HUNDRED AND SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1981-82)

(SEVENTH LOK SABHA)

INDIAN GOVERNMENT RAILWAYS

(Replacement of assets on the Railways, Rolling Stock, Purchases and Stores, Works and Earnings)

Presented in Lok Sabha on 29 April, 1982

Laid in Rajya Sabha on 29 April, 1982

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Seventh Report of the Public Accounts Committee (Seventh Lok Sabha) on paragraphs 2, 7, 8, 10, 20, 22, 23, 24, 27 and 31 of the Advance Report of Comptroller and Auditor General of India for the year 1979-80, Union Government (Railways) respectively relating to Replacement of assets on the Railways, Integral Coach Factory—Manufacture of longer sleeper coach, Western Railway—Non-utilization of a bogie coach, Diesel Locomotive Works—Procurement of governors for diesel locomotives, North Eastern Railway—Delay in shifting of a turn-table, Southern Railway—Dues from an earth work contractor, Northern Railway—Delay in commissioning of a weighbridge, Eastern Railway—Non-recovery of establishment charges from a private siding holder, Central Railway—Adjustment of fraudulent claims paid by the Bombay Port Trust Railway, South Eastern Railway—Delay in revision of rate of recovery of electricity charges.

2. The advance report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Railways) was laid on the table of the House on 12th March, 1981. The report contains 33 paragraphs. The Committee selected eight of these paragraphs for seeking detailed information, both written and oral from the Ministry of Railways. In the past, the Committee's attention has been mainly confined to paragraphs so selected. This year making a major departure from the past practice, the Committee called for written replies to all paragraphs, not selected for detailed examination. After considering these replies, the Committee have made specific suggestions/recommendations in respect of few cases which have been dealt with in this Report.

3. The Committee considered and adopted this Report at their sitting held on 24th April, 1982. The Minutes of the sitting of the Committee form Part II of the Report.

4. A statement containing conclusions and recommendations of the Committee is appended to this Report (Appendix III). For facility of reference these have been printed in thick type in the body of the Report.

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

6. The Committee would like to express their thanks to the officers of the Ministry of Railways (Railway Board) for the cooperation extended by them in furnishing information to the Committee.

NEW DELHI;
April 28, 1982
Vaisakha 8, 1904 (*Saka*)

SATISH AGRAWAL,
Chairman
Public Accounts Committee.

I

REPLACEMENT OF ASSETS ON THE RAILWAYS*

1.1 For replacement of assets, the Railways maintain a Depreciation Reserve Fund (DRF), which is financed by transfers from Revenue in terms of the recommendations periodically made by the Railway Convention Committee of Parliament (RCC) after considering the memoranda submitted by the Ministry of Railways (Railway Board).

1.2 For the period 1966—71, the RCC, 1965 had recommended a total contribution to DRF of Rs. 650 crores, mainly to meet the replacement needs of overaged steam locos, wagons etc., the arrears in track renewals having been mostly made up by then. The quantum of contribution had not taken into account the arrears of replacements, which were later assessed at Rs. 860 crores as at the end of 1967-68. However, due to financial constraints, the actual contribution from Revenue made during 1966—71 was Rs. 485** crores only.

The contribution during the period 1971—74 was, as recommended by the RCC, 1971 Rs. 330 crores.

1.3 In view of past under provisioning, the RCC, 1971 had recommended that the technique of assessing the depreciation requirements be refined and suggested the constitution of a working group for this purpose. The Working Group entrusted with this task evolved*** (December 1974) three alternative methods for providing depreciation, in terms of which the provisions for the period 1974—79 worked out to Rs. 730 crores, Rs. 658 crores and Rs. 750 crores respectively. Adopting the second of the three alternative methods, on the recommendation of the Ministry of Railways (Railway Board) that it was the most convenient, the RCC, 1977 fixed the contribution for the Fifth Plan period (1974—79) also at Rs. 650 crores. The actual contribution from Revenue made during this period was also Rs. 650† crores despite the unprecedented price increases since 1970-71‡.

*A detailed draft review on the subject was issued to the Ministry of Railways (Railway Board) on 17th December 1980; it was finalised in the light of the discussions held with the officials of the Railway Board on 8th January 1981.

**Inclusive of contribution from production units and interest on fund balances, Rs. 515·92 crores during 1966—71 and Rs. 360·91 crores during 1971—74.

***Report of the Working Group on DRF, 1975.

†Inclusive of contribution from production units and interest on fund balances, Rs. 721·80 crores during 1974—79.

††The All Commodities price index had gone up from 181·4 (base 1961-62) in 1970-71 to 310·7 in 1976-77 and 336·5 in 1978-79.

Having regard to the arrears of replacements, the Ministry of Railways (Railway Board) stepped up the contribution to DRF during 1979-80 to Rs. 200 crores.

1.4 According to the Ministry of Railways (Railway Board), the contributions to the DRF were based on the minimum requirements for replacements as determined during Plan discussions. However, even the contributions made to the DRF had not been utilised in full as indicated below:—

(Rs. in crores)

Period	Contribution from Revenue	Total contribution inclusive of contribution from production units and interest on balances in DRF	Amount spent on renewal of Saving assets	
1969—74 (5 years)	525	572	494	7
1974—79 (5 years)	650	722	616	106
1979-80	200	219	187	38

The amounts actually budgeted and utilised for replacement of overaged assets during the period 1974—79 and 1979-80 were as follows:

	Replacements			
	As budgeted		Actuals	
	1974—79	1979-80	1974—79	1979-80
	(Rs. in crores)		(Rs. in crores)	
1. Rolling Stock :				
Locos (Diesel/Electric to replace overaged steam)	92·88	34·35	77·76	7·35
Coaches	88·46	22·27	116·56	16·87
Wagons	146·49	47·89	137·50	57·29
2. Track renewals Primary Main lines & Secondary (Branch lines) . .	206·00	88·38	167·30	88·53
3. Plant and Machinery	24·55	10·00	26·76	6·10
4. Other items	103·90	2·11	90·12	11·31
TOTAL .	662·28	205·00	616·00	187·4

In the event, the unutilised balances in the DRF amounted to Rs. 175.74 crores, Rs. 282.87 crores and Rs. 313.07 crores at the end of 1973-74, 1978-79 and 1979-80 respectively. One of the reasons for this high balance was that the extent of credits for released materials on condemnation/renewal of assets (Rs 222 crores from track renewals alone during 1969—79) had not been anticipated realistically and taken into account in planning the outlay on replacements.

1.5 As a result of the inadequate contributions to as well as under utilisation of the DRF, there were heavy short falls in replacement of assets during the quinquennium 1974—79* as indicated below:

Assets	Target for replacement **	Actual replacement **	Short-fall	Percentage	Arrears of replacement of assets taking into account further arising upto 31-3-79***
Rolling Stock :					
Locos	923	363	560	60·27	892
Coaches	3537	1662	1875	53·00	3014
Wages	24475	20476	3999	16·34	31706
Track:					
Primary renewals (in km)					
Rails	8000	3655	4345	54·31	7788
Sleepers	10000	5061	4939	49·39	
Secondry Renewals					
Rails	2000	1497	503	25·15	5200
Sleeper	2000	1297	703	54·20	

While the provision needed for replacement of overaged plant and machinery during the Fifth Plan (1974—79) was Rs. 350 crores, the budget provision made and the acutal expenditure were only Rs. 24.55 crores and Rs. 26.76 crores respectively. As a result, by the end of 1978-79, the percentage of overaged plant*** and machinery in the mechnical workshops was 77, that in production unit, 53 and that in loco sheds and sick lines, 46.

*Complete date in respect of 1979-80 not yet available (December 1980).

**RCC VIII Report, Pages 116—119

***Report of the Woking Group, Sixth Plan, 1980—85.

1.6 As regards the under provisioning as well as under utilisation of the DRF, the Ministry of Railways (Railway Board) had explained in their Memoranda to successive RCCs the constraints arising out of the Railways' difficult financial position since 1966-67.

1.7 The financial position of the Railways in the years from 1966-67 to 1979-80 is indicated below:

(Figures in crores)

	Annual Plans 1966 – 69 yearly average	IV-Plan 1969 – 74 Yearly average	V-Plan 1974-78 Yearly average	1978-79	1979-80
(a) Revenue receipts . . .	828·81	1071·30	1842·65	2161·30	2404·41
(b) Working expenses including DRF & Misc. expenses .	706·5	935·25	1627·62	1900·47	2177·12
(c) Dividend to General Revenues	141·35	160·93	205·30	224·16	293·53
(d) Net surplus/deficit . .	( )19·22	(–)24·85	9·63	36·66	(–)66·2

Even during the year 1974-78 and 1978-79, when the Railways financial position showed a surplus, the contribution to DRF had not been stepped up keeping in view the rising replacement costs, the need to replace overaged assets etc. Realising provisioning would have necessitated raising more revenue through adjustment of tariffs or economising in ordinary working expenses or both.

Under utilisation of the DRF was stated to be due to constraint of overall resources for the Plan. In this connection it was seen that, despite the codal provision that renewals should precede additions to rolling stock, the stock procured was taken partly to replacement account and partly to additional account even when the additional traffic generated during the relevant period did not justify additions to rolling stock to that extent.

A review by Audit disclosed that the number of overaged BG wagons originally programmed to be replaced during 1969—74 was 21344*. However, of the total number of BG wagons procured** during 1969—74, viz 47945, only 16809 were taken to replacement account and 31136 to capital account. As a result as many as 12054 BG overaged wagons remained on line unreplaced as on 31-3-1974. (The total number of overaged wagons of all gauges then was 26085).

*RCC VIII Report 1973 Page 118.

**Monthly Wagon Production Review.

During the *Fifth Plan* (1974—79), while 59338 wagons were procured, only 20476 were taken to replacement account and the balance (38862) to capital account; as at the end of 1978-79, the number of overaged wagons of all gauges was 31706 (33249 at the end of 1979-80).

Similarly, a number of BG steam locos in use for main line goods services had been rendered surplus as a result of dieselisation/electrification. Though, on the basis of the traffic materialisation from year to year, withdrawal from service of as many as 1119 and 965 steam locos during the Fourth and the Fifth Plan periods respectively was warranted, the number actually withdrawn was only 726 and 383 steam locos respectively, apprehending shortage of locos for meeting the traffic build up. At the end of 1978-79, as many as 371 BG overaged steam locos were still to be replaced (248 at the end of 1979-80).

The continued retention of overaged wagons and locos on line as also plant and machinery in the workshops and the arrears of track renewals meant more sick wagons, more steam locos than needed, increase in the cost of repairs and maintenance, speed restrictions and accidents due to rail breakages, in turn affecting the financial position of the Railways.

1.8 The estimate* of the Ministry of Railways (Railway Board) for replacement of assets during the Sixth Plan period (1980—85) is Rs. 1630 crores comprising Rs. 600 crores for arrear replacement and Rs. 1030 crores for current replacements despite the arrears of replacements having been estimated at Rs. 860 crores as early as in 1968.

1.9 According (January 1981) to the Ministry of Railways (Railway Board):

— The outlay on replacements was dependent on the funds made available as part of the overall planning process.

— The actual expenditure on replacements was subject to the limitations set by the production capacity in the country for rails, wagons etc.

— Overaged wagons, locos etc. had to be retained in service and could not be condemned in view of the requirements of traffic etc.

*The RCC 1977 II Report.

1.10 In connection with the above, the following may be noted:—

— As brought out earlier, the needs of replacement of over-aged assets had not been adequately provided for. Further, even the Funds provided under the DRF had not been fully utilised over the years.

— As for the limitations of availability of materials, the procurement of wagons and rails had been most uneven. Thus, the number of wagons procured* (all indigenous) was 14918 in 1969-70, 8532 in 1971-72, 10958 in 1974-75, 12176 in 1975-76, 12022 in 1978-79 and 10827 in 1979-80. Similarly, the precurement** of (all indigenous) rails was 1.26 lakhs tonnes in 1969-70, 2.29 lakh tonnes in 1972-73, 0.63 lakh tonnes in 1975-76 and 1.20 lakh tonnes in 1977-78, 1.48 lakh tonnes in 1978-79 and 1.80 lakh tonnes in 1979-80. It would appear that there had not been adequate co-ordination in the matter of utilisation of capacity for wagons and rails in the country.

— Considering the extent of overaged wagons, locos and plant and machinery as also the arrears of even primary (main line) track renewals, the economics of retaining these assets in service with due regard to the available financial and physical resources, do not seem to have been adequately considered.

[Para 2 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80 Union Government (Railways)]

1.11 The Ministry of Railways (Railway Board) in their note to the Committee stated:

"Contributions to DRF have so far been based on the requirements of replacements as determined during Plan discussions and as permitted by the overall resources position of the Railways. A statement showing the annual appropriations to DRF from 1969-70 onwards is placed at Appendix I. As will be seen therefrom, the annual contributions to DRF from revenue have been steadily increasing. It has risen from Rs. 95 crores

*Monthly Wagon Production Review for the relevant months (total for the year).

