risk, the Committee would like the Railway Board to examine the score for minimising such movements of cash through suitable arrangements with treasuries/Sub-treasuries for remittance of Railway earnings, withdrawals for purpose of disbursements.

[Recommendation No. 139, 140, 141, Appendix VII, Paras 7.63, 7.64 and 7.65 of the 116th Report of the PAC (Fourth Lok Sabha)]

Action Taken

7.63. The Railway administration has examined the material given in the Enquiry Committee Report for the conclusions relating to ineffective supervision and disregard of instructions and has come to the conclusion that it is difficult to pin down any definite responsibility on any particular individual/s by evidence of a quality as will convince a disciplinary enquiry Committee. The case was investigated fully by the Police but it has not been possible to obtain any additional material which would be helpful in fixing responsibility.

7.64. The observations of the Committee in regard to arrears of shroffing and security consciousness of the staff are noted.

7.65. Although on the Eastern Railway instructions have been issued for direct lodgement to the bank of earnings of certain big stations on some divisions of that Railway, the procedure is not favoured by the Chief Security officer of that railway on account of general deterioration in the Law and Order situation in Bengal and Bihar. As regards other Railways, the matter of arranging for remittances of station cash direct into the local banks, (State Bank and other Nationalised Banks) is under examination in consultation with the Ministry of Finance. The question of minimising the movement of cash for purposes of disbursement is also still under examination.

This has been seen by audit who have osberved that "the position stated in reply to the PAC's recommendation contained in para 7.63 is under verification by local audit office and further communication would follow.

[O.M. No. 70(BC)-PAC/IV/116 dated 23-11-1970/Agrahayana 2, 1892.]

Recommendation

7.74. The Committee are dissatisfied with the position in regard to recovery of security from Railway employees handling cash and stores. As early as 1955, the Railway Board had issued instructions asking the Zonal Railways to determine the categories of staff from whom security should be taken and the amount of security that should be obtained from them. However, in certain departments in the North Eastern, Southern and South-Central Railways, as well as the Diesel Locomotive Works, it has not even been decided which of the categories of staff should furnish security. Besides, sums aggregating Rs. 89.13 lakhs have to be recovered in the various Railways from the employees who are required to furnish security. The Committee would like a definite time-limit to be laid down by the Railway Board for completion of the work. It should also be ensured that the work is completed strictly in accordance with this time-limit.

[S. Nos. 142 of Appendix VII, Para 7.74 of 116th Report of the PAC (Fourth Lok Sabha)].

Action Taken

The Railway Board have fixed a target of 6 months for completing the work of determining the categories of staff who are required to furnish security deposit and 2 years for the actual recovery of the security deposit. Quarterly reports are to be submitted by the Railways to watch the progress of completion of the work within the stipulated period. Suitable instructions have been issued in the first week of November, 1970.

This has been seen by Audit.

[O. M. No. 70-(BC)-PAC/IV/116 dated 3-12-1970/Agrahayana 12, 1892].

Recommendations

The Committee observe that the Railways have spent a sum of Rs. 21.85 lakhs on the preparation of a project report for a foundry at Naini which has been shelved. In their Hundred and Fourth Report (Fourth Lok Sabha) the Committee have drawn attention to the haphazard development of foundries in the country which has resulted in the creation of substantial surplus capacity in the foundries in the public as well as private sector. The Committee have in that context referred to the widely divergent estimates of demands for castings and forgings made by Government from time to time and to the need to relate estimates to firm and realistic assessment of the requirements of end-user industries. The Committee have also emphasised the need for extreme circumspection before embarking on new projects in this field in view of the unhappy experience in utilisation of capacities already established in the public as well as private sector. The Committee would like the Railway Board to take due note of this position before proceeding further with the Naini Project. Any further examination of the proposal that the Railways Board might undertake should be done in consultation with the Ministry of Industrial Development which is seized of the overall position regarding the capacity and utilisation in the foundries set up in the country.

[S. No. 143 Appendix VII Para 7.109 of 116th Report of the PAC (Fourth Lok Sabha]

Action Taken

The recommendations made by the Committee in their Hundred and Fourth Report (Fourth Lok Sabha) relating to the available capacity of foundries in the public and private sectors have been noted. As desired by the Committee, any proposal to revive the Foundry Project (which was to be located at Naini) would be examined in consultation with the Ministry of Industrial Development before a final decision is taken.

This has been seen by Audit.

[Ministry of Railways (Rly. Board). O. M. No. 70-B(C)-PAC-IV/116 dated 16-9-70/Bhadra 25, 1892.]

Recommendation

The Committee observe that the Railways have spent a sum of Rs. 21.85 lakhs on the preparation of a project report for a foundry at Naini which has been shelved. In their Hundred and Fourth Report (Fourth Lok Sabha), the Committee have drawn attention to the haphazard development of foundries in the country which has resulted in the creation of substantial surplus capacity in the foundries in the public as well as private sector. The Committee have in that context referred to the widely divergent estimates of demands for castings and forgings made by Government from time to time and to the need to relate these estimates to firm and realistic assessment of the requirements of end-user industries. The Committee have also emphasised the need for extreme circumspection before embarking on new projects in this field in view of the unhappy experience in utilisation of capacities already established in the public as well as private sector. The Committee would like the Railway Board to take due note, of this position before proceedings further with the Naini Project. Any further examination of the proposal that the Railway Board might undertake should be done in consultation with the Ministry of Industrial Development which is seized of the overall position regarding the capacity and utilisation in the foundries set up in the country.

[S. No. 143 Appendix VII Para 7.109 of 116th Report of the PAC (Fourth Lok Sabha)]

Action Taken

Action taken note in respect of 104th Report (4th Lok Sabha) is being separately submitted to the Public Accounts Committee and the recommendations made in the 116th Report (4th Lok Sabha) are noted. A separate note has been submitted to the Public Accounts Committee by the Ministry of Railways (Railways Board) *vide* their O. M. No. 70-B(C)-PAC-IV/116, dated 16-9-70.

This has been seen by the Audit.

[Ministry of Industrial Development and Internal Trade O. M. No. 14(51)/69-EI(M) dated the 7th December, 1970].

Recommendation

Para 7.121: The Committee observe that an expenditure of Rs. 4.45 lakhs was incurred (in foreign exchange) on salvaging and transporting T. S. S. Goschen, one of the two ships in the Indo-Ceylon ferry service, after it ran aground in a cyclone off the coast of Ceylon in December, 1964. A further expenditure of Rs. 62,000 was incurred on its repairs before the work was stopped. The vessel was therefore condemned and sold for Rs. 1.44 lakhs, rendering an expenditure of Rs. 3.63 lakhs infructuous.

Para 7.123: The Committee note that the other vessel, which was operated in the ferry service, was transferred to the Shipping Corporation in December, 1965 but that its price is yet to be settled. The Committee deprecate the delay in this regard and would like the matter to be finalised immediately.

Para 7.124: With the discontinuance of the ferry service, the Railways are facing difficulty in putting the Marine Workshop and the personnel tol the best use. A proposal for the transfer of the Workshop to the Tami Nadu Government is stated to be in the process of negotiation. The Committee would like to be apprised of its outcome. As regards the personnel, efforts should be made to transfer their services to the shipping Corporation or the State Governments, failing which they should be given orientation training for being absorbed in suitable jobs in Railways.

[S. No. 144-146-147 of appendix VII, Paras 7.121. 7.123, 7.124 of 116th Report of the P.A.C. (4th Lok Sabha).]

Action Taken

Para 7.121 : The observations of the Committee are noted.

Para 7.123 : The transfer price of the vessel TSS IRWIN has since been finalised in consultation with the Ministry of Shipping and Transport at Rs. 2,29,673.33. The Shipping Corporation of India have since made the payment by cheque to the Southern Railway.

Para 7.124 : The representatives of Tamil Nadu Govt. and the Southern Railway inspected the marine assets of the Railway on 24-10-1969. It is understood that the Director of Fisheries has submitted his recommendations to the State Government. The Government of Tamil Nadu were addressed for the final decision. The State Government has stated in May, 1970 that the matter is still under their consideration.

As regards the personnel arrangements are being made to absorb the workshop staff in the Division. As regards steamer staff, all the staff who had not opted to serve in the Shipping Corporation of India have been taken over in the Divisions after assessing their suitability. At present the following staff are being continued at Mandapam till the final closure of Mandapam Workshops, in order to maintain the machines :—

1. Workshop Staff :	Foreman	1 (Rs. 450-575)	
	Caulker	2 (Rs. 75-110)	
	Tool checker:	1 (Rs. 105-135)	
2. Clerical staff :		3 (Rs. 210-380)	1
		Rs. 1230-300	1
		Rs. 110-180	1
3. Class IV staff :		2 Rs. 70-85	

This has been seen by Audit.

[O. M. No. 70-B(C) PAC/IV/116 dated 31-12-70]

Recommendation

The Committee observe that the Railways were not able to take advantage of a composite electricity tariff offered by the Electricity Board in respect of electricity consumed at the Railway colony, offices and hospital at Kotah due to non-provision of metering equipment. It took nearly three years to provide the meters and during this period metering equipment procured for installation at another place (Jaipur) was reportedly lying idle for want of agreement with the State Electricity Board on certain matters. These could well have been installed at Kotah.

The Committee consider it to be a case of lack of coordination and would like necessary instructions to be issued to avoid recurrence of such cases in future.

[S. No. 148 & 149 Appendix VII, Paras 7.131 & 7.132 of 116th Report of the P.A.C. (4th Lok Sabha).]

Action Taken

The observations of the Committee are noted and instructions have been issued *vide* Rly. Board's letter No. 70-BC-PAC/IV/116 (Para 61) dated 9-7-70 (copy enclosed).

This has been seen by Audit.

[Ministry of Railways (Railway Board) O. M. No. 70-B(C)-PAC/IV/116 dated 16-9-70/Bhadra 25, 1892.]

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

No. 70-BC-PAC/IV/116 (Para 61) *New Delhi, dated* $\frac{\textit{9th July, } 1970}{18 \textit{ Asadha, } 1892.}$

The General Managers,
All Indian Railways,
CLW, DLW & ICF.

SUB : *Recommendations of the P. A. C. in the* 116*th Report on para* 61 *of Railway Audit Report* 1969—*Western Railway—Avoidable payment of higher rates for power supply*

In the case referred to in the audit para mentioned above, there was a delay of nearly three years in the Railway availing of the mixed high tension tariff published by the State Electricity Board in March 1964 due to the delay in the State Electricity Board installing the meter. The P. A. C. while commenting on this case in their 116th Report (1969-70) have pointed out that the Railway had one HT meter available at another station where the Railway was negotiating with the State Electricity Board for finalising the agreement for application of mixed high tension tariff and which could have been utilised at the other station. The Committee consider it to be a case of lack of coordination and desire that necessary instructions should be issued to avoid recurrence of such cases in future.

The Board desire that in cases of similar nature, necessary coordination should be ensured within the Railway to make the best use of the available equipment and to take advantage of the available concessional rate from as early a date as possible.

Director, Electrical Engg.,
Railway Board.

No. 70-BC-PAC/IV/116 (Para 61) *New Delhi, dated* 9-7-1970/18 *Asaddha,* 1892.

Copy (with 40 spares) forwarded for information to the ADAI (Railways), New Delhi.

DA/As above.

Director, Electrical, Engg.,
Railway Board.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT

Recommendation

2.52. The Committee are not very happy with the performance of imported WAMI locomotives. 1100 of these locomotives were purchased from a firm in Europe and commissioned from 1960 onwards. Though these locos were designed for a speed of 112 kilo-metres per hour on level and light gradients, safety considerations made it necessary to restrict their speed for a long time. In fact the locomotive was originally cleared for a speed of 60 miles per hours (96 Km. per hour), but later the speed had to be restricted to 46 miles per hour (65 Km. per hour) due to what the Additional Commissioner of Railway Safety described as 'poor running on main line track'. Extensive trials with the locomotive had to be conducted by the Research, Design and Standards Organisation of the Railways over a period of four years from 1962-1966. As a result of these, substantial *modifications* were made to the locomotive by changing the original springs and modifying other suspension attachments with a view to improving its riding characteristics. Still the Commissioner of Railway Safety remained reluctant to permit higher speeds upto 100 Kmph at which the Railway sought to operate them in view of what he characterised as the 'history of rough running' of the locomotive "even at speeds lower than the maximum for which sanction was being sought." Notwithstanding this, the Railway Board decided to operate these locomotives at this speed—a decision which the Commissioner of Railway Safety described as "a potential Hazard to the safety of the travelling public". It was only after a team of foreign consultants was called in to inspect the locomotives and they cleared them. Subject to certain modification in the locomotives and improvements to be effected in standards of its maintenance as well as the conditions of the track, that the controversy between the Railway Board and the Commissioner of Railway Safety was ultimately resolved.

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

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

[S. Nos. 29-31 Appendix VII, Para Nos. 2.52—2.54 of 116th Report, 1969-70].

Action taken

The Committee have expressed dissatisfaction with the performance of the WAMI locomotives and have asked that a comprehensive and independent investigation should be made into the circumstances under which the purchase of the locomotive was made, when the defects came to notice, whether action was taken to stop further supplies to obtain rectifications of the defects, the cost of making the locomotives fit to run at higher speeds and the precautions necessary to ensure safety of the travelling public. The matter has been examined in great detail on a number of occasions and as all necessary remedial steps have been taken the Government consider that it is not necessary to undertake any fresh investigation as suggested by the Committee. The important points raised by the Committee are examined below :—

(a) *When the defects came to notice*

The defects were noticed sometime in 1960-61. As regards the time lag between the defects coming to notice some time in 1960-61 and R. D. S. O. carrying out first series of tests in March-April, 1962, it is regretted that a detailed explanation for the time lag cannot be offered as the relevant records are not readily available.

(b) *Whether adequate action was taken to stop further supplies after these defects were noticed or to obtain rectifications of the defects.*

The manufacturers of the electric locos were prevailed upon to replace the original springs by new springs of reduced stiffness. On fitting these springs the performance of the locos improved to the required standard.

(c) *What it is going to cost to ensure compliance with the conditions stipulated by the Consulants for the operation of these locos at higher speeds.*

The conditions stipulated by the Consultants merely reiterated normal maintenance practice and operating precautions to be taken. For instance, they have stipulated that high standards of maintenance and inspection of rolling stock and track should be established; that continued vigilance should be exercised by drivers in the observance of speed limits; ground steel bars should be used for springs, etc. These are objectives for the maintenance and operation of all types of rolling stock and not only for WAM/1 class locos. No additional costs are involved in complying with the conditions stipulated by the Consultants. The recommendations of the Consulting Engineers relating to the locos, the Railway Board's views and the action taken are tabulated at Annex. I.

2. In this context it would perhaps be desirable toin some detail with the nature of the "defect" in question. It was found that the stiffness of the main suspension spring used initially by the manufacturers was hihger than that which was eventually proved to be the correct stiffness. The riding quality of a locomotive depends not only on the locomotive characteristics but also track characteristics. The original locomotives suspension design was similar to that used successfully on the French National Railways. As the track para-meters and tolerances in India are different from those in France, springs designed to suit French track conditions were found unsuitable under conditions in India. When this was established, all the springs on the 100 locos were *replaced at the cost of the manufacturers of* the locos. It is obvious that there was no defect in workmanship or the material of the springs supplied by the manufacturers. Although it is a fact that the original design of the springs did not suit the local conditions, the manufacturers did replace all such springs by new springs which gave the required performance.

3. It is not unusual, in a complicated piece of machinery such as an electric locomotive, for defects of this type to occur and it is for this reason that one of the contract conditions requires the manufacturers of the locos to replace at their cost any components that may be found to be defective in design. workmanship or material. As the manufacturers in this case fulfilled their obligations it would be seen that there is hardly any need to go into this question further.

4. With regard to the second item of the PAC's recommendation *viz.* improvements in operational procedures for ensuring sefety of the travelling public. this is in fact the primary responsibilty of the Railway administrations. In this they are assisted by the RDSO, and the Commissioner of Railway Safety. Detailed maintenance instructions have already been issued by the RDSO. The Commission of Railway Safety have also gone into this question fully. They did initially express some doubts about the suitability of these locos for running at 100 kmph even after modifications were carried out as proposed by the RDSO and the rests established the suitability of these locos for running at 100 kmph. In view of this Railway Board invited a firm of British Consultants viz. M/s. Rendel Palmer and Tritton to make an independent investigation into the riding qualities of WAM/1 locos. As a result of that independent investigations the Consulting Engine came to the conclusion that the locomotives riding is considered acceptable upto a maximum speed of 105 km.ph. with the soft suspansion springs proposed by the RDSO. The Commissioner of Railway Safety has confirmed in his annual report of 1967-68 that there has been no adverse report on the road worthiness of the WAM/1 locomotives over such sections where these are permitted at 100 kmph.

5. Briefly, therefore, the position is that this subject has already been fully examined by the Research Design & Standards Organisation and the Railway Board. The modification rquired for improving the riding quality of

the locomotive to the required standard was completed at the cost of the manufacturers of the locomotives. Detailed instruction for the proper maintenance and operation of these locos at 100 km.ph. have been issued. Independent authorities such as the Commissioner of Railway Safety and a firm of foreign Consulting Engineers have confirmed the correctness of the action taken by the Railways. The locos have been running on passenger services for the last 3½ years and there have been no reports of either bad riding of or excessive cost of maintenance.

This has been seen by Audit.

DA/One (Annex. I)

[O. M. No. 70-B(C)-PAC/IV/116 dated 30-12-1970/Pausa 9, 1892].

ANNEXURE I

Recommendations of Consulting Engineeis	Railway Board's views	Action taken
8.1 WAM—1 Type locomotive		
8.1.1. *Comprehensiveness of Tests :*		
The tests carried out in October, 1966, August/September, 1967, and during the visit of the Team, have covered the track conditions likely to be found immediately after the monsoon season when they can be expected to be at their minimum standard.	Noted	No action necessary.
8.1.2. *Locomotive Riding.*		
With the present soft suspension spring the locomotive riding is considered acceptable up to a maximum speed of 105 Km/h, where track conditions are suitable for traffic at that speed, subject to the following provisions :	This recommendation accords with the conclusion arrived at earlier by the Railway Board based on the tests carried out by RDSO.	No action necessary.
(a) *Maintenance of Friction Dampers :*		
A high standard of inspection and maintenance of friction dampers is maintained, with monthly inspections of these parts on all locomotives of this type. Fabric	Accepted.	Instructions have already been issued to the Railways by RDSO during November, 1967 *vide* their Maintenance Instructions No. 01.07.01 of 4.11.67 detailing the procedure to be followed for the inspection

friction pads are replaced before rivet heads are exposed, and guidance is given to staff on condemning limits for these pads.		and maintenance of the friction dampers. Railway Board have also reiterated these instructions to the Rlys. *vide* their letter No. 64/Elec/440/4 dated 1-4-68.
(b) *Hydraulic Dampers :*		
Lateral hydraulic dampers are fitted to all locomotives on passenger working. This is particularly necessary because of poor lateral riding on the track laid with Russian rail.	Accepted.	RDSO had advised as far back as January, 1966 for fitting of lateral hydraulic shock absorbers on all WAM/1 locomotives used for high speed passenger operation. Action has already been taken by the Railways to provide shock absorbers on the locos used for passenger operation at high speed.
Arrangements are made for periodic checking on a testing of these hydraulic dampers. The period between tests will have to be ascertained by trial.		As regards the maintenance of the shock absorbers. detailed maintenance instructions have been issued by RDSO *vide* their maintenance instructions No. 01.07.02 of February 68, and these have also been reiterated to the Railways in the Board's letter No. 64/Elec/440/4 dated 1-4-68.
(c) *Speed Limit :*		
Continued vigilance is exercised over the observance by drivers of all speed limits imposed on the track.	Accepted.	Standing instructions already exist for this purpose.

1	2	3
8.1.3. *Suspension Springs.*		
Suspension springs should not be manufactured from silico-manganese steel "Black" bars as the dynamic stress ranges, on track not in best condition, are above the desirable limit for "black" bar.	The modified springs now provided are manufactured out of silico-manganese steel to IRS M-25 of ground bar and the springs shot-peened after coiling. These springs are obtained from reputed manufacturers.	No action necessary.
For springs manufactured from silico-manganese steel ground bar, random dynamic stress cycles which are above the desirable limit for ground bar occur on track not in best condition. Eventual fatigue failure is possible because manufacturing tolerances or faults may also cause increased stress values. A high standard of manufacture of these springs should be maintained through stringent inspection.		
8.1.4. *Design of Friction Dampers.*		
The present damper load is about the optimum achievable with the short length of the present design of damper spring. This short	Not acceptable as the Consulting Engineers' suggestion to provide long travel damper springs to mitigate the effects of pad wear is	No action necessary.

length results in damper load falling off fairly rapidly as pad wear permits the spring to extend. A modification to the design to incorporate a longer spring would be beneficial.

apparently based on an incomplete understanding of the position. The design of the friction dampers provides for adjustment of the spring height in accordance with pad wear; thus periodic tightening of the adjusting nut can maintain the spring height to the desired level. As per the maintenance instructions already issued to the Railways, the damper springs are to be periodically adjusted to maintain a working height of 31+O—1 mm.

This value has been verified by the Consulting Engineers as giving optimum vertical damping. If the maintenance instructions are rigidly enforced in the sheds, and such would appear to be the case as reported by the Consulting Engineers themselves in para 7.3.2. of their report, there does not appear to be any necessity of adopting long travel damping springs.

Recommendation

3.131. The Committee regret to observe that due to over-estimation of requirements, 1,749 nos. of super heater element tubes were procured in 1966-67 at a cost of Rs. 3.80 lakhs. The over-estimation arose out of inflated estimates of requirements which had no relation to actual average annual consumption (approximately 331) during the previous two years. Even though the estimates were scaled down by the Stores Department to about 50% i.e. 776 nos. per annum, the elements when received, were found to be superfluous. In fact, as many as 19 elements out of previous supplies were already on hand in February, 1967. As a result of such excess provisioning, the Railways have stopped further indents for this item upto August, 1971. The Committee would like the Railway Board to investigate the circumstances under which the over provisioning occurred with a view to fixing responsibility.

[S.No. 68 Appendix VII, Para 3.131 of 116th Report of the PAC—4th Lok Sabha.]

Action Taken

3.131. The observations of the Committee are noted. On a further scrutiny of this case it is observed that the initial data regarding the number of YP/YG engines expected to undergo POH was furnished by the then Boiler shop foreman, Golden Rock Workshops. The Planning Office of the Workship calculated the requirements on the assumption that all elements would require renewal during the course of POH. At the time when the requirements were assessed, most of the YP/YG locos had undergone already one or two POHs (done at intervals of 3 to 4 years) and during these PHOs, large scale renewal of elements was not made. It was anticipated that during subsequent repairs, including POH, there would be need for a large scale renewal of elements having regard to the life of these elements. It was also assumed that the rate of replacement of elements will increase comparatively with the subsequent POHs as the elements got older. Taking into account these special features, and also the fact that the workshop was estimating the future requirements in complete element basis for procurements from the trade for the first time the Railway Board consider this as more an error of judgement than as a case of deliberate over-indenting on the part of those responsible for processing the indent. The Board would respectfully submit that these circumstances do not warrant fixing of responsibility on any individual or group.

This has been seen by audit.

DA/Nil.

[O.M. No. 70-B(C)—PAC/IV/116 dated 9-12-1970/Agrahayana 18, 1892]

Recommendation

3.187. The Committee feel that the Railways could have avoided the import of 3,712 tonnes of billets made at a cost of Rs. 14.27 lakhs. This import, which was in addition to an import of 9,879 tonnes made earlier, was meant to meet the requirements of fish plates for the year 1964-65. It was considered necessary, as it was felt that adequate quantity of billets for the manufacture of required quantity of fish plates would not be available from indigenous production and the import already made. However, these calculations were based on projections of requirements which turned out to be grossly inflated.

3.188. How inflated the estimates of requirements of fish plates were would be evident from the following data. The requirement of fish plates initially estimated for 1964-65 was 25,000 tonnes. This was later reduced to 19,000 tonnes. However, orders on indigenous re-rollers were placed only to the extent of 14,250 tonnes and when it came to placing firm contracts, the quantity was further reduced to 10,820. Instructions to the producers for consignment of the fish plates during 1964-65 were issued only for 7,604 tonnes. Such steep scaling down in requirements naturally resulted in as much as two thirds of the quantity of billets imported remaining untilised till the end of March, 1967. It also led to large-scale cancellation of orders for billets/fish plates placed on indigenous producers and rerollers. It is obvious that, with a more realistic appraisal of the requirements of fish plates, the second consignment of imports could have been totally avoided, as the imports already made, together with indigenous production, would have fully covered the requirements for billets for all the fish plates that the Railways needed.

3.189. It has been stated by the Railway Board that fish plates could not be utilised on the scale planned as track renewal/laying programmes were affected due to short receipt of rails. But, as pointed out by Audit, the supply position of permanent way materials submitted right from March, 1964 had clearly indicated shortfall in supply of rails. Due note should have been taken of this position before the decision to import the second consignment was taken.

3.190. The Committee would like the Railway Board to examine why there was a failure in this regard and to take appropriate action.