**Statement No. 8: Note on Supply Position of Permanent way materials of the relevant periods, years. Figures of Actuals 1979-80, as appering in this Review are provisional.

in 1969-70 to Rs. 350 crores in 1981-82 (BE). Necessary increase in the rate of contribution to DRF to provide for higher replacement/renewals as far as possible has thus been made. As already pointed out, appropriations to the fund could not be raised to the optimum level due to limited availability of resources. In regard to the point made in para 2.7 that even during 1974—78 and 1978-79 when there were surpluses, contributions to DRF had not been stepped up, it may be noted that the contributions to the fund have been raised from Rs. 115 crores, per annum in 1974-75 and 1975-76 to Rs. 135 crores in 1976-77, Rs. 140 crores in 1977-78, Rs. 145 crores in 1978-79, Rs. 200 crores in 1979-80, Rs. 220 crores in 1980-81 and Rs. 350 crores in 1981-82. It is proposed to raise this to Rs. 500 crores in 1982-83.

The conventional method is to provide for replacement of assets with reference to life of the assets and their book value. In fact, at a certain stage the Railway also followed this principle. However, this was given up for various reasons and at present contributions to the DRF are based on the requirement of replacements over five-year periods as per the recommendations of the Railway Convention Committee.

It may be relevant to mention here that under the present day conditions of rapidly changing technology and steep inflation, provisions made for DRF on the conventional principle of life of assets and their book value would be totally inadequate for meeting replacement needs.

The question regarding the adequacy of contribution to Depreciation Reserve Fund, allowing greater flexibility to the Railways to withdraw from the Depreciation Reserve Fund with the Central Government and other related issues in connection with the resource mobilisation are now under the active consideration of the Railway Reforms Committee.

TRACK RENEWALS

"2. The shortfall in actual expenditure as compared with the Budget Estimates can be attributed to the following factors:—

(i) Reduction in provision of funds at the BE stage due to severe economy cuts with consequential reduction in orders placed on Steel Plants as in 1973-74 and 1974-75;

(ii) higher credits than budgetted for in certain years as in 1976-77; and

(iii) shortfall in supplies of critical materials like rails, steel trough sleepers etc. as in 1976-77 and 1977-78, the figures for which are given below. The shortfall was particularly pronounced in case of MG track materials.

Year	Rails (in lakh tonnes)		S.T. sleepers (in lakh nos.)	
	R	S	R	S
1976-77	1·14	0·834	6·00	3·72
1977-78	1·72	1·14	10·00	6·98

R—Requisition placed
S—Supplied.

In 1975-76 and in 1978-79, the actual expenditure has been in excess of the budget allotments.

"3. During certain parts of the five-year period from 1974-75 to 1979-80, there have been problems in getting the required supplies of critical raw materials. The matter had been taken up with the SAIL authorities; they have had their own difficulties like shortage of power, non-availability of raw materials, labour problems, etc. It is true that during certain periods, the supply from the steel Plants showed some improvement. However, for the period as a whole in general and for the period shown in para 2 in particular, the supplies were below the requirements.

It is expected that this year, the materialisation of supplies would be better. Where indigenous production would not be sufficient to meet our requirements, we have also arranged for import of rails and pig iron this year in order that the progress of rail renewals could be stepped up.

"4. Regarding the heavy arrears in replacement, the Board is seized of the matter. In a reference to the Convention Committee as well as in our mid-term appraisal of funds required for the 6th Five Year Plan track renewals, we have emphasised that the net outlay on this account will have to be increased from Rs. 500 crores to Rs. 750 crores. In the current year, we have obtained a supplementary grant of Rs. 40 crores of which Rs. 24 crores is remarked for Track Renewals.

5. The need for stepping up the progress of track renewals and allocating more resources for the purpose has been recognised, but

the problem is one of finding adequate resources for meeting this demand. The matter is presently receiving the attention of the R.C.C.

6. Short-fall in physical plan target was due to steep rise in the cost of P. way materials. Price Index of some of the materials are given below (base 100 in 1968).

	Rails	Steel Sleepers	SGT—9 Sleepers
1972-73	117	141	175
1973-74	129	151	200
1974-75	143	161	174
1975-76	147	167	21[illegible]
1976-77	159	181	211
1977-78	164	188	255
1978-79	192	188	255

7. *Rolling Stock*

The need for providing more rolling stock on replacement account has been recognised and this was also brought out in MR's budget speech while presenting the 1981-82 budget as under:

> "Since the most pressing requirement is for rehabilitation, it has been decided to give top most priority to replacements and renewals. Appreciable dent will be made in the back-log in track renewals and replacement of wagons. It is expected that replacement of over 50,000 wagons in terms of four-wheelers, 5,000 coaches and 300 electrical multiple units and renewals of 14,000 kilometres of track will be achieved during this plan period. On account of this main thrust, the 1980—85 Railway Plan may well be termed a 'Rehabilitaton Plan'."

8. The total production of wagons during the period 1974-75 was 59303 FWs against a target of 54,000 FWs. This covers both Capital and DRF. As regards under utilisation of the funds provided for replacement of wagons (DRF), it may be stated that though during the period 1974 to 1979 there was under-utilisation of funds to the extent of about Rs. 10 crores, this position was made good in 1979-80 when against the budget provision of Rs. 47.89 crores, the actual expenditure was Rs. 57.29 crores.

9. It may be pointed out that at the budget stage a production schedule is drawn out keeping a proper balance, as permitted by physical constraints, between orders placed against Capital and DRF. During the course of the year deviations from the firm-wise and type-wise targets occur due to unavoidable factors like labour problems

in the industry, shortage of critical raw materials and inputs etc. This result in drop in out-turn by some wagon builders which is off-set, to the extent possible, by excess production by some others. In the process the allocation between Capital and DRF gets affected as there are outstanding orders chargeable to both Capital and DRF.

10. It may be added that with the estimated procurement of about 50,000 wagons on replacement account during the Sixth Plan period it is anticipated that the overaged content of wagons will be brought down from 7.5 per cent to 3.5 per cent.

With the all round escalation in the cost of material, it may be difficult to procure the number of rolling stock, in physical terms, as planned for within the resources allotted in the original plan out-lay. It is hoped that at the mid-term review, the size of the 6th Plan outlay for the Railways will be suitably enlarged to enable procurement of the required number of rolling stock as originally planned.

The Audit in their comments have observed as under:—

"(i) Despite increase in allocation to DRF, the provisions made on this account continue to be *ad hoc*.

(ii) The estimated procurement of wagons on replacement account during the Sixth Plan (*vide* para 10) has been stated to be 50,000. The total procurement of wagons including that on additional account during this period has been placed around 1,00,000. Against this estimates the actual procurement (on both accounts) during 1980-81 was only 12064, leaving 87936 wagons to be procured during the remaining four years i.e. an average of 21984 wagons per year."

1.12 From the Audit paragraph and the written note furnished by the Ministry of Railways in March 1982, the following points emerge:

(a) the annual contributions to Depreciation Reserve Fund met out of the Railway Revenues till 1974 for the replacement of assets were not made in accordance with the spirit of the recommendations of the Railway Convention Committee of Parliament.

(b) Even after adopting the recommendations of the Working Group constituted as a result of a recommendation of the Railway Convention Committee for reviewing the techniques of assessing the depreciation reserve fund requirements of the Railways inadequate contributions to DRF continued;

(c) Even the contribution made to DRF had not been utilised fully. Against the total contributions of Rs. 722 crores during 1974—79, the amounts spent on renewal of assets were Rs. 616 crores only;

(d) Inadequate contributions and under-utilisation of funds led to heavy shortfalls in programmed renewal of assets and accumulation of overaged assets, under the heads 'Track', 'Plant and Machinery' and 'Rolling stock'. This has affected the financial results of recent years on account of large number of sick wagons and coaches, more expenditure on repairs and maintenance, speed restrictions, accidents due to rail breakages etc.

1.13 The Committee note that the normal commercial principle is to provide for replacement of assets with reference to their life, etc. A Working Group set up at the instance of the Railway Convention Committee 1971, to suggest a refined method of assessing the depreciation requirements for the Railways had also reiterated this principle and also called for a mid term review of the quantum of contribution to cover the rising cost of replacements due to inflationary elements, etc. The Committee are, however, unhappy to note that the provisioning for replacement of assets on the Railways has continued on ad hoc basis even after acceptance of the recommendations of the Working Group for implementation from 1974-75. The Committee note that though the contribution to Depreciation Reserve Fund was increased from Rs. 110 crores to Rs. 145 crores (32 per cent) between 1974-75 and 1978-79, it was not adequate, as the cost of Railway stores such as rails, etc. had escalated faster, their cost (e.g. rails and sleepers) having already gone up by 43 to 74 per cent by 1974-75 (base 100 in 1968) and further by 34 to 46 per cent by 1978-79. The Committee note that the surpluses of the years 1976-77 (Rs. 87.24 crores), 1977-78 and 1978-79 (Rs. 36.66 crores) (Rs 126.23 crores) would have been different if adequate provision had been made for replacements, keeping in view the age and condition of the assets to be replaced during the years following. Depressed provisioning for depreciation had distorted the financial picture of the Railways and created an air of buoyancy. What is worse is that even the provisions made available from the Depreciation Reserve Fund had not been utilised fully during the years from 1974-75 to 1978-79 due to curtailment of funds for procurement of railway materials required for replacement of overaged assets, shortfall in supplies of critical materials, like rails, sleepers, etc.

1.14 According to the Ministry of Railways (Railway Board), the curtailment of funds, resulted in reduction of orders on steel plants for rails, sleepers, etc. The Committee, however, consider that it should not have affected the renewal programme of the Railways which should have got higher priority over construction, doubling and other works.

1.15 The Committee note that the contribution to the DRF was increased steeply from Rs. 220 crores in 1980-81 to Rs. 350 crores in 1981-82 and to Rs. 500 crores in 1982-83 to provide for more replacements showing no doubt belated realisation of the requirements of replacements.

1.16 The Committee recommend that apart from providing funds for replacement of assets adequate care should be taken to arrange the priorities in such a manner as to ensure that the programmed renewals of assets like track, bridges, etc, are not affected or least affected due to curtailment of funds.

1.17 The Committee note that even the increased provision of Rs. 500 crores for 1982-83 is ad hoc. The Committee would like to emphasise the need for evolution of a system of realistic assessment of provsion for DRF. Violent fluctuations in the replacement programme as made in the last 2 years would affect the production and availability of scarce material resources and might lead to demands for imports which could be avoided by proper planning. Further, the codal provisions that replacements should precede the additions should be honoured ion future.

1.18 The Committee would like the Ministry of Railways (Railway Board) to draw up a perspective plan for renewal of assets by setting definite realistic targets during each year of the Sixth Plan and thereafter. Since one of the factors affecting the programme of renewals in the past was stated to be the shortage of stores like rails, sleepers and small track fittings and the Railways replacement programmes called for a high level of procurement of track materials, wagons and other Rolling stock items as rightly brought out by Audit, the Committee would like to know the concrete steps proposed to be taken by the Ministry of Railways (Railway Board) in this regard.

II

INTEGRAL COACH FACTORY—MANUFACTURE OF LONGER SLEEPER COACH

2.1 The normal length of broad gauge (BG) coaches on the Indian Railways is 21337 mm (70 feet). Introduction of longer coaches, in the expectation that it would result in considerable operational advantages by way of reduction in unit weight of train per passenger, was being considered by the Ministry of Railways (Railway Board) for quite some time. The Research, Designs and Standards Organisation (RDSO) accordingly developed (July 1974) a design of 23165 mm (76 feet) long BG coach in consultation with the Ministry of Railways (Railway Board) and the Integral Coach Factory (ICF), Madras.

2.2 After considering the RDSO's proposal, the ICF informed the Ministry of Railways (Railway Board) in August 1974 that the following aspects weighed against the introduction of 76 feet long coaches:

(i) Contrary to anticipations, the tare weight and gross weight of trains with 76 feet long coaches would be more compared to trains with 70 feet long coaches;

(ii) Manufacture of 76 feet long coaches would require substantial alterations|modifications of jigs and tools; and

(iii) The increase in length of coaches by 2 metres would necessitate provision of more space in the assembly and finishing shops.

2.3 ICF also pointed out the need for considering the facilities that would be necessary in the zonal Railway workshops for maintenance of the longer coaches as well as availability of traversers of adequate length for them.

2.4 Taking an overall view, ICF concluded (August 1974) that "it is the considered opinion of the ICF that the drawbacks inherent in the introduction of 76 feet long coach far outweigh the benefits, if any, that might accrue".

2.5 It might be mentioned that earlier, in reply to RDSO's enquiry (June 1970) as to the repercussions of introducing 76 feet long coaches on the repair facilities available in workshops and open lines, the zonal Railways had also indicated the need for facilities in the form of longer traversers, increased length of bay etc. in workshops for maintenance of those coaches.

2.6 During March—April 1977, the Commercial Directorate of the Ministry of Railways (Railway Board) and RDSO worked out an economic appraisal of introduction of 76 feet long coaches, which indicated a net financial gain of Rs. 0.58 lakh and Rs. 2.66 lakhs respectively per annum as compared to a 70 feet coach rake. The appraisal was based mainly on the following assumptions:

(a) a 76 feet long coach with 80 berths capacity would cost 5 per cent more than a 70 feet long coach with 75 berths; and

(b) a train of 17 longer coaches (76 feet), as against 18 conventional (70 feet) coaches, would carry 80 additional sitting passengers or 10 passengers having sleeper berths.

2.7 It did not, however, take into account the modifications to jigs, fixtures, shop layout etc. involved in the manufacture of longer coaches and the additional facilities required in the zonal Railway workshops for their maintenance. According to the Economic Directorate of the Ministry of Railways (Railway Board), after all the parameters had been fixed, a final decision whether to go ahead with the manufacture could be taken.

2.8 While the economic viability of the longer coach, thus, remained unestablished in the absence of a complete economic appraisal encompassing all the related aspects, the Ministry of Railways (Railway Board) decided (June 1977) on the manufacture of a prototype of 76 feet long coach in ICF, having regard to the assurances given by the Minister of Railways in his Budget speech (11th June 1977) about more toilets and better water supply facilities in second class coaches. Accordingly, ICF was authorised to undertake manufacture of a prototype 76 feet second classes 3 tier sleepers coach.

2.9 ICF had estimated (July 1977 and February 1978) the manufacturing cost of the prototype coach at Rs. 6.75 lakhs—Rs. 4.48 lakhs for the shell and Rs. 2.27 lakhs for furnishing. Compared to the cost (Rs. 4.72 lakhs) of a conventional coach, the estimated cost of the prototype coach was 43 per cent more as against 5 per cent cost increase adopted in the economic appraisal made before deciding on the manufacture of the prototype. Consequently, the financial advantage of 76 feet long coach, as envisaged in the economic apprasal, was vitiated.

2.10 However, without apprising the Ministry of Railways (Railway Board) of the much higher cost of the longer coach to enable them to reconsider the question of manufacture of a prototype, ICF proceeded with the building of the prototype coach and completed it in October 1978 at a total cost of Rs. 9.24 lakhs (Rs. 6.69 lakhs for the shell and Rs. 2.55 lakhs for furnishing), which was about 100 per cent more than the cost of a conventional coach.

2.11 Meanwhile, in June 1978, the Ministry of Railways (Railway Board) had decided on providing linen room and better water supply facilities in the conventional 70 feet long second class 3 tier sleeper coach by reducing its capacity from 75 to 72 berths. On incorporation of these facilities in the 76 feet long coach its carrying capacity was also reduced from 80 to 77 berths.

2.12 After conducting oscillation trials (June 1979) and trial runs with the main trains between Madras and Bombay, the prototype coach was pressed into service on Madras—Dadar Express on 15th April 1980.

2.13 In view of the reduction in the carrying capacity of the 76 feet long coach (from 80 to 77 berths), the Ministry of Railways (Railway Board) considered (October 1979) it necessary to examine afresh the advantages and disadvantages of longer coaches in all aspects before taking the final decision on regular production of these coaches. Accordingly, the production programme of ICF for 1981-82, as approved (October 1979) by the Ministry of Railways (Railway Board), contained no provision for manufacture of 76 feet long coaches.

2.14 As pointed out earlier, the economic appraisal made before deciding on production of a prototype was incomplete in that it did not take into account the need and cost of major modifications and alterations involved in the manufacture and maintenance of 76 feet long coaches pointed out by ICF and some zonal Railways and to that extent even *prima facie* economic viability of the scheme had not been established. Further, even when the prototype was under production, the Ministry of Railways (Railway Board) had decided in June 1978 to modify the layout of the conventional coach to provide for facilities of linen room, better water supply etc. as incorporated in the longer coach. Had the feasibility of providing better amenities for passengers within the basic parameters of the conventional coaches been considered at the appropriate time, the investment of Rs. 9.24 lakhs on the manufacture of the longer prototype coach without commensurate extra advantage in terms of passenger accommodation and|or other amenities, could have been avoided. The amount spent on the prototype longer coach containing 77 berths could have been utilised to manufacture two conventional coaches with a total passenger accommodation of 144 berths, which would have been useful in the context of overcrowding in passenger trains.

2.15 The Ministry of Railways (Railway Board), while stating (December 1980) that no final decision had yet been taken on the manufacture of 70 feet long coaches, contended that the production of the prototype was a development activity.

2.16 The records in the Ministry of Railways (Railway Board) do not indicate that the production of the prototype was intended as a research and development activity. The expenditure on the prototype has also not been booked in the accounts as on research and development under revenue head. Moreover, while one prototype would not suffice for assessment of the technical feasibility of running trains with 76 feet long coaches, a prior view on the economic viability of the proposal involving an increase of 6 feet in the length of the sleeper coach for carrying five more persons would have ensured that the extra expenditure on the production of the prototype did not become infructuous.

[Para 7 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80 Union Government (Railways)]

2.17 In a written note to the Committee, the Ministry of Railways (Railway Board) stated:

> "The 76 feet long coach has a capacity of 77 berths as against the normal 21337mm|70 feet coach which has a capacity of 72 berths. There is, therefore, no significant difference in passenger capacity per foot length of the coach. On the other hand, the 76 feet coach has been provided with extra passenger amenities by the provision of two more bath rooms and one extra fan per bay (total 10 fans extra) to improve the standard of amenities to passengers. The increase in cost of the coach is also partly attributable to this higher scale of amenities provided for the passengers as compared to normal standard coach."

> "It may be pointed out that the actual manufacturing cost of the coach will not be the same as that of the proto-type which did not have the economies of mass scale production. An appraisal of the estimated cost of the coach with series production and the revenue earning capacity of the coach is being made. A final decision has yet to be taken whether more such coaches are to be manufactured in

future. The proto-type coach built is being utilised on South Eastern Railway for regular service. The final decision of the Railway Board in the matter will be advised to the P.A.C."

2.18 The Committee note that despite Integral Coach Factory pointing out in August 1974 that drawback inherent in the introduction of 76 feet long coach for outweigh the benefits, if any that might accrue, the Ministry of Railways decided (June 1977) on the manufacture of a prototype of such coach based on an economic appraisal without taking into account the major modifications and additional facilities required for production and maintenance of such coaches.

2.19 Further, the assumption made in the economic appraisal that a 76 feet long coach with 80 berths capacity would cost 5 per cent more than a 70 feet long coach with 75 berths turned out to be unrealistic as the actual manufacturing cost (Rs. 9.24 lakhs) of the longer coach was nearly double the cost (Rs. 4.72 lakh) of a conventional coach.

2.20 The Committee also note that though the prototype coach was built and tried in service by April, 1980, whether such longer coaches would be manufactured for regular service still remains undecided, ponding a de novo examination of their advantages and disadvantages in all respects.

2.21 The Committee cannot but deprecate the decision of the Ministry of Railways to go in for the manufacture of a prototype of 76 feet long coach, without either establishing the economic viability of longer coaches based on a comprehensive appraisal of all related aspects or considering the feasibility of providing better passenger amenities within the basic parameters of the conventional coach, especially when one prototype could hardly suffice for assessing the technical feasibility of running longer coach rakes. Had a prior view been taken on the economic viability, the investment of Rs. 9.24 lakhs on the manufacture of the longer prototype coach without commensurate extra advantage in terms of passenger capacity and or other amenities, could have been avoided. The Committee desire that the Ministry of Railways, besides advising its final decision in regard to further manufacture of longer coaches, should lay down suitable procedures to ensure that manufacture of prototype rolling stock of new type/design is taken up only after establishing the techno-economic viability of introducing the new stock in service.

III

WESTERN RAILWAY—NON-UTILISATION OF A BOGIE COACH

3.1 Orders for replacement of an overaged military ambulance car running on the Western Railway were placed in November 1961 by the Ministry of Railways (Railway Board) on the Eastern Railway Workshop which had already been entrusted with the production of 12 ordinary bogie military cars (of the Eastern Railway) on replacement account. The Eastern Railway Administration, however, after informing the Railway Board that all the coaches to be replaced were military cars, proceeded to turnout the above coach also as an ordinary bogie military car (equivalent to second class coach of present day) at a cost of Rs. 1.43 lakhs. This car was placed on line by the Western Railway in August 1963.

3.2 Due to refusal of the Military authorities to accept the military coach with 64 berths as replacement of an ambulance car, it remained unutilised by them ever since it was placed on line.

3.3 A proposal was made by the Military authorities in October 1971 to accept the car after its modification as an ambulance car. This however was not considered technically feasible and economical by the Railway Board. Thereafter, neither the Administration nor the Railway Board considered its alternative use as a passenger coach or as a military car on the Western or another Railway till February 1977, when the Railway Board decided that it should be used as a spare coach/reserved carriage for tourist parties.

3.4. The coach was overhauled by the Western Railway in April—June 1977, turned out on 24th June 1977 and put on line; it was, however, returned on 3rd October 1977 to workshop for non-scheduled repairs as its underframe had been badly damaged, owing to its involvement in an accident on 22nd September 1977. After repairs, the coach was turned out of the workshop in November 1980.

3.5 The following lapses resulted in idling of this coach from August 1963:

1. The Military authorities required replacement of an existing overaged ambulance car but the Eastern Railway Administration, after informing the Railway Board,

produced it as an ordinary bogie military car without the prior approval of either the Railway Board or the Military authorities. The circumstances in which this mistake was made are not known.

2. When the Military authorities were not prepared to accept the coach and it was also found not economical to convert it into an ambulance car, action was not taken either to consider its utilisation on another Railway or to use it for passenger traffic.

3. The coaching vehicles (number in use on the broad gauge system of the Western Railway as on 31-3-1979—2270) normally move in closed circuits according to prescribed schedules. Hence, non-utilisation of the above coach for a long period as above would appear to indicate laxity in control over the movement of coaching vehicles on that Railway.

4. The loss due to non-utilisation of this coach, even as a spare coach from February 1977 to November 1984 (excluding a period of about three months when it was on line), would work out to Rs. 11.2 lakhs.

[Para 8 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80 Union Government (Railways)]

3.6 The Ministry of Railways (Railway Board) in a note to the Committee stated in January 1982 as under:

"A practice has now been introduced by which building of coaches can only be on the basis of layouts approved by the Board in advance of the manufacture. All the railways concerned have been instructed to ensure this, which will avoid the cases like the military coach that was built by Eastern Railway.

The coach is now being utilised by Western Railway as a Tourist Coach".

3.7 The Audit, however, pointed out in January 1982 that the Western Railway had not furnished any report on the utilisation and earnings of the coach from tourist traffic. Audit also asked for a clarification as to why the coach could not be used as a general lower class coach in Mail|Express service for unreserved passengers.

3.8 From the Audit Paragraph, it is noticed that a 64 berth military coach was placed on line in August, 1963 by the Western Railway at a cost of Rs. 1.43 lakhs after it was received from the manufacturers (Eastern Railway Workshop) against an order placed with them in November, 1961. The coach was meant to replace an overaged military ambulance car running on the Western Railway. As it was not manufactured accordingly to the specifications, the Military Authorities refused to accept it. The coach remained un-utilised ever since it was placed on line for a period of 13 years.

3.9 In October, 1971, Military authorities offered to accept the car if it was modified as an ambulance car. The Railway Board did not consider it economical and technically feasible to modify the coach. Thereafter, a period of more than five years passed by and it was only in February, 1977 that the Railway Board decided that it should be used as a spare coach/reserved carriage for tourist parties.

3.10 The Western Railway took about three months to overhaul the coach. It was put on line in June, 1977 and within a period of 3 months, the coach was involved in an accident and consequently returned to workshop in October, 1977 for repairs. It remained in workshop for more than one year and was turned out in November, 1980.

3.11 This peculiar case, detected in audit, is indicative of the absence of an effective supervision in the Eastern Railway Workshop on the one hand and the absence of effective monitoring system for the use and control over the movement of coaching vehicles on the Western Railway.

3.12 It is most unfortunate that a sixty-four berth eight-wheeler second class coach put on line by the Western Railway at a cost of Rs. 1.43 lakhs as early as August, 1963 continued to remain unutilized for more than 13 years. It is true that the military authorities refused to accept it for the reason that it was not manufactured in accordance with the specifications of an ambulance car but the Railway administration ought to have put the coach to an alternative use instead of keeping it idle for such a long time. It is surprising that it did not occur to those who were concerned with the upkeep of the coach that it should be put to some use when all the while Railways have been complaining about the acute shortage of coaches.

3.13 The financial implications of the incident may not be of much consequence to the Western Railway, but it is certainly a manifestation of an extreme laxity of unique nature obtaining in the functioning of the Railways and for that matter it is a serious one. The Committee would like the Railway Board to bring this instance, with its telling details of laxity leading not only to a loss of Rs. 11.2 lakhs to Railway revenue but also aggravating pressure on ordinary passenger coaches causing inconvenience to the travelling public, to the notice of all the associations of Railway employees including officers of all ranks in the Zonal Railways through suitable publicity media advising them to avoid occurrence of such cases.