[S. Nos. 75—78, Appendix VII, paras 3.187 to 3.190 of the 116th Report of the PAC—4th Lok Sabha].

Action taken

3.187. The observations of the Committee are noted.

3.188. It is submitted that the position was explained in this Ministry's O.M.No. 68-B (C)-RB/4 dated 11-5-70 that cancellation of outstanding supplies on Iron & Steel Controller's orders was taken into account while calculating the requirements of 1964-65 as 19,000 tonnes.

It is also submitted that part of the reduction in the requirements was due to curtailment in the budget. Also as already explained during the oral evidence, it is the policy of the Railways to procure fittings like fish plates, keys, spikes, etc., well in advance of the material like rails and sleepers. This is done to ensure that for want of small materials costing not more than 5% of the total cost of track (out of which fish plates would be 2%), expensive rails and sleepers do not remain unutilised. It is in this context that even though there was a possibility of non-materialisation of full supply of rails, it was decided not to curtail the procurement of fish plates to the same extent. However, in the present case under reference, the fall in requirements of fish plates due to non-materialisation of full supply of rails and curtailment of works was more than what was anticipated on the basis of available data at that time with the result that a substantial quantity of billets out of the second consignment of import remained unutilised.

3.189 and 3. 190. As stated earlier, considering that the cost of fish plates is only 2% of the total of track, the difficult opposition of steel of this quality which continues even today and the fact that any shortfall in actual supplies of fish plates would hold up the utilisation of rails and sleepers, the Board feel that the present practice of obtaining fish plates in advance of rails duly permitting stockpilling within reasonable limits is necessary. However. it would appear necessary at the same time. to revise the requirements of fish plates as well as other fittings whenever a substantial reduction in the suuply of rails etc. is anticipated.

Instructions have been issued for the guidance of Railway Board's officers and staff to undertake a review in case there is a gap of 6 months or more between the date of clearance from indigenous angle and the date of opening of tender for any import and to ensure that the import is unavoidable and the quantity being imported is the minimum required. The Board trust that this procedure would ensure that the import is resorted to only in unavoidable circumstances and the quantity imported is the minimum required. Further instructions are also being issud to the Railways to revise their requirements of fish plates and other fittings whenever there is substantial and drastic reduction on account of non-receipt of main materials or otherwise.

This has been seen by Audit.

DA/Nil.

[Ministry of Railways, O.M.No. 70-BC-PAC/IV/116 dated 30-12-1970/ Pausa 9, 1892.]

Recommendation

3.212. The Committee were infromed that the provisional price was fixed by the Iron & Steel Controller in the absence of the relevant shipping documents. This does not, however, explain the delay in fixing the final price, much-less the reasons for advising the Railways to make provisional payments to the Supplier at 100 per cent of the provisional rate. The Ministry of Steel and Heavy Engg. have stated that the available records in Iron and Steel Controller's office do not indicate why the Railways were advised to make 100 per cent payment and that the officer who issued the necessary authorisation has since been dismissed from service.

3.213. The Committee consider this case as indicative of a very sorry state of affairs in the Iron and Steel Controller's Organisation. The fact that it took five years in the case of the Eastern Railway and eight to eleven years in the case of the other Railways to intimate and confirm the final prices payable by the Railways would seem to suggest a serious lacuna in the working of that organisation. The Committee would like the Ministry of Steel and Heavy Engg. to promptly investigate the matter to ascertain all the facts of the case and in particular the reasons for the extraordinary delay that occurred in fixing the final prices payable by the Railway administrations. It should also be ascertained whether this was due to any collusion with the supplier.

3.214. The Committee would also like the Railway Board to examine from their side why the Zonal Railways did not pursue with the Iron & Steel Controller the question of fixation of prices and to fix responsibility therefor.

[S.Nos. 81—83, Appendix VII, Para Nos. 3.212 to 3.214 of 116th Report, 1969-70.]

Action Taken

Para 3.212 *and* 3.213.

The observations of Committee concern the Ministry of Steel and Heavy Engineering.

Para 3.214

The A/Ts. were placed by the Iron & Steel Controller. Copies of the A/Ts were not furnished to the Railways. Allocation letters were issued to the Railways and they were asked to place formal orders on the firm. The provisional price at which the firm should be paid was intimated by the Price & Accounts Section of the Iron & Steel Controller's office and the Railways were instructed to pay 100% payment on the basis of such provisional prices. The Railways were further categorically assured that the final prices to be fixed by the Iron and Steel Controller would be eventually higher than the provisional price advised to them.

The manner of fixing the price was not known to the Railways as they were not even in receipt of copies of the A/Ts. As a matter of fact, when N.E. Railway requested for copies of the A/Ts., they were advised by the Iron & Steel Controller that these copies would be of no use to the Railways and hence were not being furnished to them, and that the Railways should merely pay for the consignments at the provisional price advised to them.

In view of the above position the Railways had no reason to apprehend any overpayment to the firm. They awaited fixation of final price and advice of the same to them by the Iron & Steel Controller's office for eventual balance payment, if any. In the absence of any such advice the Railways could legitimately take it that the provisional prices continued to be the final prices. Accordingly, most of the Railways did not pursue the matter of final price with the Iron & Steel Controller.

However, the Eastern Railway obtained a copy of the A/T from the supplier. From the copy of this A/T they noticed certain discrepancies between the price indicated in the A/T and the provisional price advised to them for arranging payment. They further noticed that the provisional price was revised on a number of occasions creating some confusion in regard to the price to be paid for various consignments. In the light of these, Eastern Railway did address the Iron & Steel Controller on 12/13-2-69 pointing out this and incidentally reminding him to fix the final price for these consignments. They followed it up with further reminders on 21-3-60 and 29-6-60.

It has also been ascertained that the question of fixing final price was pursued by the North Eastern Railway with the Iron & Steel Controller under letters dt. 22-7-60, 15-6-61, 16-8-62 and 17-3-65. In view of the fact that two Railways were pursuing the matter with the Iron & Steel Controller, it is respectfully submitted that the question of fixing responsibility may not be pressed further.

[O.M. No. 70-BC-PAC /IV/116 dated 16-12-1970/Agrahayana 25, 1892]

Recommendations

The Committee consider this case as indicative of a very sorry state of affairs in the Iron & Steel Controller's Organisation. The fact that it took five years in the case of Eastern Railway and eight to eleven years in the case of the other Railways to intimate and confirm the final prices payable by the Railways would seem to suggest a serious lacuna in the working of that organisation. The Committee would like the Ministry of Steel and Heavy Engineering to promptly investigate the matter to ascertain all the facts of the case and in particular the reasons for the extrordinary delay that occurred in fixing the final prices payable by the Railway Administration. It should also be ascertained whether this was due to any collusion with the supplier.

[S.No. 82 (Para 3.213) of Appendix VII to 116th Report (4th Lok Sabha)]

Action Taken

As recommended by the Committee the case has been thoroughly examined. The provisional selling prices fixed orginally at Rs. 442.50 for Calcutta, Rs. 442.00 for Bombay and Rs. 442.67 for Madras were communicated to Eastern Railway under Iron & Steel Control office letter dt. 11-4-57. In that letter they were informed that they might place their formal purchase order on the importer for the materials allocated to them to and pay 100% of the importer's bill against proof of despatch at the above rate pending final prices to be fixed by this office. On a representation from the importer the above provisional prices were revised at Rs. 529.22 and the same was communicated to the importer under I&SC's letter dated 2-9-57 with the request to forward the shipping documents for fixation of final price. Copies of the above letter were endorsed to all the consignee Railways including Eastern Railway intimating that as the final selling rate would be more than the provisional selling rate, 100% payment of the importer's bill might be made as per stipulation in the A/T. The A/Ts were endorsed to the Railway Board *Vide* No. CS/76/Rlys/pig Iron (A) of 4/16-7-56 and No, CS/76/Rlys/Pig Iron (B) of 6-11-56. The above revised provisional price Rs. 529.22 was fixed as per details given below:

[C.I.F. Price as per A/T including remuneration

$90.53 conversion @ Rs. 4.81]

per $ (As per Bank Memo) as against Rs. 4.75 per $ in the A/T		Rs. 435.44
Extra freight $ 16.38 @ Rs. 4.81 per $	Rs.	78.78
L.C. Charges	Rs.	15.00
TOTAL	Rs.	529.22

On further detailed scrutiny it transpired that while fixing the aforesaid revised provisional price the element of extra freight was taken at a higher rate of $ 16.38 instead of the correct rate of $ 15.38 on account of the difference between the rate ruling on the date of shipment and the rate included in the A/T(*i.e.* $ 30.80 minus $ 15.42). There are, however, no papers to indicate as to why this rate of $ 16.38 was taken instead of the correct rate of $ 15.38. The Officer concerned who fixed up the above revised provisional selling price was dismissed from Govt. Service in 1961 on the ground of possessing assets disproportionate to known sources of his income as a public servant and for undervaluing his immovable property. Eastern Railway intimated in their letter dated 12/13-2-60 that full payment in this regard was not made by them pending receipt of certain clarification which was sought for from this office in the matter. It was also stated in the above letter that the clarification was necessary before the firm's 10% bills, which were held up, could be paid. This position is not quite correct as it has subsequently been stated by the Eastern Railway in their letter dt. 16-1-71 wherein it has been observed that all the bills of the firm were passed for 100% payment. All the bills were passed for payment by the Eastern Railway long before issue of this office letter No. AI/2/2/ 62/1543 dt. 29-5-62 wherein the correct position in regard to price fixation in respect of the supplies actually received by them was communicated.

2. On receipt of a reference from North Eastern Railway the importers were requested on 31-10-1960 to furnish a statement of supplies against the aforesaid A/T. dt. 4/16-7-56 along with a complete set of shipping documents and test certificates for certification and confiirmation of selling rates for supply of materials to different Railway allottees. The importers replied on 2-1-61 stating that the shipping documents had been submitted by them along with the subsidy bills in respect of As/T. No. CS/76/Rlys/Pig Iron (A) dt. 4/16-7-56 and No. CS/76/Rlys /Pig iron (B) dt. 6-11-56 since the materials were supplied to the Railways at full landed cost and to the other foundries at Col. Price. The details of supplies made to Railways at full landed cost were, however, not available in the subsidy bills and this fact was pointed out to the importers on 12-1-61 with the request

to furnish full distribution of the materials both at subsidised and non-subsidised rates, rates charged etc. Copies of this letter were endorsed to N.E. Rly. and Eastern Rly. The Eastern Rly. was also requested therein to furnish shipment-wise details of supplies showing the rates charged.

3. As no reply from the importers was forthcoming reminders were issued to them on 10-2-61, 10-3-61, 15-3-61 and 28-4-61. The last reference dated 28-4-61 was endorsed to Eastern Railway with reference to their letter dated 23-3-61 in which they furnished details of supplies received by them vessel-wise. On 28-8-61 the importers furnished subsidy bill references for the three vessels, of which supplies were reported to have been made to Eastern Railway. The importers were then asked on 27-10-61 to furnish a full statement of supplies relating to the above three consignments.

4. In reply, the importers furnished on 13-11-61 some particulars of supplies against the aforesaid three consignments to Eastern Railway stating that the supplies had actually been made aganist A/T. No. CS/76/Rlys/Pig Iron (B) dt. 6-11-56 (Lower price) instead of A/T. No. CS/76/Rlys/Pig Iron (A) dt. 4/16-7-56 (higher price). The importers were then asked on 5-1-62 to furnish a complete statement fo supplies against the above two As/T. within a fortnight and also to elucidate why in previous correspondence they had stated that supplies to Eastern Railway had been made against A/T. dt. 4/16-7-56 (*i.e.* higher price).

5. After some further correspondence the importers intimated on 8-5-62 that it would take some time to furnish a complete statement and in the meantime this office might intimate the chargeable price to Eastern Railway on the basis of lower of the two c.i.f. prices in the two As/T involved. The Controller of Stores, Eastern Railway was then informed in this office letter dt. 29-5-62 that according to the latest report received from the importers the supplies against the aforesaid three consignments had actually been made against A/T. dated 6-11-56 instead of A/T. dt. 4/16-7-56. The chargeable rates as worked out from the relevant shipping documents (read with the terms of the A/T. dt. 6-11-56) in respect of the three consignments were also intimated in the above letter.

6. After a good deal of correspondence the importers furnished a comprehensive statement of supplies in respect of 5 As/T. placed on them including the two As/T dated 4/16-7-56 and dt. 6-11-56 mentioned above for supply of a total quantity of 95400 tons of Pig Iron under cover of their letter dt. 25-5-64. The Statement in question was scrutinised and it transpired that supplies out of the three consignments to E. Rly. as mentioned above had actually been made against A/T. dt. 6-11-56. The prices already indicated in this office letter dt. 29-5-62 to E. Rly, were, therefore, found to be correct and this was intimated to E. Rly, *vide* this office letter dt. 9-12-65.