3.14 The Ministry of Railways (Railway Board) in their note to the Committee, have not clarified the Audit point as to what were the circumstances which led to the Eastern Railway Workshop to manufacture an ordinary bogie military car when a specific order was placed with them for manufacture of a military ambulance car. The Committee, however, desire that corrective measures should be taken by the Board to avoid recurrence of such a case in future.

3.15 The Committee would like the Railway Board to ascertain afresh whether there are similar other cases of non-utilisation of rolling stock in other railway zones and submit a report to the Committee.

3.16 The coach in question has been reported to have been put to use as a tourist coach. The Committee are not happy at this, as demands for tourist coaches are sporadic and not as extensive as that for other second class coaches. The Committee would like the Railway Board to re-examine the possibilities of its use as general passenger service coach.

3.17 The Committee would also like the Railway Board to obtain and verify a report from the Western Railway on utilisation and earnings of the coach in question through tourist traffic and inform the same to the Committee.

IV

DIESEL LOCOMOTIVE WORKS—PROCUREMENT OF GOVERNORS FOR DIESEL LOCOMOTIVES

4.1 The Diesel Locomotive Works (DLW) Administration, who had been procuring GE governors for WDM-2 locomotives, were on the look out for suitable alternative governors in view of continued supply problem. In May 1977, MLW Industries (MLW) of Canada having offered to supply Woodward governors with conversion kits etc. so as to make them suitable for application on WDM-2 locomotives, the DLW requested (June 1977) the Supply Wing of the Indian Embassy in USA to arrange supply of 50 governors of this alternative type against their pending indent for GE governors. In September 1977, the Ministry of Railways (Railway Board) also directed, on the recommendations of a committee appointed by them to go into the comparative economics of the two types of governors, the DLW to switch over to the use of Woodward governors, keeping in view their lower initial cost, less maintenance cost and lower failure rate and the longer delivery period of GE governors, manufacture of which was not likely to be continued by the General Electric Company (GE) of USA. The DLW was also advised to establish the cut off point for switch over as early as possible.

4.2 As desired by DLW, the Supply Wing of the Indian Embassy floated enquiries for supply of Woodward governors against which Overseas Diesel Corporation (ODC) of USA and MLW quoted \$4285.51 and \$4277 per unit respectively. Keeping in view the technical suitability of the offers and the directive of the Ministry of Railways (Railway Board) to switch over to the use of Woodward governors, the DLW Administration recommended (December 1977) ordering 25 on each firm. Accordingly, firm orders were placed by the Supply Wing on the two firms in January 1978.

4.3 About the same time (*i.e.* January 1978) the Supply Wing had also obtained quotations from GE and MLW on the specific request (November 1977) of DLW against their indent (October 1977) for 75 GE governors for the production requirements for 1979-80 (63 governors for WDM-2 locos and 12 for WDM-1 locos) While GE quoted \$7224 each for their governors, MLW offered both GE and Woodward governors at \$9400 and \$4760 per unit respectively.

4.4 In March 1978 the Administration decided, on the ground that Woodward governors ordered in January 1978 had to be tried out before switching over to their regular use, on ordering of GE governors as offered by GE. Accordingly, the Supply Wing concluded (March 1978) a contract with GE for 75 governors (Cost: $541800), stipulating delivery to commence in 50 weeks at the rate of 10 numbers per month.

4.5 On 5th January 1979 the Administration again placed an indent on the Supply Wing for supply of 133 GE governors. On 15th February 1979, however, the General Manager, DLW decided that "we need riot wait for performance trials of Woodward governors with the conversion kits as these have already been tried in USA". Accordingly, the Administration cancelled the indent on 23rd February 1979, and placed a fresh indent on 26th March 1979 for the same number of Woodward governors complete with conversion kits. At this stage, the question of cancelling or modifying the March 1978 order for GE governors was not considered.

4.6 The supplies of Woodward governors against the January 1978 orders materialised in January 1978 from one firm and in January 1980 from the other. However, against the order of March 1978 for GE governors, the delivery of which was to commence by March 1979, 64, numbers were supplied by the firm during July 1979—September 1980, while the balance 11 numbers are still awaited (December 1980). Despite the failure to adhere to the contract schedule, cancellation of the order by invoking the relevant clauses of the contract was again not considered.

4.7 In the context of the Ministry of Railways' (Railway Board) directive (September 1977) to switch over to Woodward governors, the technical suitability of which according to DLW (December 1977) was such that they could be procured straightaway, the decision (March 1978) to purchase GE governors on the ground that Woodward governors ordered earlier (January 1978) had to be tried out before switching over to them lacked justification and involved an extra expenditure of Rs. 24.49 lakhs (including foreign exchange of Rs. 16.55 lakhs) in respect of 63 governors required for WDM-2 locomotives, besides additional liability on account of higher maintenance cost and failure rate of GE governors (as per the technical opinion).

4.8 The DLW Administration stated (December 1980):

(i) The decision to procure GE governors in March 1978 could not have been otherwise as supply of Woodward governors against trial orders (January 1978) had not materialised to enable a review to be made of DLW's original plan to try out a few such governors to check their suitability before initiating bulk coverage.

(ii) The question of cancellation/reduction in the quantity of GE governors ordered in March 1978 did not arise, as no other established equipment was available for use in lieu.

4.9 It may, however, be pointed out that the Ministry of Railways, (Railway Board) directive (September 1977) did not contemplate any trial of Woodward governors before switching over to their use and 50 such governors had actually been ordered (January 1978) by the Administration straightaway in consideration of their technical suitability. Again, considering that the indent (January 1979) for 133 GE governors on the Supply Wing was cancelled (February 1979) by the Administration without conducting performance trials of Woodward governors, there could hardly be any reason preventing cancellation of the March 1978 order for GE governors, when the supplier failed (March 1979) to adhere to the contract delivery schedule.

[*Para* 10 *of the Advance Report of the Comptroller and Auditor General of India for the year* 1979-80 *Union Government (Railways)*].

4.10 The Ministry of Railways (Railway Board) in a note dated 30-1-1982 stated:

"No corrective|remedial action is required to be taken in this case. DLW administration acted with foresight to avoid gaps in the supply of governors for diesel locomotive production. If the order for 75 GE governors which was placed in March '78 were cancelled, there would have been a gap in the supply of governors leading to a hold up in the production of diesel locomotives."

The comments of audit were as under:

"From the deliberations recorded at pages 6-7|n on their file No. 76M|(L)466|152 Appendix II it would be seen that in the contex of the Woodward governors being already in use on WDM-4 locomotives, a specific decision had been taken by the Railway Board in September 1977 in favour of fitment of these governors on WDM-2 locomotives without any trials whatsoever. Judged in this back ground, DLW Administration's action of going in for the costlier G.E. governors, pending trial of cheaper woodward governors does not seem to have been in order."

44.11 The Committee note that the Ministry of Railways (Railway Board) took a decision in September, 1977 in favour of fitment of Woodward governors on WDM-2 locomotives on the basis of the experience gained by the Railways earlier about the performance of these governors on WDM-4 locomotives. In their directive of September 1977 to the DLW Administration, the Railway Board, therefore, did not contemplate any further trials of Woodward governors to be conducted on WDM-2 locomotives.. In fact, the Railway Board had urged the Administration to establish the cut off point for switch over as early as possible.

4.12 It is distressing to find that, despite the un-equivocal directive of the Railway Board, the DLW Administration decided in March 1978 to go in for the purchase of the costlier GE governors, holding that Woodward governors ordered in January 1978 had to be first tried out on WDM-2 locomotives. Before taking such a decision, the DLW Administration should have consulted the Railway Board about the need for conducting such trials, duly taking into account the financial implications of the consequent delay in the switch over to Woodward governors, particularly when no such trials had been contemplated in the Railway Board's directive.

4.13 The Committee feel that the DLW Administration's order of 63 GE governors in March, 1978 on the ground that the Woodward governors had still to be tried out was not justified and resulted in avoidable expenditure of Rs. 24.49 lakhs (including foreign exchange of Rs. 16.55 lakhs). The directive of the Railway Board was meant for strict compliance and without prior approval of the Board, was not to be deviated from. The Committee are surprised that in their note of 30-1-82 to the PAC, instead of condemning the action on the part of DLW Administration, the Railway Board has complimented the DLW Administration by saying that the DLW Administration acted with foresight to avoid gap in the supply of governors by not cancelling the order placed on GE in March '78 after the audit had pointed out the violation of Railway Board's directives. Surely the Railway Board could not have given their decision in September '77 without due consideration of the results of trial of 'Woodward' governors. The Committee desire that the Ministry of Railway (Railway Board) should examine this case afresh and ascertain the circumstances in which the DLW Administration, in spite of the Railway Board's clear direction to establish a cut off point for switch over from GE to Woodward governors as

early as possible introduced an element of putting the Woodward governors on trial and ordered for GE governors resulting in the aforesaid avoidable expenditure of Rs. 24.49 lakhs. The Ministry should also ensure that such lapses do not occur in future. The outcome of the action taken in the matter should be reported to the Committee

V

NORTH EASTERN RAILWAY—DELAY IN SHIFTING OF A TURN-TABLE

5.1. Turn-tables or triangle lines of requisite capacity are provided at various originating/terminating stations for changing the direction of engines. At Kasganj on the Kasganj—Mathura metre gauge (MG) section (distance 105 km), where there was a triangle line capable of turning all types of engines, a standard MG turnable of 65/ diameter was provided in the course or remodelling of the yard during 1962. The triangle line which was to be dismantled in order to ease the curves in the yard, as per the remodelling plan, was subsequently retained as a stand-by. At Mathura, the other end of the Kasganj—Mathura section, there was a turn-table of 50/ diameter which was used for turning small engines ('P' class) for working trains on the Mathura—Vrindaban branch line (distance 13 km), while Vrindaban had a triangle line capable of turning all types of engines.

5.2. With effect from January 1973, one passenger train hauled by a YP engine and one goods train hauled by a YG engine were introduced on the Kasganj—Mathura section, terminating at Mathura. As the turn-table at Mathura was not capable of turning YP/YG engines, these were run light to Vrindaban and back (26 km) for being turned at the triangle line available there.

5.3. In February 1977, contrary to the remodelling plan of Kasganj Yard, the Administration sanctioned and estimate for Rs. 0.50 lakh for shifting the 65/ turn-table from Kasganj to Mathura. The turn-table was shifted to Mathura and installed there in February 1979 and was commissioned in August 1979.

5.4. The extra expenditure incurred on the light run of the engines between Mathura and Vrindaban, from January 1973 to July 1979, was assessed (by Audit) at Rs. 2.62 lakhs (cost of coal and wages of crew).

5.5 The Administration stated (December 1978) that the decision to shift the turn-table from Kasganj to Mathura was taken only after the design of the triangle line at Kasganj had been sufficiently improved to make it suitable for meeting the requirements.

5.6 The Administration could not produce any evidence of the improvements stated to have been effected in the triangle at Kasganj, the period in which these improvements were effected and the expenditure incurred thereon, but maintained (February 1980) that improvements were made as part of normal routine work, that as such no separate sanction for carrying out these improvements had been obtained, and that therefore, the expenditure thereon could not be segregated from the overall expenditure on day to day repairs and maintenance chargeable to revenue.

5.7 According to the extant rules, even in the case of works chargeable to revenue, an estimate is required to be prepared and a specific sanction issued for every work estimated to cost more than Rs. 20,000. The fact that no separate sanction was issued in this case, would indicate that the work involved was not of such magnitude that the Administration need have taken more than six years to carry it out before shifting the turn-table from Kasganj to Mathura, the result of which was that the engines had to be run light between Mathura and Vrindaban at extra cost.

[*Para* 20 *of the Advance Report of the Comptroller and Auditor General of India for the year* 1979-80 *Union Government (Railways)*].

5.8. The Ministry of Railways (Railway Board) in a note dated 30th December 1981 stated:

"Shifting of the turn table could only be done after the existing triangle at Kasganj was improved which was a time consuming process since there were sharp curves involved. The actual process of shifting the turn table also had taken time since civil engineering work of construction of the deep well, tracks had to be done before installation of the turn table which required step by step levelling as well as actuation of the Vacuum-powered turning arrangement. Shifting of the turn table earlier was not possible until the triangle at Kasganj was improved since only two locos required turning at Mathura while 22 were to be turned at Kasganj. The delay, therefore, has to be viewed from the time the triangle was improved to take the movement of 22 locos every day reliably."

Audit observed as under:

"No evidence in support of the improvements stated to have been effected in the triangle at Kasganj, the period during which these were effected and the expenditure incurred thereon. In respect of works estimated to cost over Rs. 20,000 chargeable to revenue, an estimate is required to be prepared and sanctioned as per rules in force. No sanction was issued in this case, indicating that the work involved was not of such magnitude that the Administration need have taken 6 years for its completion."