7. Thus there was 5 years delay in fixing the final price in respect of the materials supplied to Eastern Railway and this was due to the fact that the materials/documents necessary for fixing the price were not forthcoming from the importer in spite of repeated requests. It was also not clear against which A/T. the consignments in question received by Eastern Railway. were actually supplied. The actual position in this regard was intimated

by the importer in their letters of 13-11-61 and 8-5-62 as mentioned above and only on receipt thereof the correct supply position as also the correct price could be intimated to Eastern Railway. Nevertheless it would appear that the over payment made by E. Rly. was not due to the delay in fixing the final price on 29-5-62 as full payments had already been made by E. Rly. by March, 58.

8. In the case of North Eastern Railway the selling price was provisionally fixed and the same was communicated in this office letter dt. 2-9-57 mentioned above. In this case also necessary documents were wanting for fixing up the final price. As stated above the comprehensive statement of supplies was received from the importer only in May, 1964. From this statement the actual position of supply made to North Eastern Railway was verified and the price factor concerning the supplies actually made was taken up both with the importer as well as with the North Eastern Railway. There was a prolonged correspondence in the matter with Importer and the price was finally fixed up in this office letter No. AI/2-2-65/1751 dt. 1-12-65 addressed to the importer and copy endorsed to North Eastern Railway. Thus in this case also the delay in fixing the final price was due to delay in receipt of actual supply position as also necessary information/materials from importer.

9. With regard to Southern Railway, Western Railway and South Eastern Railway, on receipt of comprehensive statement of supplies furnished by the importer under cover of their letter dt. 20-5-64 mentioned above, vigorous attempts were made for collection of all subsidy bills and documents (which was a herculean task) in connection therewith submitted by them for verification of the correctness of the statement with a view to arriving at the actual position of supplies made by them. In course of scrutiny it was observed that some shipping documents relating to supplies stated to have been made to the Rlys. had not been submitted and so the importer was asked in this office letter dt. 29-9-64 to submit those wanting documents.

10. Meanwhile reconciliation of the claims and counter claims of the importer's group of firms was taken up. With a view to effecting reconciliation of the claims and counter claims of the group of firms A/T. wise and bill-wise break up of the claims and counter claims were called for from them in respect of all contracts placed on them. The first batch of such statement was furnished by them under letter dt. 2.3.64 in which the aforesaid As/T dt. 4/16-7-56 and 6-11-56 against which supplies were made to Rlys. were included. Reconciliation was then attempted on the basis of the said statement but no reconciliation could be made and a report in this regard was sent to Ministry under this office letter No. AII/IV-F/Spl. Cell/64/168, dt. 10-7-64.

11. Thereafter the importer in their letter dt. 16-11-64 suggested that in view of the enormity and complexity of their claims they would like the entire matter of their claims be referred to an arbitrator to be appointed by the Iron ans Steel Controller subject to their approval. This proposal was considered in detail, but had to be abandoned ultimately.

12. Again, Government had a claim for recovery of Rs. one lakh against five Pig Iron As/T. placed on the importer in connection with delay in shipment. The relevant files including papers necessary for fixation of final price were, handed over to the Government solicitor in April 1967 for filing a suit for recovery of the amount. This prevented Iron & Steel Control from making any reference with the importer against those As/T.

13. Towards the end of 1968 Govt. Counsel in course of discussion tendered verbal advise that, instead of going in for a suit for recovery of Rs. one lakh it would be better if the Govt. claim could be adjusted against the firm's counter claims, if any. Adjustment of the Govt. claim was made accordingly.

14. Thus different aspects of the case concerning the importer had to be dealt with upto Dec. '68 . In Dec. '68 the relevant files were received from the Govt. Counsel and the adujustment was made as proposed by him. Thereafter the price fixation case was taken up and the actual position in regard thereto was communicated to the Railways under this office letters No. A/2/2/68/298 dt. 13-12-68 (S.E. Rly.) AI/2/2/68/300 dt. 16-12-68 (SOUTHERN RLY) and A/2/2/68/301 dt. 16-12-68 (W. RLY).

15. From the position explained above it would appear that the delay in finalising the price in this case was mainly due to delay in getting the actual supply position and necessary information/documents from the importer and also because of dealing with different aspects of the case concerning the importer from time to time.

16. Detailed scrutiny of the case and the circumstances leading to delay in fixation of final price, as is evident from the foregoing paras, was undertaken. From the records available nothing could be found which would suggest that there was any collusion with the supplier.

Dated the 4th December, 1971.

[Ministry of Steel and Mines (Department of Steel)]

Recommendation

Para 3.243. The Committee observe that the Railway Administration procured hose pipes through direct purchase at rates lower than those accepted by the DGS&D for similar stores but did not inform either the Railway Board or the DGS&D of this fact even though they are required to do so under the rules. Further, when the supplier on whom DGS&D had placed orders failed to deliver the goods within the stipulated time and the Railways resorted to direct purchases, action to cancel the 20,000 numbers of outstanding supplies against the DGS&D contract was not taken, despite a specific recommendation of the Tender Committee to that effect. It has been stated that cancellation in this case 'may' have had financial repercussions, as the date of delivery had been extended by the DGS&D before the Tender Committee met. If this is so, the Tender Committee should have conisidered this aspect before giving its recommendation.

[S. No. 90, Appendix VII, Para No. 3.243 of 116th Report, IV Lok Sabha].

Action Taken

Para 3.243

It is submitted that the Tender Committee had recommended that 'the equivalent quantity of 20,000 nos. may be cancelled against indent of DGS&D, New Delhi, not yet covered or overdue supplies against Running Contract'. In this connection it is stated that the recommendation of the Tender Committee regarding corresponding cancellation against indent placed on DGS&D or overdue supplies against Running Contract, as approved by the competent authority shall ordinarily have been examined by the executive Stores Department in consultation with the DGS&D and not by the Tender Committee. The need for such cancellation would depend on various factors wuch as stock position, trend of consumption, quantities due against outstanding indents/orders etc. However, in this particular case no such specific examination was done. The adjustment was, however, done in the normal process of provisioning for the subsequent period which takens into account the stock on hand, dues on indents and orders and the trend of consumption.

It has already been submitted that it was not possible to resort to cancellation of outstanding supplies on account of financial implications that might have been involved. As regards cancellation from indent not yet covered by DGS&D, this was also not advisable as the consumption of the item had shown an increasing trend from December, 1967 onwards and the quantity indented was required in full. In fact the Railway had to place another indent in August 1968 for 23,533 nos.

This has been seen by Audit.

[O.M. No. 70-BC-PAC/IV/116 Dated 23-11-1970/2 Agrahayana, 1892].

Recommendation

4.7 The Committee observe that 1.86 lakh cubic metres of machine crushed ballast was procured in Bhavnagar and Rajkot Divisions of the Western Railway between 1962- and 1967 when hand-broken ballast was available at lower rates. The extra expenditure incurred on 0.49 lakh cubic metres of machine crushed ballast so procured was 1.6 lakhs. Comparable rates in regard to the remaining quantities are not available.

4.8 No valid explanation has been furnished by the Railway Administration as to why machine crushed ballast was preferred, though it was costlier than hand-crushed ballast. Even after this practice was objected to by the Divisional Accounts Officer in Nobember, 1964, the Railway continued to procure machine crushed ballast for more than two years till, in April 1967, instructions were issued that tenders for supply of ballast should be called for without specifying either hand crushing or machine crushing.

4.9 The Committee would like to be informed why it took over two years after the Divisional Accounts Officer had objected to the payment of higher rates for machine crushed ballast for the Railway Administration to rectify the position.

[S. Nos. 94-96, Appendix VII, Para Nos. 4.7—4.9 of 116th Report, Fourth Lok Sabha].

Action Taken

Para 4.7

The observations of the Committee are noted.

Paras 4.8 & 4.9

As regards the point as to why machine crushed ballast was preferred though it was costlier than the hand broken ballast it may be mentioned that in 1962 Bhavnagar and Rajkot Divisions started experiencing difficulty in procuring ballast conforming to specification leading to considerable delay in collection. It was felt this difficulty could be overcome by resorting to purchase of machine crushed ballast.

The matter was, however, brought to the notice of the Headquarters office only in December, 1964 seeking a policy decision, The connected subject of installing mechanical crushers by the Railways at suitable railway quarries was discussed in the Chief Engineers, Conference in May 1965. Through discussion the Western Railway obtained a clarification from the Board that it was not essential that the Railway should undertake the provision and operation of mechanical curshers, but it would suffice if machine crushed ballast was obtained through contractors. In June 1965 the Vigilance Branch of the Railway Board asked the Vigilance Cell of the Western Railway to submit a report on the implications of purchasing machine crushed ballast on long term basis *vis-a-vis* hand broken ballast on short term basis. On the basis of the report of the vigilance Cell, the Headquarters office examined the matter and instructions were issued to the divisions in October, 1965 indicating that tenders should be invited for machine crushed ballast only when the value of the ballast supply exceeded Rs. 1 lakh and such tenders were to be forwarded to the Headquarters office for a decision. In December 1965 the divisions were asked to call quotations for hand broken as well as machine crushed ballast in all cases to assess the comparative cost.

In regard to the number of contracts for machine crushed ballast placed after November 1964 it is submitted that 4 tenders were accepted for machine crushed ballast between Nov. 64 and May 65 pending a policy decision from the Head quarters office. After May 1965 only 2 tenders were accepted for machine crushed ballast. In the first case, tenderers were asked to quote alternative rates for machine crushed as well as hand broken ballast but only one tender was received quoting rates for machine crushed ballast. As no alternative rates were quoted for hand broken ballast, the tender was accepted under the normal procedure. In the second case, a tender for machine crushed ballast only was invited under the orders of the Dy. Chief Engineer (Bridges) purely on technical considerations as the ballast was required for use in cement concrete work for constructing a major railway bridge in the Rajkot Division.

In reply to a question asked by the Committee regarding the scale at which machine crushing of ballast was available to make the prices for their supply competitive, the Board gave the reply that 14 contracts were in force in 1963 in Bhavnagar Division for supply of machine crushed ballast *vide* para 4.3 of the Report. On verification by audit, it has been found that there were only 7 contracts during 1963 and not 14. The error is very much regretted. The Board have taken up the matter with the General Manager, Western Railway for having supplied incorrect information and to fix responsibility and also take steps to prevent similar errors in future.

This has been seen by audit.

DA/Nil.

[O.M. No. 70-B(C)/PAC/IV/116 dated 31-12-70/ Pausa 10, 1892].

Recommendation

The Committee observe that, except for the coaling crane at Vijayawada, the other three cranes at Bitragunta, Basin Bridge and Rajahmundry are working well below their rated capacity of 360 tonnes per day. Efforts should be made to improve their performance, as otherwise one of the basis objectives of mechanisation, namely reduction in the cost of handling coal, would be defeated.

[S. No. 133, Appendix VIII para No. 7.24 of 116th Report, 1969-70]

Action Taken

The working of the coaling cranes at Basin Bridge, Bitragunta, Vijayawada and Rajahmundry has been further examined and it is observed that the average loading per day since the commissioning of the cranes at Vijayawada, Bitragunta and Rajahmundry is as follows:—

	Vijayawada	Bitragunta	Rajahmundry
	(Tonnes)	(Tonnes)	(Tonnes)
Average loading per day on the days the crane worked. . . .	266.000	136.000	149.000

2. In respect of the Vijayawada crane, it is regretted that figure of output of 350 tonnes per day given earlier was not found correct on audit verification, although the maximum loading of 350 tonnes per day was achieved on 113 days. In regard to the crane at Basin Bridge, a statement showing the quantity of coal handled by it during the period November 1970 to April 1971 is enclosed indicating also the reasons for non-utilization of the crane on certain days in a month. It would be observed that, even allowing for certain days of inaction due to weekly maintenance and minor repairs, a daily average output of 264 tonnes has been maintained during this period.

NOTE: For computing the figure of loading, when substantial loading has been done by cranes, it has been treated as "working day" for the crane. Instances of minor break downs or power shut-downs etc. or marginal cases of crane having worked for short time on a way may have been ignored for arriving at 'Working' or 'Non-working' days.

3. All the 4 cranes are capable of performing to their rated capacity of 350 tonnes per day as it is established that on 113 days 350 tonnes per day or more are loaded by Vijayawada crane. About 50-70 tonnes have to be loaded in yard by head loading for shunting engines. It is not always possible to ensure 100% loading by crane as at times there may not be appropriate type of coal in the bin or no coal at all due to poor flow of wagons and at other times due to the necessity to lift coal lying outside the bins which had to be unloaded there to prevent detention to wagons received in big bunch; otherwise the coal would have perished.