5.9. The Committee note that two trains were introduced on the Kasganj—Mathura section with effect from January 1973. From Mathura the two engines of the trains had to run light to Vrindaban and back (26 Km.) for being turned at the triangle line available there. The Committee are unhappy to note that it was only in February, 1977, four years after introduction of the trains, that the Railway Administration decided to shift the turn-table from Kasganj to Mathura. The turn table was actually shifted to Mathura and installed there in February 1979 and was commissioned in August 1979 after a further delay of over two years. In the meantime, an extra expenditure of Rs. 2.62 lakhs was incurred on the light run of the engines.

5.10. Again, the Railway Administration took a deciison, contrary to the re-modelling plan of Kasganj yard, to shift the turn-table to Mathura and sanctioned Rs. 0.50 lakh for that purpose, only after, "the design of the triangle line had been sufficiently improved", yet it did not possess any material to show that triangle line had been so improved.

5.11. The Audit has pointed out that no evidence was produced by the Railway Administration (even the written note furnished to the Committee by the Railway Board in December, 1981 and purported to be an action taken note on the Audit Paragraph does not indicate any), in support of the improvements stated to have been effected in the triangle line at Kasganj, the period during which these improvements were made and the expenditure incurred thereon. The Administration, however, maintained that improvements were effected as part of "normal routine work" and as such no separate sanction for carrying out these improvements had been obtained.

5.12. Under the extent rules even in the case of works chargeable to revenue, an estimate is required to be prepared and a specific sanction issued for every work estimated to cost more than Rs. 20000. The very fact that no separate sanction was issued in this case, would indicate that the work involved in improvement of

the triangle line was not of such magnitude that the Administration need have taken more than 6 years to carry it out.

5.13 The Committee are not satisfied with the explanation given by the Ministry of Railways (Railway Board) that shifting of the turn-table earlier before six years was not possible, as the existing triangle line at Kasganj had to be improved in the meantime. The Committee do not feel convinced by the justification advanced by the Railway Administration for the delay in shifting the turn-table to Mathura. The Committee take a very serious note of the lapses on the part of the Railway Administration. The Committee would like the Ministry of Railways (Railway Board) to investigate the delay in shifting the turn-table which cost the exchequer Rs. 2.62 lakhs, with a view to fixing responsibility for the delay.

VI

SOUTHERN RAILWAY—DUES FROM AN EARTHWORK CONTRACTOR

6.1 A contract (value: Rs. 21.32 lakhs) for earthwork in reach VI of the Hassan-Mangalore Railway Project was awarded to firm 'A' in July 1965, to be completed by January 1967 (later, extended to December 1972). During execution, quantities exceeding 25 per cent in respect of certain items of the work (value: Rs. 5.05 lakhs) were also entrusted (May 1972) to the same firm under another contract. On grounds of unsatisfactory progress, both the contracts were terminated in May 1974 at the risk and cost of the firm. The left over work was entrusted (October 1974), on open tender basis, to firm 'B' and completed by it in May 1975.

6.2 During July 1965 to May 1974, payments had been made to firm 'A' on the basis of approximate assessment of the work done as certified by the Assistant Engineers concerned. When detailed measurements were taken in October 1975, an overpayment of Rs. 2.38 lakhs to firm 'A' was noticed. The liability of firm 'A' for work not done by it till May 1974, and subsequently got done by firm 'B' in May 1975 at the risk and cost of the former, was assessed by the Administration at Rs. 1.47 lakhs in April 1978 only. Further, the outstanding dues against firm 'A' on account of (a) the cost of returnable materials issued to the firm but not returned by it, and (b) the difference between the provisional rates charged and the final rates required to be charged in respect of the other materials issued and hire charges for plant and machinery loaned to the firm by the Railway, were assessed by the Administration at Rs. 1.73 lakhs in February 1979. After adjusting Rs. 2.19 lakhs available on account of security deposit etc., a balance of Rs. 3.39 lakhs was still due to be recovered from the firm 'A'.

6.3 Since the firm was stated to be not in a state of solvency, winding up proceedings against the firm had been initiated (May 1979) through the Registrar of Companies. However, no recovery had been effected so far (December 1980).

6.4 The outstanding dues were due mainly to the abnormal delays on the part of the Administration in taking final measurement of the work done and in assessing the various Railway dues.

[*Para* 22 *of the Advance Report of the Comptroller and Auditor General of India for the year* 1979-80 *Union Government (Railways)*].

6.5 The Ministry of Railways (Railway Board) in a note dated 30th January 1982 have stated *vide* their letter No. 75|WI|CT|3 dt. 2-7-81, the Ministry of Railways reiterated their earlier orders as under:—

"(i) The AEN should record at least some rough measurements in support of the lumpsum payments and in every 4th or 5th Bill AEN should take actual level of earth-work profile to safeguard against making over payments.

(ii) The Railways should provide a clause in the special conditions of Contract to the effect that at the time of final handing over of the embankment to the Railways, payment would be made on the basis of final cross sections only and no extra allowance would be granted to cover any settlement of the earthwork.

(iii) Where a recovery is to be made from a contractor, the case should be pursued to its logical conclusion with abundant caution diligence and expedition."

2. As regards delay on the part of the administration in handling this case, it may be stated that contract was terminated in May, 1974. Soon thereafter the monsoon rains started. During the rainy season and some months thereafter nothing could be done due to stagnating water and slush and local slips. Hence, the recording of final cross sections and the final calculated quantity for final bill could be completed by October, 1975 only.

Meanwhile, the Managing Director of the Company took ill and since died also which made it very difficult to deal effectively.

Being final bill, all the earlier 55 "on-account" bills had to be thoroughly scrutinised for any under recovery etc. and scrutinised with reference to each and every material/ Plant sold or hired. Final rates had to be struck obtaining the requisite information from Stores deptt. and after obtaining finance concurrence.

Despite these constraints, these phases of work could be finalised by April, 1978 when the amounts due from the Contractor could be determined to proceed further for the recovery from the firm.

Hence, there was no avoidable delay in this case."

6.6 A contract for a value of Rs. 21.32 lakhs for Earthwork in Reach VI of the Hassan-Mangalore Railway Project was awarded to firm 'A' [M/s. Madras Housing Construction and Properties Ltd. Madras] in July, 1965 with the stipulation that the work would be completed by January 1967. However, this date was extended to December, 1972. It dawned upon the Railway authorities, only after watching the pace of work done by the Firm for more than eight years, that the firm had made unsatisfactory progress. Consequently, the contract was terminated in May 1974 at the "risk and cost" of the Firm 'A'. During the subsistence of the contract, over payments to the tune of Rs. 2.38 lakhs were made to the contractor on the basis of certificates given by the concerned Assistant Engineer for the approximate work done. Not only that, the Firm 'A' had been awarded another contract valued at Rs. 5.05 lakhs in May 1972 after watching its work for about seven years.

6.7 Although, the Earthwork contracts were terminated in May, 1974 the detailed measurements of the work done were taken in October. 1975 after a delay or over one year, when an over payment of Rs. 2.38 lakhs was noticed. Again, while the left over portion of the work was got completed in May, 1975, through another contractor, the "Risk Cost" was assessed at Rs. 1.47 lakhs in April, 1978 after a delay of three years. Further, the other outstanding dues were assessed in February, 1979 after a further delay of about one year. The winding up proceedings against the firm were initiated in May 1979 after a delay of 5 years, since termination of the contracts in May 1974 on the ground that Firm was not in a state of solvency.

6.8 The Committee are not satisfied with the explanation furnished by the Ministry of Railways (Railway Board) for the delays which occurred at various stages. The detailed measurements should have been recorded before May, 1974 when the contract was terminated but the measurements were taken only in October, 1975 after a delay of over one year when an over payment of Rs. 2.38 lakhs could be detected. "The Risk Cost" should have been assessed immediately on completion of the left over portion of the work

in May 1975; but this was done only after a delay of three years in April, 1978. The Committee do not find any valid justification for these delays and also for abnormal delays in assessing the other outstanding dues against the firm.

6.9 The episode indicates that either the designing and planning of the project or assessment of the period of execution of the contract was not done properly, and if it was, there was no ostensible valid reason for spreading the period of execution of the contract from one and half years, as originally planned to nine years in favour of the contractor Firm and at the same time making over payments to the firm to the tune of Rs. 2.38 lakhs. This could not have happend unless the concerned officers at higher level entrusted with the work of over-seeing the progress of execution of the contract were negligent towards their assigned duties. The Committee would like the Railway Board to get the matter thoroughly investigated in order to ascertain the factors responsible for inordinate delays having taken place at various stages of the execution of this contract including delays in assessing dues against the firm and also for making of over payments. The Committee would also like the Railway Board to fix responsibility and take drastic action against all those officers who might be found wanting so far as the execution of the Earthwork contract in question is concerned.

6.10 This is a typical case of delay causing not only financial losses to the Ralways but hamperng the execution of Hassan-Mangalore Railway Project.. It is of common knowledge that delays in execution of one part of a Project particularly jobs like Earthworks, Civil works, etc. lead to, or at least are made excuses for, delays in completion of other parts of a project. The investigations should, therefore, also be directed towards assessing the impact of the delayed execution of this contract on the completion of the exeHassan-Mangalore Railway Project, and also whether delayed execution of the Earthwork was made an excuse for delays, if any, in the implementation of the other segments of the Railway project. The Railway Board should also make an indepth study of the delays in the completion of other railway projects to ensure that such delays have not been instrumental to delayed completion of other projects and take effective remedial actions to avoid recurrence of such cases of delay.

VIII

NORTHERN RAILWAY—DELAY IN COMMISSIONING OF A WEIGHBRIDGE

7.1 A 50 tonne weighbridge costing Rs. 0.63 lakh was procured by the Administration in October 1967. The site for its location, however, remained under consideration for over six years, and finally it was installed in March 1974 in Cheoki marshalling yard serving the Naini Station (Allahabad Division), the cost of installation being Rs. 1.38 lakhs.

7.2. In November 1977, it was observed in Audit that the weighbridge had not been put to any use ever since its installation. The Administration stated in October 1978 that the weighbridge could not be utilised for want of space for unloading excess material if noticed as a result of weighment. Later, in July 1980, the Administration added that the non-utilisation was also due to insufficient capacity of the marshalling yard for sorting out the wagons to be weighed.

7.3. The following comments arise:

(i) The weighbridge has remained unutilised for over 13 years, except for a period of 15 days in November 1979 when 42 wagons were weighed, of which 5 wagons showed overloading.

(ii) Wagons requiring weighment at Naini had, as a result of the weighbridge not being in use, to be hauled to Allahabad at a distance of 8 kilometres and back, the cost of haulage being Rs. 13.90 per wagon. Since not all such wagons would have been hauled to Allahabad and/or weighed there the possibility of overloading and consequent loss of revenue could not be ruled out.

(iii) Plans to enable the weighbridge to be put to use are yet to be finalised (October 1980).

[*Para* 23 *of the Advance Report of the Comptroller and Auditor General of India for the year* 1979-80 *Union Government (Railways)*]

7.4. In a note to the Committee, the Ministry of Railways (Railway Board) stated:

"Zonal Railways have been advised that before orders are placed for procurement of a weigh-bridge, the location for installing the weigh-bridge should be decided having regard to the justification for the weigh-bridge at that site and the facilities available, such as space for unloading excess weight found on weighment etc. so that there is no delay in installing and commissioning the weigh-bridge after procurement.

The weighbridge in question has been put to use on a limited scale since 14th November 1979. Fuller utilisation of the weighbridge can only be made after remodelling of the yard. However, as desired by Audit, the possibility of re-locating the weigh-bridge to make it more useful is being explored."

7.5 The Committee are distressed to note that a 50 tonne weigh-bridge costing Rs. 0.63 lakh was procured by the Central Railway Administration in October, 1967 without a clear idea as to its site of location. The Administration took more than six years to decide the site and finally installed it in March, 1974 in Cheoki Marshalling Yard serving the Naini Station (Allahabad Division), at a cost of Rs. 1.38 lakhs. Even after the lapse of this long period of six years, the Administration did not take note of the insufficient capacity of the yard for sorting out wagons to be weighed and the lack of space in the yard for unloading excess material found on weighment. During the 3 years after it was installed (except for 15 days in November 1979) the weighbridge remained unutilised.

7.6. The Committee desire the Railway Board to enquire into the matter and fix responsibility for the various lapses brought out in the Audit Paragraph and also to take suitable action to ensure proper use of the weighbridge hereafter.

7.7. Naini (Allahabad) has, in recent years, developed into a new industrial complex where a number of private industrial units are also located. These industrial units generate considerable goods traffic to and from Naini. Despite paucity of weighbridges Northern Railway took over 6 years to select a site for installing comparatively a simple equipment like weighbridge and another eight years to utilise the weighbridge. In the meantime over-loading wagons and loss of revenue as apprehended by the Audit cannot be ruled out. This indicates laxity in monitoring the use of machinery purchased. The Committee would like the Ministry of Railways (Railway Board) to get this aspect of the matter enquired and report the outcome thereof to the Committee. The remedial action taken by the Board to plug the leakage of railway revenue not only at Naini but other places, similarly situated, should also be intimated to them.