4. As the daily consumption of coal at Bitragunta and Rajahmundry is 200 and 190 tonnes respectively, the cranes are not working round the clock but only on single shift of 8 hours. The target that could be applicable for these two cranes would be 150 tonnes per day and the average loading is near about this target. In the case of Vijayawada also only two shifts of 8 hrs. each is worked. Taking into account the need of each loco shed, the working hours of the cranes have to be regulated to ensure economical working. However the position regarding the work done by these cranes would be continued to be watched and in case there is further reduction in the amount of coal to be loaded the question of finding suitable alternative use for these cranes would be examined and necessary action taken.

This has been seen by audit.

Encl:—One Statement.

[Ministry of Railways (Railway Board's) O.M. No. 70-B(C)-PAC/IV/116 dated: 25-1-1972]

Details of working of Goliath Crane—BBQ Shed—Period November 1970 *to April* 1971.

Month	Quantity handled by crane	Average daily output	No. of days the crane actually worked in the month	Reasons for the non-utilisation
1	2	3	4	5
Nov. 70	7514.200	250.473	24	2-11-70 —Weekly maintenance (8-16 hrs.) 10-11-70 — -do- 18-11-70 to 20-11-70 —Weekly maintenance—changing of first motor repairs to pulleys by shop staff—put into work at 13 hrs. on 20-11-70. 25-11-70 —Weekly maintenance (8-16 hrs.)
Dec. 70	8487.950	273.805	23	2.12 Weekly maintenance. 11.12 to 15.12 Attention to long travel gear and pulley key. 23.12 Weekly maintenance (8-16 hrs.) 30.12 -do-

1	2	3	4	5
Jan. 71	8333.225	268.814	27	21.15 hrs. of 3-1-71 to 3.40 hrs of 4/1—Renewal of wire rope that was cut. 6/1, 13/1 and 27/1/71—(8-16 hrs.) weekly maintenance.
Feb. 71	8125.200	290.186	23	3/2 and 10/2 —Weekly maintenance (8-16 to 8-18 hrs.) 14/2 (13-18 hrs.) Attention to the broken long travel gear shaft. 17/2 & 27/2 —Weekly maintenance.
Mar. 71	8253.100	266.261	26	10/3—Weekly maintenance (Elect. Br.) 13/3—Weekly maintenance (Mechl.) 24/3—Weekly maintenance. 26/3—17.00 to 22.00 Welding of the grab which gave up. 31/3—Weekly maintenance.
Apr. 71	7069.550	235.651	22	7/4, 15/4 & 28/4 — Weekly maintenance. 10/4—Main rope snapped. 11/4—Welding of grab and hear pin (1.30—17.15 hrs.) 16/4—Stopped for grab changing—Attended to pulley shaft.
Average.	7963.871	264.000	24	19/4—Attention to hoist gear bearing (7 to 10/30)

Recommendation

Para 7.122:

The Committee feel that, as the ship was a very old one, purchased as far back as 1929, a close survey of its condition was called for before salvaging operations were undertaken. The survey was entrusted to a foreign party when it could well have been done by Indian experts. The survey was obviously very perfunctory, as the estimate for salvaging was put at Rs. 57,000 against which the actual expenditure amounted to Rs. 4.45 lakhs. The Committee are not convinced by the explanation that there was no time available to call in Indian agencies for the survey and would like the matter to be further examined by the Railway Board with a view to fixing responsibility.

[S. No. 145 of Appendix VII, Para 7.12 of 116th Report of the P.A.C. 4th Lok Sabha].

Action Taken

Para 7.122:

As in the case of any accident it is first necessary to make a general survey of the situation with a view to decide the course of action to be taken for restoring the original position. In cases like the one under consideration, the ship generally gets tilted and also damaged, the extent of damage depending upon the severity of the storm or the conditions under which it ran aground. It is, therefore, first necessary to examine and formulate the procedure for dealing with the restoration. The ship has to be first righted *i.e.* it has to be put in proper position so that it can be hauled back to its based *viz.* Mandapam. A substantial portion of the ship must have gone under water and in the position in which it was, it would not have been possible to make a thorough examination or a detailed survey of the damages and the repairs required with any degree of accuracy. The survey was, therefore, meant to make the ship fit to be hauled to Mandapam where repair facilities by way of dry docking, etc. were available. Only after the ship is placed in proper position in the dry dock and when all parts become accessible that an accurate estimate of the damages, methods of repairs, expenditure involved, etc., can be made. It would, therefore, be seen that the survey which was made in Ceylon waters was only a preliminary survey not meant to estimate either the details of repairs or to decide whether it was worth repairing the ship or not. It may be mentioned that when a ship meets with such an accident it is the normal practice to undertake salvage operation unless it can be clearly seen that the ship is so severely damaged that it would not be worth salvaging or the cost of salvaging would be much more than its scrap value.

It is true that Ministry of Transport or other Indian agency was not consulted but as the ship was lying in Ceylon waters and rescue operations has to be conducted there it was considered expedient and necessary to consult the Ceylon Government and the Royal Ceylon Navy as they have experience and knowlege of such matters. Their advice, in this connection, can be considered to be as good as any other expert because apart from other factors they possess the knowledge of local conditions and of the sea waters around Ceylon. With regard to the condition of T. S. Goschen it may be stated that both the ships *viz*. T. S. Irwin and T. S. Goschen were purchased about the same time and T. S. Irwin is being utilised for ferry service between India and Ceylon by the Shipping Corporation even now. It would have been, therefore, incorrect to assume that T. S. Goschen was fit to be scrapped at that time on account of its age and just because it had run aground. It was not considered expedient at that time to leave the ship in Ceylon waters because the preliminary estimate did not indicate that the cost of salvaging and repairing it would amount to such a large sum as it has actually done. Unfortunately, due to several factors including adverse weather and sea conditions, etc., the salvaging operations were delayed and these factors amongst others increased the cost of salvaging the ship and its repairs. If we take into consideration the circumstances existing then and the conditions prevailing for 2 or 3 years subsequent to the accident involving T. S Goschen it would appear that a decision to give up the vessel in Ceylon waters and scrap it could not perhaps have been justified because after the ship was brought to Mandapam the question of its repair was seriously taken up. A reference was also made to the Ministry of Transport who appreciated the Railway's suggestion regarding finding alternative use for the surplus marine assets of the Southern Railway including T. S. Goschen and it was as late as middle of 1967 when it was decided that the Ministry of Transport do not require the use of T. S. Goschen for any other alternative purposes.

Taking these facts into consideration, the Ministry of Railways would respectfully submit that the circumstances of the case are not such as to warrant fixing of responsibility on any individual.

[O. M. No. 70-B(C)-PAC/IV/116 dated 31-12-70].

CHAPTER IV

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

Recommendation

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

2.21 Substantial numbers of wagons have been 'stabled' at different points due to lack of traffic. The information given by the Railway Board shows that the '*stabled empties*' ranged from 2,000 to 17,000 every year for periods ranging from 5 to 6 months during 1965-66 to 1967-68. Even these figures do not accurately reflect the extent of surplus wagons, as they do not take note of empty wagons stabled for less than ten days at a stretch. Besides, they show only empty wagons 'stabled', but not those that are hauled. The data given to the Committee shows that such empty haulage has gone up both on the broad gauge and metre gauge in 1967-68 as compared to 1966-67.

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

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

[S. Nos. 18 to 21, Appendix VII—Paras 2.20 to 2.23 of 116th Report —4th Lok Sabha].

Action Taken

2.20 *to* 2.23

The observations of the Committee are noted. The Action-taken notes on the observations by the Committee made in para 1.35 of the 49th Report (Fourth Lok Sabha) and also paras 1.11 to 1.13 of the 94th Report (Fourth Lok Sabha) are being submitted separately (Annexure).

[O. M. No. 70-B(C)-PAC/IV/116 dated 30-12-1970/Pausa 9, 1892].

ANNEXURE

Recommendations

The Committee are not happy to learn that wagons were purchased by Railways during the Third Plan "without detailed calculations". The estimation of wagon requirements 'on additional account' included in the Third Plan was 108,956 wagons, based on a traffic target of 249 million tonnes. In January, 1962, when the traffic target was revised to 264 million tonnes, provision was made for the purchase of 21,000 more wagons, on additional account. The actual number of wagons procured on 'additional account' was 116,410 or 13,546 wagons less than the estimated requirement for a traffic target of 264 million tonnes. Even if, as stated by the Railway Board, this estimate was not based on detailed calculations, it would appear that the additional procurement should have created a capacity more than the peak level capacity of 225 million tonnes estimated by Railways as having existed at the end of the Third Five Year Plan. Considering moreover, that the originating goods traffic moved in the last year of the Third Plan was only 203 million tonnes, it is evident that there was ample surplus wagon capacity with the Railways at the end of the Third Plan. Now that an appraisal of wagon requirements is being made for the Fourth Plan, the Committee would like to impress on the Railways and the Planning Commission the need to arrive at a reliable assessment of wagon capacity created, taking into account the change in pattern of movements and in the leads mentioned by the Railways, so that the acquisition of wagons on additional account is based on dependable estimates of surplus wagon capacity already existing.

[S. No. 9 of Appendix XI Para 1.35 of 49th report of the PAC (Fourth Lok Sabha).

Action Taken

The observations of the Committee are noted.

During the Second and Third Plans, physical planning for rail transport was done on incremental basis *i.e.* additional capacity being added to cope with anticipated additional traffic. This method was based on the assumption that the capacity existing at the beginning of the Plan was more or less adequate to requirements—and did not take into account additional requirements of wagons in respect of traffic already moving due to changed pattern, increased lead etc.

This in turn meant adoption of one set of turnround for the basic wagon fleet and another for the incremental fleet to be built up. Consequently when the traffic pattern, in terms of commodity mix, as well as leads of loaded and empty movement, altered substantially, the gap between the wagon fleet and the actual requirements of traffic widened. As a result there was an imbalance in the availability of transport capacity at the end of the Third Plan. Actual requirements of wagons were also more than what was calculated due to increased turn-round arising out of several constraints like limited section and terminal capacity, increased lead, higher percentage of empty haulage etc.

In this connection it is also submitted that taking the above factors into consideration, a review of the availability of rail transport at the end of the Third Plan and the further requirement of wagons has since been made. This review revealed that at the end of the Third Plan, the Railways had only a marginal surplus of 4363 wagons on the broad gauge and as shortage of 1612 wagons on the metre gauge. The earlier assessment of capacity of 225 million tonnes at the end of the Third Plan related to the 'peak loading capacity, against which the capacity for sustained movement for the year as a whole was only around 205 million tonnes.

The methodology now adopted for the assessment of wagon requirements during the Fourth Plan taken sinto account the total wagon requirement at the end of the Plan for the entire traffic anticipated giving due consideration to the change in the pattern of traffic and increase in the lead of movement. After having assessed the total wagon requirement at the end of the Plan for the anticipated level of traffic, the actual holding at the beginning of the Plan has been deducted to arrive at the net additional requirement during the Plan period. This new methodology of calculating wagon requirements on the overall basis, thus takes into account any shortage/surplus capacity at the beginning of the Plan.

Comments of Audit

During the Third Plan the procurement of wagons corresponded to to an average of 1,260 four wheelers for moving an additional one million tonnes of originating traffic. From the calculation adopted now incorporating certain refinements stated to have been made in the assessment of wagon requirements it is seen that the number of wagons required to move one million tonnes of originating traffic (for sustained movement) is now 1, 893 wagons on the B.G. and 2,798 wagons on the M.G. for 1965-66 level of traffic. The average number of wagons required for carrying one million tonnes of originating traffic had, thus, gone up by more than 50% on the B.G. The possible argument for this increase would be that the lead had increased and that the change in pattern and composition of traffic would also affect the wagon requirements. It is, however, seen from a detailed scrutiny of the calculations made in April, 1968 that, apart from the lead, the other important factors greatly influencing the wagon requirements are (i) speed of the goods trains, (ii) loadability and (iii) detentions at yards, terminals etc.

While we are not in a position to offer any remarks on the leads assumed for the various commodities in the assessment of wagon requirements the assumptions made in respect of other factors calls for a review in the light of following observations:—

The speed adopted in the case of specific commodities like coal and raw materials to steel plants, coal to washeries and iron ore traffic for export is 23 kilometres per hour during 1965-66. This is lower than the actual average of all goods trains during 1967-68 *viz.* 23.4 for diesel and 24.5

for electric locos. In respect of bulk movements of commodities like coal, steel, iron ore etc. where dieselisation/electrification has been done to a greater extent than for other commodities and in view of the possibilities of running block loads etc. the actual speed may be still higher than even the averages. It is further noticed that the same speed adopted in the calculations for 1965-66 has been maintained in the projections at the end of 1973-74 (the last year of the Fourth Plan). For these and other commodities that move in bulk and are being hauled by diesel and electric locos the speed of 23 KMPH assumed in the calculations for wagons required at the end of Fourth Plan, appears to be rather low. The movement of some other commodities like P.O.L. and food grains which move largely in bulk quantities (the latter larticularly during peak period) also needs an adoption of a higher speed than what has been assumed in the calculations. The assumption of realistic speed w.r.t specific commodities acquires more importance in view of the fact that the quantum of traffic hauled (net tonne kilometres) over diesel and electric traction has increased from 55% of the total traffic in 1965-66 to 64% during 1967-68 an increase of 9% in two years and would no doubt progress further.

The time allowed for detentions at marshalling, terminals etc. also needs a more realistic assumption particularly in respect of commodities which move in block loads without need for marshalling enroute owing to greater adoption of long distance marshalling etc. With the augmentation of capacity in the important marshalling yards and terminals already achieved during the third plan period, there should be a progressive dreduction in the detentions at these points. It is, however, seen from the details of wagon assessment for 1973-74 longer periods of detentions in yards and terminals have been adopted for most of the commodities, compared to the corresponding figures adopted for the assessment for 1965-66.

It is, further seen from the detailed calculations that the estimated running time in hours has been, in many cases, rounded off to the next higher figure in days. For example 1.8 hours for washeries, 17 hours for raw materials to steel plants and 14 hours for Railway Materials have been rounded off to one day. The net effect of such rounding off to a higher figure has been to increase the calculated requirements of wagons by about 7,000 wagons on B.G. for 1965-66 level of traffic.

The allowance made for peak traffic also needs reconsideration as the excess wagons acquired on this account remain idle during the non-peak season and it must be examined whether the peak traffic requirements should not be net by a more intensive utilisation of wagon stock rather than by providing a cushion of wagons on this account.

In the circumstances stated above we are unable to accept the draft action taken note in its present form which needs to be modified in the light of the above observations.

Governments' reply to audit comments

It has been brought out earlier that during the Second and Third Plans, physical planning for rail transport was done on incremental basis *i.e.* the additional capacity being provided only to cope with the anticipated additional traffic. This method was based on the assumption that the capacity existing at the beginning of the respective Plan was more or less adequate to meet the requirements. Besides, as pointed out earlier, the requirements for the additional traffic were not based on any detailed calculations, as already observed by the PAC in recommendation No. 9. In fact the initial procurement programme during the Third Plan period corresponded to about 1260 wagon per million tonnes of additional traffic. That this figure was unrealistically low would be clear from the particulars given in Annexures I and II attached. It would be seen that the minimum requirement for BG wagons works out to 1635 and 2567 wagons per million tonnes of traffic in heavy and light commodities respectively, the requirement on the MG being still higher. Annexure II brings out the number of wagons actually utilised per million tonne of traffic carried (originating and transhipment) at the end of the Second and Third Plans. It will be seen from the latter that but for a slight marginal excess in respect of BG stock at the end of the Third Plan which was also due to imbalance in the Commodity mix (requiring different type of stock), improvement was maintained.

However, in order to arrive at realistic assessment for procurement of rolling stock the system of calculation of wagon requirements on the over all basis (distinct from the incremental traffic) has now been introduced for the Fourth plan period. In this, the average lead of traffic, turn-round and the percentage of empty haulage etc. are taken into account and then suitable allowance for meeting the peak demand is made. In these calculations, the turnrounds were objectively calculated in detail for every commodity based on the leads of movement, terminal detentions, speed of trains, average load of wagons and the proportion of empty running. As a result the calculations of wagon requirements for the Fourth Plan represent an over all turnround of 11.9 days on the B.G. and 8.8 days on the MG. Both these turnrounds are considerably lower than the turnrounds then prevailing. The actual average turnround during the year 1967-68 was 12.6 on BG, 9.5 on the MG and during 1968-69 was 12.7 on the BG and 9.69 on the M.G. In order to see if the procurement during the Third Plan was excessive, a similar exercise was undertaken for the 1965-66 level of traffic and the conclusion has already been brought out earlier.

In order to judge the actual utilisation of rolling stock on the overall basis, the following indices are noteworthy:—

TABLE I

Number of wagons (in terms of 4-wheelers) utilised to move one million NT Kms per day expressed in terms of standard carrying capacity

Year	B.G.	M.G.
1950-51	1402	2771
1965-66	1066	2040

TABLE II

Net tonne kilometeres moved per annum per tonne of capacity

Year	B.G.	M.G.
1950-51	11833	9021
1965-66	15567	12255

It would be seen that there has been consistent improvement in the utilisation of rolling stock, which would not have been possible, had any surplus capacity been provided as made out by the Audit.

In this connection, a comparison of the utilisation per tonne of wagon capacity on the Indian Railways with that on certain advanced Railway systems in the world is also interesting:—

TABLE III

Net tonne kilometres moved per annum per tonne of capacity.

Indian Government Railways (BG) 1965-66	15,567
British Railways (1966)	2,529
Canadian Pacific Railway (1964)	13,229
French National Railways (1964)	7,346
German Federal Railway (1964)	7,279
Italian State Railways (1964)	5,226
Japanese National Railways (1964-65)	25,310
U.S. Class I Railroads (1965)	11,623

It will be seen from the particulars given above that the utilisation of the rolling stock capacity compares favourably with that on Railway systems of other countries and is second only to the Japanese National Railways.

This Ministry would also like to clarify that details of speed are not being maintained commodity-wise nor is it practicable to do so and, therefore, the figures of speed adopted in respect of each specific commodity for the purpose of calculating wagon requirements are based on the general experience in this respect. It may be pointed out that the pilots and the section trains for collection and dispersal of traffic are still worked by steam locomotives. Even in respect of goods trains, thereare several areas where the traffic moves under mixed traction or completely under diesel traction. The effect of increasing density of traffic on speed of trains has also to be taken into account.

Likewise, with the increasing lead of traffic, incidence of marshalling also increases, affecting the turn round.

It has also to be appreciated that while working out the requirement on 'all Railway' basis, it is not possible to reach the same degree of accuracy for such a vast network as would be possible, if the calculations were to be made for an individual section only. In the former cases, wieghted average as all that can be considered based on a reasonable assessment. It is for this reason that rounding off in terms of full or half day has been done. While in certain cases the rounding off is to be the higher half or full day, in certain other cases, it is to the lower figure.

Regarding allowance for peak traffic, it may be pointed out that the peak loading is considerably higher *viz.* of the order of about 15% as compared to average monthly loading. When this loading is compared with the lowest loading in any month, the variation is as high as about 25%. This entire gap cannot be bridged by intensive utilisation of the rolling stock as during this period even the line capacity is under severe strain. As such peak allowance has been made for various commodities at only 7% to 10% of the bare requirements; the balance fluctuation is catered for by improved utilisation of the rolling stock as would be seen from the month by month utilisation figures which is best during the peak months. Unless allowance to some extent is made for peak traffic it would not be possible to meet the requirements of traffic during the busy season and with competitive road transport system the traffic would be further diverted to road. Even with this peak allowance and the better utilisation of assets, some staggering of traffic has to be done.

ANNEXURE I

Requirement of wagons for carrying one million tonnes of originating traffic per year

(a) Heavy commodities

B.G.

Daily loading for heavy commodities	1125	wagons
Minimum requirement on the basis of turn-round as at the end of the Second Plan (11.2 days).	1400	wagons
Add 10% for peak	140	,,
Total Bare	1540	,,
Add 4% spare (on lines)	64	,,
	1604	,,
Add B/vans at 1/50 plus (on bare) 8% for spare	34	,,
Grand Total	1638	,,

(b) General Goods

B.G.

No. of wagons required daily for 1 million tonnes per annum	196
Bare requirement on theb asis of 11.2 days turn-round as at the end of Second Plan.	2195
Add 10% for peak	220
Total	2415
Add 4% spare	100
	2515
Add B/van @ 1/50 and 8% spare.	52
Grand total	2567

ANNEXURE I

	At the end of Second Plan*		At the end of Third Plan**		Anticipated at the end of Fourth Plan**		Addl. Fourth Plan over Third Plan calculations.	
	BG	MG	BG	MG	BG	MG	BG	MG
No. of wagons (in terms of 4-wheelers including departmental and brake vans) .	230440	99125	314516	110295	411761	121538	97235	11243
Tonnes carried (in millions including transhipment traffic. .	129.22	43.25	174.62	52.51	234.31	58.51	59.69	6.00
No. of wagons (per million tonnes of traffic). .	1763	2292	1801	2100	1757	2077	1629	1874

*2nd Plan holdings as on 31-3-1961 including Departmental and Brake Vans in terms of four-wheelers are actuals.

**For Third and Fourth Plans, these are according to calculations of requirement as furnished now.

Further comments of Audit

Our earlier remarks were in the context of the reply given by the Railway Board that the actual wagon holdings as at the end of 1965-66 had a 'capacity' for sustained movement of only about 205 million tonnes of originating traffic, even though the target for procurement of wagons itself was related to the plan target of about 264 million tonnes of originating traffic as in January, 1962. It was also observed that the actual 'capacity' as now given by the Railway Board roughly correspond to the actual traffic which materialised during 1965-66. It was, therefore, inferred that the assumptions regarding the various criteria that determine wagon usage, *viz*. lead, loadability, empty return ratio, detention at yards etc., were such as to yield such a result. It would, however, be appreciated that 'capacity' must be taken in terms of what the wagon fleet is capable of carrying if the various criteria adopted represented the best achievement possible rather than what was actually achieved. It was in this connection that various improvements effected in the method of traction, in the running of trains in bulk loads and traffic facilities created to ease the movement of traffic etc., were referred to further. it was in this context that the assumption of deteriorating figures for detention for various commodities in the exercise regarding wagon requirements for the new Fourth Plan when compared with the exercise made for 1965-66 was noted and was also pointed out that approximations in calculation like rounding off in 1965-66, had the net effect of increasing wagon requirements by 7000 four-wheelers. As regards the peaking allowance the point that was sought to be made was that this traffic should be met by better utilisation of wagons rather than by maintaining a cushion of wagons and that this should be reflected in the criteria adopted for calculation of wagon requirements. We should draw attention to the fact that a similar observation has been made in Para 5.22 of the report of the Study Team of the Administrative Reforms Commission on Railways.

The essential point thus is, how, considering the capabilities of the wagon fleet in terms of facilities available to the Indian Railways, does the actual utilisation compare with such capability ? It is here that we are unable to accept the Railways' plea that the wagon fleet as at the end of 1965-66 was capable of transporting only 205 million tonnes of originating traffic. As an indication of the probable capability, the performance of the wagon fleet in 1965-66 in terms of net tonne KM per wagon per day could be compared to the performance of the wagon fleet in 1962-63, when pattern of traffic was similar. It would then be seen that on the Broad Gauge there is a deterioration from about 1007 net tonne KMs per wagon day in 1962-63 to about 934 in 1965-66. Without asserting that exact computation of the actual surplus of wagons on Broad Gauge is possible on this basis, it can still be preferred that if the performance of 1962-63 had been repeated in 1965-66 considering the total number of KMs., of traffic transported in 1965-66, the wagon fleet as at the end of that year seems to be surplus by about 42,780 four-wheelers. Since 1962-63 is a year close to 1965-66 there would be no basis for asserting that this is an unrealistically ideal target to achieve. If further allowance is made for improvements in terms of further dieselisation, electrification, marshalling facilities etc. it can be asserted that what is feasible in the changed conditions after 1962-63 should be even better. We have no further remarks to offer and in case Railway Board still differ from what we have stated we would suggest that our remarks may also be forwarded together with Railway Board's action-taken note to the Public Accounts Committee.

Govt's reply to audit's further comments

In the year 1962-63, the Railways carried 18.3 million tonnes of additional originating freight traffic which represents the highest increase in the freight traffic handled in the Indian Railways so far in any single year. On the other hand, during 1965-66 agricultural production suffered a severe set-back and the increase in Industrial Production was only modest. So much so, the additional originating freight traffic carried by the Railways during that year amounted to only about 9.2 million tonnes. In the circumstances, it is difficult to accept the contention that the patterns of traffic during 1962-63 and 1965-66 were similar. Besides, 1962-63 followed the transport crisis of the early sixties and over 65,000 indents were outstanding on Broad Gauge alone at the end of the year, which came down to 20,984 at the end of 1966. The heavy outstanding indents in 1962-63 not only indicated a large unsatisfied demand but ability of the Railway to pick up traffic in bulk, which was no longer possible in 1965-66 due to low level of indents. The utilisation in one single year specially in 62-63 when there was a transport crisis and wagons were being utilised at the cost of maintenance, cannot, therefore, be taken as a criterion for calculating wagon requirements. The very fact that the same utilisation was never achieved before or thereafter also shows that that year was peculiar in itself. In the circumstances, it does not seem correct to project the performance in 1962-63 into the year 1965-66 as a basis for comparative judgement and quantification of Railways transport capacity in view of the changes in the various factors affecting the Railway's transport capacity that had taken place during the intervening period. This Ministry would like to submit that for assessing wagon procurement during the Third Plan the correct criterion would be to judge the transport capacity based on the norms as at the end of the Second Plan and it would be seen from the particulars given above that the real misunderstanding has arisen due to unrealistically low figure of wagon requirement per million tonnes of traffic, initially calculated for the Third Plan level of traffic.