VIII

EASTERN RAILWAY—NON-RECOVERY OF ESTABLISHMENT CHARGES FROM A PRIVATE SIDING HOLDER

8.1. The agreement (April 1943) with a private siding holder Bata Shoe Company (Gata Nagar) in Sealdah division of the Railway did not provide for recovery of the cost of Railway staff posted on the siding. On the omission being pointed (1961) out by Audit, the Administration decided to realise the cost of Railway staff from the company from a prospective date by mutual consent.

8.2. In October 1963, the Administration served a notice on the company that it should bear the cost of Railway staff posted on its siding, failing which the staff would be withdrawn from 1st February 1964. The company, however, filed a writ petition (July 1964) under Article 226 of the Constitution in the Calcutta High Court challenging the authority of the Railway to demand the cost of staff posted on the siding, which was quashed by the Court (March 1973). Further, the prayer for leave to appeal against the judgement of the High Court having been rejected, the company filed (1976) a special leave petition in the Supreme Court.

8.3. Bills for establishment charges amounting to Rs. 5.24 lakhs (later revised to Rs. 4.54 lakhs) recoverable from the company for the period from 1963 to 1974 were preferred by the Administration between October 1976 and April 1977. The company however, contended (April 1977) that the Railway's claims for the period from 1963 to 1969 were inflated as these were based on the mean pay of the posts instead of the wages of the staff and on more number of staff than actually employed on the siding. Simultaneously, it sought out of court settlement of all Railway dues for the cost of staff till 1976 on fifty-fifty basis.

8.4. In regard to the company's offer for out of court settlement, the legal counsel of the Railway opined (December 1977):

(i) The Administration could lawfully claim and recover the arrears of the cost of staff posted on the siding through a regular suit.

(ii) The Railway had a fairly good case and the other party might not succeed in the Supreme Court. However, in view of uncertainty in a litigation, it would be preferable to consider the offer for settlement out of court provided a fair settlement could be arrived at.

3.5 In this background the Administration negotiated (December 1977) with the company and came to an agreement that:

(i) the latter should immediately withdraw the special appeal pending in the Supreme Court and make a down payment of Rs. 3 lakhs against the Railway's claims for establishment charges up to December 1974;

(ii) bills for the cost of staff for the period from January 1975 to March 1977 should be prepared as per the yard stick for engaging staff on the siding; and

(iii) for the period from April 1977 onwards, the staff position should be reviewed in consultation with the company and claims preferred on the basis of mean basic pay of the posts and other allowances.

8.6 While the company paid (March 1978) Rs. 2.50 lakhs, as against Rs. 3 lakhs agreed to in negotiation, in final settlement of the Railway's claims for the period up to December 1974, the Railway's claims for the subsequent period January 1975—December 1979 amounting to Rs. 3.29 lakhs preferred on different dates between May 1977 and September 1980 still (December 1980) remain unpaid.

8.7 In this connection the following points arise:

(i) The *ad hoc* settlement negotiated by the Administration involved waiver of claim for Rs. 1.54 lakhs out of the total claims up to 1974 (Rs. 4.54 lakhs); the amount of the waiver ultimately turned out to be Rs. 2.04 lakhs as the actual payment was Rs. 2.50 lakhs only against the agreed amount of Rs. 3 lakhs.

(ii) The waiver of the claim virtually amounted to providing staff on the private siding partly at Railway's cost in contravention of the extant rules, for which approval of the competent authority viz. the Ministery of Railways (Railway Board), was not obtained.

(iii) The company failed to keep up its assurance of increasing the rail traffic from the siding, in consideration of which waiver of a portion of the claims had been agreed to; the number of wagons moved over the siding actually came down from 1261 each in 1976 and 1977 to 559 in 1979, 768 in 1979 and 287 in 1980 (up to November).

(iv) The siding agreement has still not been amended (December 1980) to incorporate the terms and conditions agreed to in 1977 for recovery of the cost of staff.

(v) The Railway's claims of Rs. 3.29 lakhs for the period January 1975 to December 1979 continue to remain unrealised (December 1980).

8.8 The Administration stated (November 1979) that in view of uncertainty in litigation and in realisation of any amount till the finalisation of the suits, the out of court settlement negotiated was in the best interest of the Railway and hence approval of the Ministry of Railways (Railway Board) was not obtained. Considering the quantum of the claim foregone (Rs. 2.04 lakhs), non-materialisation of the assurance of the Company to increase rail traffic and non-realisation of the staff cost (Rs. 3.29 lakhs) for the subsequent period, the settlement negotiated with the siding holder could hardly be deemed to be in the best interest of the Railway.

[*Para 24 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80 Union Government Railways*)]

8.9 The Ministry of Railways (Railway Board) in a note furnished to the Committee have stated:

"Instructions have been issued to the Indian Railways that while finalising the Agreement with the siding owners, due care should be exercised to ensure that all the relevant terms and conditions are incorporated in the Agreement executed with siding owners. The Railways have also been advised that if in the existing Agreement with any of the siding owners. the provision relating to recovery of cost of staff is not included, immediate action may be taken for incorporating this provision in the Agreement.

As regards the recovery, up to the end of December, 1979, a sum of Rs. 2.15 lakhs has been realised. Efforts are being made for recovery of balance. Suitable instructions are also being issued to the Zonal Railways for ensuring prompt realisation of railway dues from the private parties."

8.10 The Committee find that in the present case, the absence of a provision in a private siding agreement for recovery of the cost of Railway Staff posted on the siding was detected and brought to the notice of the Eastern Railway by the Audit in 1961. This led the Railways to make claims amounting to Rs. 4.54 lakhs for the period 1963—74. The company (Bata Shoe Company) which owned the siding first contested the matter in the High Court and failed and then it filed a special leave petition in the Supreme Court. While the special leave petition was pending in the Supreme Court, the company sought out of court settlement. The Railway Administration entered into negotiations and arrived at settlement involving 50 per cent waiver of the Railways claims. The Railways' claims for the subsequent period up to 1979 are yet to be recovered in full while the siding agreement has not been amended to provide for recovery of the cost of staff. The Committee have a feeling that in the noted case, the private party got away with what it wanted by dictating its own terms. The company gave an assurance to the Railways to increase the rail traffic from the siding and in consideration of that assurance, it got a waiver of a portion of the claims. The Company, however, failed to keep up this assurance, rather the number of wagons moved over this siding actually came down from 1261 in 1976 to 287 in 1980 and the Railway, in the nature of things, seemed to be helpless in the matter. The company even delayed the payment of agreed amount and the Administration seemed to be unconcerned and continues to operate the private siding. The settlement was negotiated in 1977 but the siding agreement still continues to be without a provision for recovery of the cost of staff.

8.11 The Committee agree with the Audit view that the waiver of the claim virtually amounted to providing staff on the private siding partly at Railway's cost in contravention of the extant rules for which approval of the competent authority viz., Ministry of Railways (Railway Board) was not obtained by the Eastern Railway Administration. The Committee cannot but view this state of affairs as an indication of the indifference shown by the officers of the Zonal Railway Administration in the matter.

8.12 The Committee observe that necessary instructions for incorporating provision for recovery of the costs of staff and allied terms and conditions in the siding agreement had not been issued to the Zonal Railways by the Railway Board earlier. The Committee desire that implementation of the instructions now issued be suitably monitored at the Railway Board's level so as to avoid recurrence of such dismal situations in future, and also accumulation of

arrears of Railways dues in the hands of private parties, which could lead to ad hoc **settlement later, generally having adverse effect on the Railway revenue.** ...

8.13 The Committee would also like the Railway Board to get all the cases of private siding reviewed quickly, and ensure that private siding agreements do incorporate all the relevant terms and conditions to safeguard the interests of the Railway revenue, and that effective and prompt steps are taken by Zonal Railways to realise the outstanding dues from private parties. The outcome of the action taken in this regard should be reported to the Committee within a period of six months from the date of presentation of this report.

IX

CENTRAL RAILWAY—ADJUSTMENT OF FRAUDULENT CLAIMS PAID BY THE BOMBAY PORT TRUST RAILWAY

9.1. In respect of a consignment accepted on the basis of the sender's declaration of its weight, the extant tariff rules provide for its weighment at enroute stations where weighment facilities exist. In respect of oil products despatched in tank wagons, the rules further provide for recording of dip measurements and ascertaining the correct weight by reference to calibration charts. The data on weights etc. as recorded on the invoices are required to be consulted by the destination stations prior to effecting delivery of the consignments or acceptance of claims for shortages.

9.2. Consignments of salseed oil are regularly booked in tank wagons by consignors from Raipur and Bilaspur on the South Eastern Railway, to be carried *via* the Central Railway, to a firm 'A' in Bombay on the Bombay Port Trust (BPT) Railway (under the Bombay Port Trust). These tank wagons are not weighed at the booking stations before acceptance for despatch due to want of weigh bridge but the weight as declared by the consignors in the forwarding notes is accepted by the stations with a remark on the invoices that the sender's weight had been accepted and that the wagon should be weighed at the weigh bridge at Bilaspur yard or Bhilai marshalling yard. In all cases, dip measurements of the oil in the tank wagons are taken at the forwarding stations and recorded on the invoices.

9.3. During the period from April 1978 to September 1979, the BPT Railway, being the destination Railway for these consignments, paid 52 claims for compensation amounting to Rs. 3.89 lakhs for shortage of salseed oil received by that Railway, out of the earnings payable to the Central Railway as authorised by the Railway Board in April 1968, and passed on the debits to the Central Railway for appointment among the Indian Railways as per the rules on the subject. The Central Railway Administration, on receipt of intimation of payment of claims, noticed (November 1978—February 1979) that the dip measurements recorded on the invoices by the forwarding stations as well as the particulars of weighment made on the weigh-bridges enroute and recorded in certain cases had not been consulted by the BPT Railway Administration before making payment of the claims and contested the payments in four cases but received no reply from the BPT Railway Administration and did not pursue the matter further.

9.4 Meanwhile, a test check conducted by Audit (September 1978—March 1979) of 7 cases of the compensation claims settled by the BPT Railway Administration (for Rs. 1.95 lakhs and this amount was apportioned to Central Railway Rs. 1.40 lakhs, South Eastern Railway Rs. 0.55 lakh and BPT Railway Rs. 675) revealed that compensation had been admitted incorrectly on the basis of the sender's weight as recorded on the invoices and that no notice had been taken of the dip measurements recorded on the invoices or the advices of lesser weights, recorded on the weigh-bridges at the enroute stations Bilaspur/Bhilai, received by them. (The Central Railway however, stated (January 1981) that the advices of weighment were not received by the BPT Railway).

9.5 On the matter being taken up in Audit, a detailed investigation conducted by the BPT Railway and the Central Railway Administrations disclosed that the weights derived on the basis of dip measurements shown on the invoices and of calibration charts were much less than the sender's declared weights shown on the invoices. The consignees/consignors could not also produce any records to prove the weights declared by them in the invoices. Pending detailed calculation of the exact amount of overpayment, the agent of firm 'A' (who had despatched the salseed oil), on a request by the BPT Railway Administration, paid back Rs. 1 lakh on 31st October 1979 under protest. The firm, however, subsequently filed a writ petition in the Bombay High Court for refund of the amount paid.

9.6 Further detailed investigations covering all the 52 cases disclosed excess payment of Rs. 3.14 lakhs in 43 cases. Investigations made by the BPT Railway Administration also revealed that there had been fraudulent manipulation of the records by the staff of that Railway so as to be able to pass the claims. Full recovery of the overpaid amount from firm 'A' and investigation whether other firms were also involved are yet to be made (August 1980) by the BPT Railway Administration.

9.7 The following are the comments in this case:

(i) The BPT Railway Administration, though concerned with only 4 kilometres out of the distance transported in respect of consignments booked to stations on that Railway, has been authorised to settle the claims in respect of such consignments and adjust the payments against the earnings payable to the Central Railway.

(ii) The BPT Railway Administration had settled 43 claims (Rs. 3.14 lakhs) for shortages on the basis of the sender's weight as declared in the invoices and without reference to the dip measurements recorded thereon; it is also not clear how the advices of weighment made at enroute stations were not received by the BPT Railway.

(iii) Though the Central Railway Administration had noticed that the dip measurements as also the weighment advices had not been consulted by the BPT Railway Administration before settling the claims and even contested the payments (Rs. 1.30 lakhs) in four cases, it had failed to pursue the matter further.

(iv) The procedure for settlement of claims by the BPT Railway Administration and the checks exercised by the Central Railway Administration while accepting the liability passed on by the BPT Railway Administration would appear to call for a review.

[*Para 27 of the Advance Report of the Comptroller and Auditor General of India for the year* 1979-80 *Union Government* (*Railways*)].