In this connection it may also be submitted that the various factors including change in the pattern of traffic have already been brought out in the discussions relating to para 11 of the Audit Report Railways 69 as given in the 116th Report.

[O.M. No. 70-B(C)-PAC/IV/49 dated 3-2-71/Magh 14, 1892.]

Further Comments of Audit

The Ministry of Railways have stated that the patterns of traffic in 1962-63 and 1965-66 were not similar. A comparison of the freight traffic under broad categories of commodities, handled in 1962-63 and 1965-66 would show that the composition of traffic are in fact comparable. Since the results achieved in 1962-63 were the best results of utilisation for similar pattern of traffic, it would be appropriate to take these results for purposes of comparison. It was in this context, that we observed, that the deterioration in the performance (*viz.* from about 1007 net tonne km. per wagon day in 1962-63 to about 934 in 1965-66) has resulted in an under-statement of the existence of surplus wagon capacity. It is not clear as to how the no. of indents outstanding would be indicative of the Railways capacity to pick up traffic.

In the last two sentences of their note, the Ministry of Railways have stated that (for assessing wagon procurement during the Third Plan the correct criterion would be to judge the transport capacity based on the norms as at the end of the Second Plan and that a misunderstanding had arisen due to unrealistically low figure of wagon requirement per million tonnes of traffic, initially calculated for the Third Plan level of traffic. In effect, the Ministry of Railways seem to be repudiating the norms adopted by the Railways themselves for determining the III Plan target for wagon procurement) in the changed context of non-materialisation of traffic whereas the IIIrd Plan target for wagon procurement was fully achieved. It is pointed out that our remarks here aimed at demonstrating that the performance of the Railways in 1965-66 had deteriorated not only with reference to the norms adopted by the Railways themselves for III Plan target of wagon procurement but also with reference to their own past performance in the recent past in 1962-63 (*viz.* 1007 net tonne km. per wagon day) and that there would be surplus wagons by about 42,780 four-wheelers on this basis also. The Railways have in reply repudiated this basis also by referring to variations in patterns of traffic and insisting that 1962-63 was also a peculiar year. It has already been pointed out that the composition of traffic in 1962-63 was comparable to that of 1965-66 (the last year of IIIrd Plan). It is further seen that the performance in 1960-61 and 1963-64 in terms of N.T. km. per wagon day was 998 and 987 respectively which are very near the performance in 1962-63. It is therefore, clear that year 1962-63 could well serve as a reliable basis for arriving at some idea of the capability of the wagon fleet as at the end of 1965-66 to carry traffic.

The Railways calculations, it is reiterated, on the other hand make no such objective effort at establishing the 'capacity' of the wagon fleet to carry traffic but have been designed to prove, by adoption of (actuals of performance in relation to speed detentions, loadability approximations in calculations etc.) in that year, that the wagon fleet was 'capable' of carrying no more than what it did in fact carry. This cannot be accepted as a reliable calculation of wagon capacity. It is incidentally pointed out that the performance of the wagon fleet in terms of N.T. kms. per wagon day (BG) has further deteriorated to 905 and 916 in 1968-69 and 1969-70 respectively.

CHAPTER V

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

Recommendation

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

(i) Systematic efforts will have to be made to economise on working expenses. The two major components of working expenses are the staff and fuel bills. Out of the total working expenses of Rs. 693.31 crores in 1967-68, these accounted for Rs. 212.29 crores and Rs. 127.83 crores respectively. In regard to the staff, the growth of expenditure has been disproportionate to the growth of traffic. The Committee have made certain suggestions in this regard in para 1.28 of their Ninety-Fourth Report (Fourth Lok Sabha) which they would like to be implemented.

[S. No. 3, Appendix VII, Para 1.8 of the 116th Report of the PAC (4th Lok Sabha)].

Action taken

The observations of the Committee are noted. The suggestions (Annexure) made by the Committee in para 1.28 of the 94th Report (4th Lok Sabha) are separately under consideration and the final decision taken would be intimated to the Committee in due course.

This has been seen by Audit.

[O.M. No. 70-B(C)-PAC/IV/116 dated 30-12-1970/Pausa 9, 1892].

ANNEXURE

Recommendation

Para 1.27. The Railways have since 1966-67 been running up deficits. Their wage bill is over Rs. 350 crores and is the largest single component of their working expenses. It is, therefore, hardly necessary for the Committee to say that the Railways should keep their expenditure on staff under close watch. The Committee note from the replies furnished by the Railway Board to their observations in this regard in the Sixtieth Report (Fourth Lok Sabha) that reviews conducted by the Efficiency Bureau have shown an increase in staff strength "disproportionate to increase in workload" not only in administrative but also in operational and maintenance categories.

Para 1.28. So far as other Departments and Ministries of Government are concerned, there is an independent agency in the nature of a Staff Inspection Unit in the Ministry of Finance which is charged with the work of conducting norms studies and reviewing the staff position. The Committee feel that it would be a distinct advantage to have a similar arrangement in the case of the Railways also. By suitably reorganising the existing agency created for this purpose, an independent unit could be constituted with a charter of duties similar to that of the Staff Inspection Unit. This independent unit should be entrusted with works study and job analysis and asked to review the position in the various departments of the Zonal Railways on a phased programme. The details of the organisational set-up should be worked out by the Railway Board. But to ensure that it functions as an independent unit like its counterpart in the Ministry of Finance, the proposed unit should be placed under the Finance representative on the Board, namely the Financial Commissioner, Railways.

[S. No. 10 and 11 Appendix Paras 1.27 and 1.28 of the 94th Report of the PAC (Fourth Lok Sabha)].

Action taken

Para 1.27.

The observations of the Committee are noted.

Para 1.28.

The recommendation of the Committee requires exhaustive consideration from all aspects. The matter is under examination and the Committee will be advised of the final action taken in due course.

This has been seen by audit.

[Ministry of Railways (Railway Board)'s O.M. No. 70-B(C)-PAC IV/94 dated 26th October, 1970/Kartika 4, 1892]

Recommendation

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

[S. No. 10, Appendix VII, Para 1.28 of the 116th Report of the PAC—(4th Lok Sabha)]

Action taken

The suggestions of the Public Accounts Committee may be summarised as under:—

(*i*) The State Governments should be moved to regulate the grant of licences and permits for the operation of road transport services or the introduction of new road services so as to eliminate any possible conflict of interest between different modes of transport; and

(*ii*) A representative of the Railways may be associated with the State Transport Authority or other bodies which are in charge of the grant of licences or permits for operation of road transport services.

2. With regard to item (i) a similar suggestion was made by the Uneconomic Branch Lines Committee, 1969 in their report. The matter was referred to the Ministry of Shipping and Transport who have recently written to the State Governments stressing that the present unrestricted competition from road transport has to be regulated and coordinated so that the rail services, which are run to serve the public become viable.

3. Regarding item (ii) of para 1 above, the matter was considered in consultation with the Ministry of Shipping & Transport in connection with the similar suggestion contained in the report of Administrative Reforms Commission. The State and Regional Transport Authorities are appointed by the State Governments and Union Administrations under section 44(2) of the Motor Vehicles Act, 1939. Under the existing provisions of the Act, there is an absolute ban on the appointment of a person who has any financial interest, whether as proprietor, employee or otherwise, in any transport undertaking from being appointed, or continuing, as a member of these Authorities. The expression 'any transport undertaking' has been construed to include the Railways also. The conclusion was then arrived at that there were legal bars to a representative of the Railway being included in the State and Regional Transport Authorities.

The matter is, however, being examined further and the Committee will be advised of the result in due course.

D.A./NIL

[O.M. No. 70-B(C)-PAC/IV/116 dated 31-12-1970/Pausa 10, 1892]

Recommendation

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

[S.No. 14, Appendix VII Para 1.56 of 116th Report of the PAC (4th Lok Sabha)]

Action taken

Necessary data as required by the Government Actuary is being collected from all the Railways and Projects. As sson as they are completed, they will be processed in the Form prescribed by the Government Actuary and sent to him for re-assessment of the contribution to the Railway Pension Fund.

Audit comments

Seen. The Board are requested to kindly indicate the time required for the collection of the necessary data and its further processing as per programme drawn up by the Board in this regard. This is considered necessary as the Committee desired that the reassessment of the contribution to the Pension Fund should be made expeditiously.

Railway Board's further remarks

The requisite data up to 31-3-1970 has been called for from the Railways and till now the information is awaited from the majority of the Railways. Railways have indicated that they will take some more time to furnish the requisite data as the statistical data required to be collected covers all the serving and retired employees coming within the purview of Pension Scheme in various annexures prescribed by the Controller of Insurance. Urgency of furnishing the requisite data has been stressed on the Railways more than once. Originally, the Railways were asked to furnish the data by 27-10-70. This target date is now being extended upto 31-1-71 as it has not been possible for Railways to adhere to this schedule due to time involved in collection of data from subordinate/executive officers spread over the entire system.

Besides, it is learnt that the Assistant Controller of Insurance would be coming down sometime in the middle of this month for preliminary discussions.

Thus, the question of reassessment of contribution to the Pension Fund is dependent on:

(i) the availability of the requisite data from all the Railways up to the close of the financial year 1969-70; and.

(ii) the convenience of the officer of the Controller of Insurance, Simla to examine and assess the data collected.

Every effort is being made to finalise the reassessment as expeditiously as possible and the Committee would be further addressed shortly in the matter.

This has been seen by the Audit.

D.A./NIL

[O.M. No. 70-B(C)-PAC/IV/116 dated 23-12-70]

Recommendation

Para 2.95.

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

[S. No. 39, Appendix VII, Para No. 2.95 of 116th Report of the P.A.C. (Fourth Lok Sabha)].

Action taken

Para 2.95

The matter is still under correspondence with the Dy. Salt Commissioner, Bombay who has advised that the salt merchants wanted to have a plan and estimate for 380'x35' jetty and the warehouse. This estimate has been prepared and sent to the Dy. Salt Commissioner, Bombay. In accordance with this estimate, the amount chargeable to the Ministry of Industrial Development, Internal Trade and Company Affairs would be Rs. 10,11,550 and to the Salt Merchants Rs. 5,21,100. The consent of the .Dy Salt Commissioner to the revised estimate is awaited.

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

"The position stated in reply to para 2.95 is under verification by local audit office and further communication would follow on receipt of reply from him."

[Ministry of Railways (Rly. Board) O. M. No. 70-BC-PAC/IV/116 dated 22-10-70, 1/0Kartika, 1892]

Recommendation

"The Committee observe that 11 out of 12 vibrators purchased by the Central Railway at a cost of Rs. 28,200 in 1962 have not been put to use due to defects which the firms have not been able to remove. As even replacements supplied by the firm in respect of some of the vibrators proved defective, the matter should be brought to the notice of DGS&D who should examine whether there is any design defect in the equipment and then take suitable action."

[S.No. 108 (Para 5.55) of Appendix VII to the 116th Report (Fourth Lok Sabha)].

Action Taken

The indent for these vibrators was placed during 1961. At that time there was no standard specification drawn up by the Indian Standard Institution and the store was of a developmental nature. The indentor had furnished the relevant technical date such as the type of vibrator whether externally or internally, frequency of vibration, the diameter of the needle, the type of engine whether petrol or diesel etc. No design was however furnished by the indentor. The order was placed as per the technical date given by the indentor and the responsibility for the design rested with the manufacturer. It was not the responsibility of the inspector to check the design but to carry out the inspection in accordance with the specification laid down in the acceptance of tender.

[Ministry of Supply]

Recommendation

The Committee would also like an enquiry to be made into the basis on which the Director of Inspection of the DGS&D approved defective concrete immersion vibrators and the result to be communicated to them.

[S. No. 109 (Para 5.56) of Appendix VII to the 116th Report (4th Lok-Sabha)]

Action taken

The Acceptance of Tender was placed on 26-9-1961, and records of the Director of Inspection, Calcutta are not available, the case being over 8 years old. The supply was inspected on 5-12-1961 and in the absence of inspection records, it is not possible to say how the stores were inspected and what tests were conducted before acceptance of the equipment. It appears from the records available with the Purchase Organisation that the supplying firm were informed about the defective supplies with the request to rectify the defects *vide* consignee's letter dated 30-5-1962. A copy of this letter was not endorsed to the DGS&D. On 15-12-1962, the Controller of Stores, Central Railway, addressed the DGS&D saying that although the firm were asked to rectfy the defects, they had neither rectified the defects nor replaced the defective equipment. DGS&D were.

therefore, requested to urge the firm to replace the defective vibrators or to bear rectification charges/hire charges for similar vibrators from local dealers till such time as the Original Vibrators were made serviceable. The matter was accordingly taken up with the firm on 17th March, 1963. It needs to be mentioned that the details of defects noticed in the vibrators were not mentioned in any of the letters and this was made available to the DGS&D in the Controller of Stores, Central Railways' letter dated 12-6-64., whereunder a copy of consignee's report dated 6-7-1962, was forwarded. Consignee's letter dated 6-7-1962, which was addressed to the firm, was neitheir addressed to the Purchase nor the Inspection wing of the DGS&D. In the aforesaid letter, the defect observed in the vibrators was heating of the clutch operating gear. Such heating of the clutch could be due to several reasons including over-loading.

2. A joint inspection of the vibrators was held at the consignee's end on the 19th Feb' 70. These vibrators did not bear the original inspection mark. As the stores had been supplied in 1962, it is possible that the inspection mark had altogether faded out due to lapse of time or by repainting etc., or the original vibrators had been replaced by new ones. Further it was observed that these vibrators differed materially in specifications from those which were originally ordered. In the circumstances, it has not been possible to make any investigation into the matter.

[Ministry of Supply]

Recommendation

5.108 The Committee note that the question of recovering liquidated damages from the firm for the delay in supply is under investigation. The Committee would like to be apprised of the decision in this regard. There would also appear to have been some delay in completing inspection of certain lots of supply made by the firm. It should be examined why this delay occurred.

[S. No. 119, Appendix VII, Para 5.108 of the 116th Report of the PAC (4th Lok Sabha.)]

Action taken

5.108 The South Eastern Rly. is still examining the question of quantum of liquidated damages to be claimed from the firm on account of delay in delivery and further action will be taken to reecover the amount so assessed from the firm's bills.

As regards the delay in completing inspection of certain lots of supply made by the firm, the point was referred to the Ministry of Supply who have advised as under:—

"Certified true copies of the Purchase Order were received by the Director of Inspection, Calcutta only on 5-8-64 with E in C, Waltare, letter No. W/408-5/MB, dated 28/30-7-64. As the firm did not give any inspection call to him, he asked them to intimate the supply position. The matter was also taken up with the firm by the Distt. Engineer (D) I, Cuttack *vide* his letter No S/18/

11/1631, dt. 10-9-64. It was only on 26-4-66 that the firm requested the Director of Inspection, Calcutta for inspection. The stores were inspected on 13-5-66 and the same were released under Inspection Certificates dated 24-5-66.

From the foregoing para, it is quite clear that inspite of official correspondence by the Director of Inspection, Calcutta, with the firm, they neither approached him nor gave any inspection call till 26-4-66. The Inspection was completed within a month from the date of inspection call and as such their was no delay attributable to inspection."

A further reference was made to the Ministry of Supply regarding the receipt of firm's letters dt. 16-6-64, 24-7-64 and 14-7-65. The Min. of Supply have stated that the Director of Inspection, Calcutta has informed the Ministry of Supply *vide* his letter dt. 17-6-70 that he did not receive the firm's letters dt. 16-6-64, 24-7-64 and 14-7-65.

This has been seen by audit who have stated that the position is under verification by the AGCW&M.

[O.M. No. 70-B(C)-PAC/IV/116 dated 23-11-70/Agrahayana 2,1892.]

Recommendation

The Committee observe that no siding charges have been recovered from the party in this case, on the ground that the shunting involved in placing the wagons in the siding is the same as that necessary for placing the wagons in the goods shed (which the Railway would have done in the absence of the siding). The Committee, however, feel that the recovery of the charges being regulated by an agreement has to be made in terms of that agreement. The agreement with the party in this case provides for recovery of siding charges for placing/removing wagons in and from the assisted siding. The Committee would, therefore like the Railway Board to review the case and take necessary steps for effecting speedy recovery of the dues outstanding since April, 1950.

[S. No. 122, Appendix VII, Para 6.20 of 116th Report of the PAC (4th Lok Sabha)]

Action taken

In the light of the Committee's Recommendation, the matter is under detailed review. The Committee will be further advised of the results of the review as soon as possible.

[O.M. No. 70-B(C)-PAC/IV/116th, dated 31-12-1970/Pausa 10, 1892.]

NEW DELHI;
April 27, 1972
Vaisakha 7, 1894 (S)

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX I

Requirement of wagons for carrying one million tonnes of originating traffic per year

(a) Heavy commodities

B.G.

Daily loading for heavy commodities	— 1125	wagons
Minimum requirement on the basis of turn-round as at the end of the Second Plan (11.2 days.)	— 1400	wagons
Add 10% for peak	140	,,
Total Bare	1540	,,
Add 4% spare (on lines)	64	,,
	1604	,,
Add B/vans at 1/50 plus (on bare) 8% for spare . .	34	,,
Grand Total	1638	,,

(b) General Goods.

B.G.

No. of wagons required daily for 1 million tonnes per annum	—196
Bare requirement on the basis of 11.2 days turn-round as at the end of Second Plan.	— 2195
Add 10% for peak.	220
Total	— 2415
Add 4% spare	100
	2515
Add B/van@ 1/50 and 8% spare	52
Grand Total	2567

9 LSS/72—12

APPENDIX II

	At the end of Second Plan*		At the end of Third Plan**		Anticipated at the end of Fourth Plan **		Addl. Fourth Plan over Third Plan calculations.	
	BG	MG	BG	MG	BG	MG	BG	MG
No. of wagons in terms of 4-wheelers including departmental and brake vans). . .	230440	99125	314516	110295	411761	121536	97245	11243
Tonnes carried (in millions including transhipment tra-traffic) .	129 22	43.25	174 62	52.51	234.31	58 51	59.69	6.00
No. of wagons (per million tonnes of traffic)	1763	2292	1801	2100	1757	2077	1629	1874

*2nd Plan holdings as on 31-3-1961 including Departmental and Brake Vans in terms of four-wheelers are actuals.

**For Third and Fourth Plans, these are according to calculations of requirements as furnished now.

APPENDIX III

Summary of main conclusions/recommendations

S. No.	Para No.	Ministry/Deptt. Concerned	
1	2	3	
1.	1.3	Railway	The Committee desire in the case of recommendations in respect of which interim replies have been furnished, Government should forward the final replies expeditiously.
2.	1.6	-do-	The Committee note the steps taken or proposed to be taken to augment earnings and reduce expenditure of Railways. These are intensifications of ticket checking activities, tightening of security measures to minimise losses due to pilferage, reduction in inventories and modernisation of track signalling and telecommunications etc. The Railway Board have, however, stated that the measures can be only of limited effect and the real relief will have to be sought in a rational adjustment of passenger fares and freight rates. Rates for some of high rated commodities have been suitably adjusted and rates of low rated commodities have been revised to cover costs wherever possible. The Committee also find that in the budget for the year 1972-73 further rationalisation of freight structure has been proposed. The Committee have in paragraph 1.20 of their 11th Report (Fifth Lok Sabha) already expressed their concern over the persistant tendency towards increase in working expenses. The Committee would like to impress that Railways should make sustained efforts to improve operational

1	2	3	
			efficiency and to reduce their expenses rather than resort to frequent increase in fare and freight charges.
3.	1.9	Railway	The Public Accounts Committee (1969-70) in paragraph 1.28 of their 94th Report (Fourth Lok Sabha) had suggested that an independent unit should be constituted under the Financial Commissioner (Railways) with a charter of duties similar to that of staff Inspection Unit of the Ministry of Finance. The unit should be entrusted with the work study and jobs analysis and asked to review the staff position of the various departments of the Zonal Railways on a phased programme.
4.	1.10	-do-	The Committee have been informed that the matter is under consideration. The Committee desire that an early decision should be taken in this regard so that necessary economy in expenditure on staff could be effected as a result of the work study undertaken by an independent unit.
5.	1.13	-do-	The Committee note the Railway Board's view that maintenance of detailed records for the purpose of ascertaining the actual impact of increase in fares and freights on the traffic earnings is likely to result in increase of expenditure disproportionate to the purpose to be achieved. The Railway Board are examining the feasibility of ascertaining the results by a suitable statistical method as they are aware of the need in this regard. The Committee desire that statistical method devised by the Railway Board should throw up dependable data to bring about the desired Budgetary control.

1	2	3	
6.	1.16	Railway	The Committee note that the Ministry of Transport have written to the State Governments stressing that the present unrestricted competition from road transport has to be regulated and coordinated so that the rail services, which serve the public, become viable. The Committee feel that effective coordination in this regard between the Railways and the State Transport authorities is necessary and this can be achieved only by association of a representative of Railways with State and Regional Transport authorities. But according to the Railway Board, there are legal bars for inclusion of a representative of Railways in the State bodies. The Committee desire this question should be further examined expeditiously in consultation with the Ministry of Law.
7.	1.21	-do-	The Committee recommend that suitable guidelines should be laid down for dieselisation and the economics thereof in individual cases carefully gone into so that conversion of traction is done solely on economic considerations save in exceptional cases involving strategic considerations.
8.	1.26	-do-	The Committee hope that the necessary statistical data regarding the employees and ex-employees covered by the Pension Scheme which was due to be furnished by the Zonal Railways upto 31st January, 1971, according to the extended period, have been received by the Railway Board. The Committee would like to be informed about the progress made in collection of data and assessment of the contribution to the Pension Fund.

1	2	3	
9.	1.29	Railway	The Committee would like to be informed about the final action taken on the suggestion made in para 1.70 of their 60th Report (Fourth Lok Sabha) to undertake periodical review of the working of various Railways from the point of view of overall financial results.
10.	1.35	-do-	The Committee had expressed the view that the Railways had more wagons than warranted by the needs of traffic and Railways should therefore make an accurate assessment of the position before acquiring more wagons. Although the anticipated increase in traffic did not materialise during the III Plan period, target for wagon procurement was, according to audit, fully achieved. Obviously, the Railways held surplus wagons at the end of III Plan. The Ministry of Railways, have, however, stated that for assessing wagons procurement during the Third Plan the correct criterion would be to judge the capacity based on the norms as at the end of the Second Plan and that a misunderstanding had arisen due to unrealistically low figure of wagon requirement per million tonnes of traffic, initially calculated for the Third Plan level of traffic. Thus, the Ministry of Railways seems to be repudiating the norms adopted by the Railways themselves for determining the III Plan target for wagon procurement.
11.	1.36	-do-	According to the Ministry of Railways, the Railways had only a marginal surplus of 4368 wagons on the broad gauge and a shortage of 1612 wagons on the metre gauge at the end of the Plan period. Audit has, however, pointed out that there was surplus of about

1	2	3	
			42,780 four-wheelers even on the basis of Railways' own performance in 1962-63 (viz., 1,007 net tonne KM per wagon day). The contention of the Railways that 1962-63 was a peculiar year and that the pattern of traffic in 1962-63 and 1965-66 were not comparable does not seem to be acceptable as the performance in 1960-61 and 1963-64 in terms of NTKM per wagon day (998 and 987 respectively) was very near the performance in 1962-63. The obvious conclusion is that the deterioration in the performance in 1965-66 as compared to 1962-63 had resulted in an understatement of the existence of surplus wagon capacity.
12.	1.37	Railway	The Committee are inclined to agree with Audit that the Railways' calculations make no objective effort to establish the capacity of the wagon fleet to carry traffic. As actual performance in relation to speed, detentions, loadability, approximations in calculations etc., cannot be accepted as reliable basis of calculations of wagon capacity, the Committee would like to emphasise that realistic norms on the basis of best performance obtained by Railways themselves should be fixed so that the surplus already held and the future wagon procurement could be suitably adjusted to meet future requirements.
13.	1.40	-do-	The Committee suggest that a targetted programme should be chalked out to complete work studies of marshalling yard, transhipment points and more industrial units receiving rail traffic in large quantities with view to fix norms and to review the free time for wagons. The Committee would like to know the progress made in this regard.

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14.	1.43	Railway	The Committee would like to suggest that realistic norms for usage of diesel and electric locomotives should be fixed for different sections taking into account the different *conditions prevailing, and the* performance should be reviewed periodically.
15.	1.46	-do-	The Committee would like to know the findings of the Committee of the Joint Directors appointed to check up the reasons leading to the over-procurement and to suggest ways and means to tighten up the assessment of track material required each year and the action taken in pursuance of these recommendations. The Committee also desire that system of procurement should be kept under review to have a check over excessive procurement.

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