9.8 The Ministry of Railways (Railway Board) in a note (January 1982) stated as under:

"The Railway Port Trust has been directed that the work in claims office of the Bombay Port Trust should be properly streamlined and the powers of officers at different levels in the matter of settlement of compensation claims should be clearly defined. They have also been directed that each compensation claim should be examined carefully having due regard to the 'railways' liability under the provision of Indian Railways Act and in case of any doubt the concerned trunk Railway should be consulted before the claim is settled by payment. In case of high valuation compensation claim, concurrence of the associate finance of the Port Trust should be obtained. The Port Trust has also been advised that the writ petition stated to have been filed in the High Court of Bombay in this connection for recovery of the amount of Rupees one lakh should be chased vigorously so that the same could be decided as early as possible. In this connection, the Bombay Port Trust has advised that the concerned officer found responsible in this case has been put under suspension.

The Central Railway Administration has also been directed to exercise meticulous checks while accepting the liability passed on by the Bombay Port Trust Railway in this regard.

However, as desired by the Audit in their Report for 1979-80, the existing procedure was reviewed in consultation with the Bombay Port Trust and has been found to be satisfactory."

9.9 Under the rules of the Indian Railway Conference Association (IRCA), the liability for the loss/deficiency/damage relating to a consignment moved over the Railways is divisible among the Railways concerned in the ratio of the distance travelled over those Railways, subject to investigation and acceptance of the liability by those Railways. As brought out in the audit paragraph, under the existing procedure, vide Board's letter No. TCIII/314966BPT dated 18.4.68 authority has been delegated to the Bombay Port Trust Railway, despite its small length (4 km), to settle compensation claims without any financial limit.

9.10 Further, under the rules, the claim settled by the destination Railway is to be paid out of its own earnings and the portion to be borne by the other Railways is debited to them by book adjustments. The payment of claim is, however, arranged to the party only after the compensation claim has been referred to all the concerned Railways and the liability therefor on kilometrage basis has been duly verified and accepted by them within a reasonable period. In the case of the BPT Railway, however, exception has been made since 1968, as authorised by the Railway Board permitting payment out of the earnings of the Central Railway|other Railways initially received by the BPT Railway, without settling the question of inter-Railway liability and effecting adjustments as due irrespective of any limit.

9.11 The Committee note that the Railway Board have observed that the work in claims office of the Bombay Port Trust should be properly streamlined and the powers of officers at different levels in the matter of settlement of compensation claims should be clearly defined. They have also been directed that each compensation claim should be examined carefully having due regard to the 'railways' liability under the provision of Indian Railways Act and in case of

any doubt the concerned trunk Railway should be consulted before the claim is settled by payment. In case of high valuation compensation claim, concurrence of the associate finance of the Port Trust should be obtained. The Committee, however, note that the Central Railway would exercise only post checks. However meticulous these checks may be, the extant procedure does not leave any scope for a probe in the adequacy of investigations conducted by BPT Railway prior to settlement of claims by the Railways.

The Committee would, therefore, like the Railway Board to make an expeditious review of the existing procedure of settlement of claims in vogue from 1968 in the Port Trust Railway. The Committee would suggest the desirability of fixing a monetary limit upto which the Port Trust Railway could settle claims on its own and those above that limit to be got concurred in by the Central Railway before settling them should be examined so that such cases might not recur.

X

SOUTH EASTERN RAILWAY—DELAY IN REVISION OF RATE OF RECOVERY OF ELECTRICITY CHARGES

10.1. A pooled rate for recovery of charges for electricity supplied to Railway employees, out of the bulk purchase made by the Railway, is required to be fixed on 'no profit no loss' basis every alternate year, unless revised earlier due to special reasons.

10.2. On the South Eastern Railway, the pooled rate of 14 paise, effective from 1st January, 1969, remained unaltered, despite the requirement mentioned above, until August, 1974. Effective from 1st September, 1974 an *ad hoc* rate of 19 paise per unit was fixed subject to review on the basis of data to be collected from various divisions for the years 1969-70 to 1974-75, action for which was initiated only in July, 1975. This *ad hoc* rate continued unchanged till 1978; meanwhile, due to steep increase in the rates for supply of electricity charges by the various State Electricity Boards, the gap between the recoveries from the Railway employees and the payments made for the supplies received widened, the shortfall amounting to Rs. 1.72 crores for the period March, 1968—June, 1978. Taking into account the shortfall in recovery and spreading its realisation over the next ten years on the basis of anticipated future domestic consumption of electricity, the Administration revised (December 1978) the pooled rate to 44 paise per unit effective from 1st July, 1978.

10.3. The delay of over nine years in the rate revision and the decision to recover the loss incurred thereby over the next ten years led to a steep increase in the rate of recovery (from 19 paise to 44 paise per unit). Consequent on wide spread staff representation, implementation of the revised rate had to be deferred beyond 1979. After discussion with the Labour Union, the Administration decided (March 1980) on recovery of electricity charges at 36 paise per unit from 1st April, 1980 on provisional basis subject to adjustments on receipt of orders of the Ministry of Railways (Railway Board). While the approval of the Ministry of Railways (Railway Board) in the matter is sitll awaited (November 1980) the Administration provisionally implemented recovery at the reduced rate with effect from October 1980.

10.4. The Administration stated (November 1979 and November 1980);

(i) The delay in revision of the pooled rate was due to the complicated and elaborate procedure requiring collection of voluminous data, duly vetted, from different divisions.

(ii) The possibility of simplifying the procedure was under examination of the Ministry of Railways (Railway Board).

(iii) The resultant deficit had been taken into account in finalisation of the revised pooled rate as per extant orders.

It may, however, be mentioned that the plea of procedural complications, allegedly leading to delay in rate revision, had not been made earlier to April 1980 by the Administration to the Ministry of Railways (Railway Board) for either simplifying the procedure or relaxing the prescribed periodicity for revision of pooled rate.

10.5. Had there been a systematic arrangement within the Administration for concurrent collection of requisite data, there need not have been such inordinate delay in finalising the rate. Moreover, because of the delay and the consequent steep increase in the rate, it has not also yet (November 1980) been possible for the Administration to give effect in full to the revised pooled rate (44 paise per unit), which envisaged recovery of the shortfall of Rs. 1.72 crores in the earlier periods.

[*Para* 31 *of the Advance Report of the Comptroller and Auditor General of India for the year* 1979-80 *Union Government* (*Railways*)]

10.6. The Ministry of Railways (Railway Board) in a note to the Committee have stated:

"The case regarding simplification of the procedure to be adopted for calculation of pooled rate has been taken up at Board's level. Information is being collected from the railway and it is hoped that by the next financial year, a final methodology would be worked out. If necessary, State Electricity Boards would be consulted.

The final decision taken, and on which the regularisation of the arrears in recovery depends, would be intimated to the Public Accounts Committee.".

10.7 The Committee are unhappy to note that on the South Eastern Railway, the pooled rate, for recovery of electricity charges from the Railway employees, required to be fixed on 'no profit no loss' basis every alternate year, had remained unrevised for about ten years resulting in short recovery of Rs. 1.72 crores for the period March, 1968—June, 1978. As a consequence of non-revision of rates for such a long time the Railway Administration had to make steep increase in the rates in December, 1978 and therefore, it was not possible to give effect in full to the belatedly revised rate.

10.8 The Committee are also unhappy to note that the procedural complications involving collection of data from different divisions pleaded for the delay in rate revision had not been reported by the Railway Administration till 1980 to the Railway Board for either simplifying the procedure or for relaxing the prescribed periodicity of rate revision.

10.9 The Committee would like the Ministry of Railways to review the position on other Railways as well to see whether there had been similar delays in rate revision due to procedural problems or lack of timely and appropriate action by the Railways. The result of the review including the action taken for streamlining the procedure to ensure timely rate revision and|or the responsibility fixed for avoidable delays, if any, should be reported to the Committee.

NEW DELHI;
April 28, 1982
Vaisakha 8, 1904 (*Saka*)

SATISH AGARWAL
Chairman
Public Accounts Committee.

APPENDIX I

(*See* Para 1.11)

Appropriations from Revenue to D.R.F.

	(Rupees in crores)
1969-70	95·00
1970-71	100·00
1971-72	105·00
1972-73	110·00
1973-74	115·00
1974-75	115·00
1975-76	115·00
1976-77	135·00
1977-78	140·00
1978-79	145·00
1979-80	200·00
1980-81	220·00
1981-82 (B.E.)	350·00
1982-83	500·00

APPENDIX II

(*See* para 4.10)

Extract of deliberations at p. 6-7/n of Ministry of Railway's (Railway Board file No. 76M(L) 466/152

Subject: Use of Woodward Governors in place of G.E. Governor.

Board (AMM) vide his minute dated 26-4-77 at p.3/n had appointed a Committee to go into the question of maintenance problems and costs of imported spares etc. for both G. E. and Woodward Governors.

2. Accordingly the concerned Railways and DG/RDSO were requested vide S. No. 5 to collect the required information on the subject in the proforma attached therewith and send the same with their representatives for consideration of the Committee. The information received in the respect from Railways, may kindly be seen as under:

(i) Maintenance cost and performance of GE Governors of WDM2 Locomotives—TKD Diesel Shed, Northern Railway.

(ii) Maintenance cost and performance of Woodward Governor of WDM4 Locomotives Mughal Sarai Diesel Shed., N. Rly.

(iii) Information in regard to the present day purchase price of GE and Woodward governors as furnished by CDE/DLW". ..

3. The Committee met on 4-7-77. The minutes of the Meeting of the Committee are at S. No. 17. The figures of maintenance cost and performance data given in minutes are based on the basic data supplied by Railways and DLW as referred to above.

4. The following comparative figures have been arrived at:

(i) The first cost of Woodward governors is about 59 per cent of GE governor;

(ii) The maintenance costs of Woodward governor are about 9 per cent of that of GE governors;

(iii) The failure rate of Woodward governors is 0.037 per loco per year as against 0.1932 for GE governors.

(iv) The delivery of Woodward governors is quicker compared with that of GE governors.

5. Board (AMM) may kindly see for orders.

Sd/—15-7-77
A. D. (Dev)
Sd/—JDME (W)
Sd/—JD (TR)
AMM

Has the performance of Woodward governors on WDM2 locos been tested by us? Some minor differences in notch speeds are indicated at SN 13. But certificates reg. satisfactory inter-changeability is not given.

Sd/—AMM 27-7

1. Woodward governors have not so far been tried out on WDM2 locomotives.

2. The difference in notch speeds as obtained with GE governor and Woodward governor are very minor and would not affect the operation of the locomotive as such.

3. GE governor and Woodward governor along with their allied linkages would be completely interchangeable.

In this connection AMM may also kindly see his minute at S. No. 18. This letter encloses a copy of the quotation submitted by ODC to DLW for a complete Woodward governor kit. This price has already been taken into account in the report at S. No. 17.

Sd/—11-8-77
A. D (Dev.)

AMM Approved. Received on date.

Sd/—8-9-77
AMM

ADD (Dev) Sd/—9-9-77

JDME (W) & AD (Tr) may kindly see for further action in reference to JDME (W)'s noting dt. 12-4-77 at pp. 2 & 3n.

Sd/- 9-9-77 AD (Dev.)

JDME (W)

Now what is the decision? Do we fit Woodward governor or keep GE governor on WBM2 locos, or obtain a few Woodward governors for trials?

Sd|- 12-9-77

AD (Dev)

AMM had recorded his specific approval above (Note of 8-9-77) for fitment of Woodward governors on new builds ex DLW, the cut point to be established as early possible.

Sd|- 17-9.

APPENDIX III

CONCLUSIONS AND RECOMMENDATIONS

S.No.	Para No.	Ministry/Deptt. concerned	Recommendations
1.	1.12	Railway	From the Audit paragraph and the written note furnished by the Ministry of Railways in March 1982, the following points emerge: (a) the annual contributions to Depreciation Reserve Fund met out of the Railway Revenues till 1974 for the replacement of assets were not made in accordance with the spirit of the recommendations of the Railway Convention Committee of Parliament. (b) Even after adopting the recommendations of the Working Group constituted as a result of a recommendation of the Railway Convention Committee for reviewing the techniques of assessing the depreciation reserve fund requirements of the Railways inadequate contributions to DRF continued; (c) Even the contributions made to DRF had not been utilised fully. Against the total contributions of Rs. 722 crores during 1974—79, the amounts spent on renewal of assets were Rs. 616 crores only;

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			(d) Inadequate contributions and under-utilisation of funds led to heavy shortfalls in programmed renewal of assets and accumulation of overaged assets, under the heads 'Track', 'Plant and Machinery' and 'Rolling stock'. This has affected the financial results of recent years on account of large number of sick wagons and coaches, more expenditure on repairs and maintenance, speed restrictions, accidents due to rail breakages etc.
2.	1.13	Railway	The Committee note that the normal commercial principle is to provide for replacement of assets with reference to their life, etc. A working Group set up at the instance of the Railway Convention Committee 1971, to suggest a refined method of assessing the depreciation requirements for the Railways had also reiterated this principle and also called for a mid term review of the quantum of contribution to cover the rising cost of replacements due to inflationary elements, etc. The Committee are, however, unhappy to note that the provisioning for replacement of assets on the Railways has continued on ad hoc basis even after acceptance of the recommendations of the Working Group for implementation from 1974-75. The Committee note that though the contribution to Depreciation Reserve Fund was increased from Rs. 110 crores to Rs. 145 crores (32 per cent) between 1974-75 and 1978-79, it was not adequate, as the cost of Railway stores such as rails, etc. had escalated faster, their cost (*e.g.* rails and sleepers) having already gone up by 43 to

			74 percent by 1974-75 (base 100 in 1968) and further by 34 to 46 percent by 1978-79. The Committee note that the surpluses of the years 1976-77 (Rs. 87.24 crores), 1977-78 and 1978-79 (Rs. 36.66 crores) (Rs. 126.23 crores) would have been different if adequate provision had been made for replacements, keeping in view the age and condition of the assets to be replaced during the years following. Depressed provisioning for depreciation had distorted the financial picture of the Railways and created an air of buoyancy. What is worse is that even the provisions made available from the Depreciation Reserve Fund had not been utilised fully during the years from 1974-75 to 1978-79 due to curtailment of funds for procurement of railway materials required for replacement of over-aged assets, shortfall in supplies of critical materials, like rails, sleepers, etc.
3.	1.14	Do.	According to the Ministry of Railways (Railway Board), the curtailment of funds, resulted in reduction of orders on steel plants for rails, sleepers, etc. The Committee, however, consider that it should not have affected the renewal programme of the Railways which should have got higher priority over construction, doubling and other works.
4.	1.5	Do.	1.15 The Committee note that the contribution to the DRF was increased steeply from Rs. 220 crores in 1980-81 to Rs. 350 crores in 1981-82 and to Rs. 500 crores in 1982-83 to provide for more replacements showing no doubt belated realisation of the requirements of replacements.

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5.	1.16	Ministry of Railways	The Committee recommend that apart from providing funds for replacement of assets adequate care should be taken to arrange the priorities in such a manner as to ensure that the programmed renewals of assets like track, bridges, etc. are not affected or least affected due to curtailment of funds.
6.	1.17	Do.	The Committee note that even the increased provision of Rs. 500 crores for 1982-83 is *ad hoc*. The Committee would like to emphasise the need for evolution of a system of realistic assessment of provision for DRF. Violent fluctuations in the replacement programmes as made in the last 2 years would affect the production and availability of scarce material resources and might lead to demands for imports which could be avoided by proper planning. Further, the codal provisions that replacements should precede the additions should be honoured in future.
7.	1.18	Do.	The Committee would like the Ministry of Railways (Railway Board) to draw up a perspective plan for renewal of assets by setting definite realistic targets during each year of the Sixth Plan and thereafter. Since one of the factors affecting the programme of renewals in the past was stated to be the shortage of stores like rails, sleepers and small track fittings and the Railways replacement programmes called for a high level of procurement of track materials, wagons and other Rolling stock items as rightly brought out by Audit, the Committee would like to know the concrete steps

			proposed to be taken by the Ministry of Railways (Railway Board) in this regard.
8	2.18	Do.	The Committee note that despite Integral Coach Factory pointing out in August 1974 that drawback inherent in the introduction of 76 feet long coach far outweigh the benefits, if any that might accrue, the Ministry of Railways decided (June 1977) on the manufacture of a prototype of such coach based on an economic appraisal without taking into account the major modifications and additional facilities required for production and maintenance of such coaches.
9	2.19	Do.	Further, the assumption made in the economic appraisal that a 76 feet long coach with 80 berths capacity would cost 5 per cent more than a 70 feet long coach with 75 berths turned out to be unrealistic as the actual manufacturing cost (Rs. 9.24 lakhs) of the longer coach was nearly double the cost (Rs. 4.72 lakh) of a conventional coach.
10	2.20	Do.	The Committee also note that though the prototype coach was built and tried in service by April, 1980, whether such longer coaches would be manufactured for regular service still remains undecided, pending a *de novo* examination of their advantages and disadvantages in all respects.
11	2.21	Do.	The Committee cannot but depreciate the decision of the Ministry of Railways to go in for the manufacture of a prototype of 76 feet long coach, without either establishing the economic viability of longer coaches based on a comprehensive appraisal of all related

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			aspects or considering the feasibility of providing better passenger amenities within the basic parameters of the conventional coach, especially when one prototype could hardly suffice for assessing the technical feasibility of running longer coach rakes. Had a prior view been taken on the economic viability, the investment of Rs. 9.24 lakhs on the manufacture of the longer prototype coach without commensurate extra advantage in terms of passenger capacity and/or other amenities, could have been avoided. The Committee desire that the Ministry of Railways, besides advising its final decision in regard to further manufacture of longer coaches, should lay down suitable procedures to ensure that manufacture of prototype rolling stock of new type/design is taken up only after establishing the techno economic viability of introducing the new stock in service.
12	3.8	Ministry of Railways	From the Audit Paragraph, it is noticed that a 64 berth military coach was placed on line in August, 1963 by the Western Railway at a cost of Rs. 1.43 lakhs after it was received from the manufactures (Eastern Railway Workshop) against an order placed with them in November, 1961. The coach was meant to replace an over-aged military ambulance car running on the Western Railway. As it was not manufactured according to the specifications, the Military authorities refused to accept it. The coach remained un-utilised ever since it was placed on line for a period of 13 years.

13	3.9	-do-	In October, 1971, Military Authorities offered to accept the car if it was modified as an ambulance car. The Railway Board did not consider it economical and technically feasible to modify the coach. Thereafter, a period of more than five years passed by and it was only in February, 1977 that the Railway Board decided that it should be used as a spare coach/reserved carriage for tourist parties.
14	3.10	-do-	The Western Railway took about three months to overhaul the coach. It was put on line in June, 1977 and within a period of 3 months, the coach was involved in an accident and consequently returned to workshop in October, 1977 for repairs. It remained in workshop for more than one year and was turned out in November, 1980.
15	3.11	-do-	This peculiar case, detected in audit, is indicative of the absence of an effective supervision in the Eastern Railway Workshop on the one hand and the absence of effective monitoring system for the use and control over the movement of coaching vehicles on the Western Railway.
16	3.12	-do-	It is most unfortunate that a Sixty-four berth eight-wheeler second class coach put on line by the Western Railway at a cost of Rs. 1.43 lakhs as early as August, 1963 continued to remain unutilized for more than 13 years. It is true that the military authorities refused to accept it for the reason that it was not manufactured in accordance with the specifications of an ambulance car but the Railway administration ought to have put the coach to an alternative use instead of keeping it idle for such a long time. It is surprising that

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			it did not occur to those who were concerned with the upkeep of the coach that it should be put to some use when all the while Railways have been complaining about the acute shortage of coaches.
17	3.13	Railway	The financial implications of the incident may not be of much consequence to the Western Railway, but it is certainly a manifestation of an extreme laxity of unique nature obtaining in the functioning of the Railways and for that matter it is a serious one. The Committee would like the Railway Board to bring this instance, with its telling details of laxity leading not only to a loss of Rs. 11.2 lakhs to Railway revenue but also aggravating pressure on ordinary passenger coaches causing inconvenience to the travelling public, to the notice of all the associations of Railway employees including officers of all ranks in the Zonal Railways through suitable publicity media advising them to avoid occurrence of such cases.
18	3.14	-do-	The Ministry of Railways (Railway Board) in their note to the Committee, have not clarified the Audit point as to what were the circumstances which led to the Eastern Railway Workshop to manufacture an ordinary bogie military car when a specific order was placed with them for manufacture of a military ambulance car. The Committee, however, desire that corrective measures should be taken by the Board to avoid recurrence of such a case in future.

19	3.15	-Do-	The Committee would like the Railway Board to ascertain afresh whether there are similar other cases of non-utilisation of rolling stock in other railway zones and submit a report to the Committee.
20	3.16	-do-	The coach in question has been reported to have been put to use as a tourist coach. The Committee are not happy at this, as demands for tourist coaches are sporadic and not as extensive as that for other second class coaches. The Committee would like the Railway Board to re-examine the possibilities of its use as general passenger service coach.
21	3.17	-do-	The Committee would also like the Railway Board to obtain and verify a report from the Western Railway on utilisation and earnings of the coach in question through tourist traffic and inform the same to the Committee.
22	4.18	-do-	The Committee note that the Ministry of Railways (Railway Board) took a decision in September, 1977 in favour of fitment of Woodward governors on WDM-2 locomotives on the basis of the experience gained by the Railways earlier about the performance of these governors on WDM-4 locomotives. In their directive of September 1977 to the DLW Administration, the Railway Board, therefore, did not contemplate any further trials of Woodward governors to be conducted on WDM-2 locomotives. In fact, the Railway Board had urged the Administration to establish the cut off point for switch over as early as possible.

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23	4.12	Railway	It is distressing to find that, despite the un-equivocal directive of the Railway Board, the DLW Administration decided in March 1978 to go in for the purchase of the costlier GE governors, holding that Woodward governors ordered in January 1978 had to be first tried out on WDM-2 locomotives. Before taking such a decision, the DLW Administration should have consulted the Railway Board about the need for conducting such trials, duly taking into account the financial implications of the consequent delay in the switch over to Woodward governors, particularly when no such trials had been contemplated in the Railway Board's directive.
24	4.13	-do-	The Committee feel that the DLW Administration's order of 63 GE governors in March, 1978 on the ground that the Woodward governors had still to be tried out was not justified and resulted in avoidable expenditure of Rs. 24.49 lakhs (including foreign exchange of Rs. 16.55 lakhs). The directive of the Railway Board was meant for strict compliance and without prior approval of the Board, was not to be deviated from. The Committee are surprised that in their note of 30-1-82, to the PAC, instead of condemning the action on the part of DLW Administration, the Railway Board has complimented the DLW Administration by saying that the DLW Administration acted with foresight to avoid gap in the supply of governors by not cancelling the order placed on GE in Mach'78 after the audit had pointed out the violation of Railway Board's directives. Surely the Railway Board could not have given their decision in

			September '77 without due consideration of the results of trial of 'Woodward' governors. The Committee desire that the Ministry of Railways (Railway Board) should examine this case afresh and ascertain the circumstances in which the DLW Administration, inspite of the Railway Board's clear direction to establish a cut off point for switch over from GE to Woodward governors as early as possible introduced an element of putting the Woodward governors on trial and ordered for GE governors resulting in the aforesaid avoidable expenditure of Rs. 24.49 lakhs. The Ministry should also ensure that such lapses do not occur in future. The outcome of the action taken in the matter should be reported to the Committee.
25	5·9	-do-	The Committee note that two trains were introduced on the Kasganj-Mathura section with effect from January 1973. From Mathura the two engines to the trains had to run light to Vrindaban and back (26Km.) for being turned at the triangle line available there. The Committee are unhappy to note that it was only in February,. 1977, four years after introduction of the trains, that the Railway Administration decided to shift the turn-table from Kasganj to Mathura. The turn table was actually shifted to Mathura and installed there in February 1979 and was commissioned in August 1979 after a further delay of over two years. In the meantime, an extra expenditure of Rs. 2.62 lakhs was incurred on the light run of the engines.
26	5.10	-do-	Again, the Railway Administration took a decision, contrary to the re-modelling plan of Kasganj yard, to shift the turn-table to

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			Mathura and sanctioned Rs. 0.50 lakh for that purpose, only after "the design of the triangle line had been sufficiently improved", yet it did not possess any material to show that triangle line had been so improved.
27	5.11	-do-	The Audit has pointed out that no evidence was produced by the Railway Administration (even the written note furnished to the Committee by the Railway Board in December, 1981 and purported to be an action taken note on the Audit Paragraph does not indicate any), in support of the improvements stated to have been effected in the triangle line at Kasganj, the period during which these improvements were made and the expenditure incurred thereon. The Administration, however, maintained that improvements were effected as part of "normal routine work" and as such no separate sanction for carrying out these improvements had been obtained.
28	5.12	-do-	Under the extant rules even in the case of works chargeable to revenue, an estimate is required to be prepared and a specific sanction issued for every work estimated to cost more than Rs. 20,000. The very fact that no separate sanction was issued in this case, would indicate that the work involved in improvement of the triangle line was not of such magnitude that the Administration need have taken more than 6 years to carry it out.

29	5.13	-do-	The Committee are not satisfied with the explanation given by the Ministry of Railways (Railway Board) that shifting of the turn-table earlier before six years was not possible, as the existing triangle line at Kasganj had to be improved in the meantime. The Committee do not feel convinced by the justification advanced by the Railway Administration for the delay in shifting the turn-table to Mathura. The Committee take a very serious note of the lapses on the part of the Railway Administration. The Committee would like the Ministry of Railways (Railway Board) to investigate the delay in shifting the turn-table which cost the exchequer Rs. 2.62 lakhs, with a view to fixing responsibility for the delay.
30	6.6	-do-	A contract for a value of Rs. 21.32 lakhs for Earthwork in Reach VI of the Hassan-Mangalore Railway Project was awarded to Firm 'A' in July, 1965 with the stipulation that the work would be completed by January 1967. However, this date was extended to December, 1972. It dawned upon the Railway authorities, only after watching the pace of work done by the Firm for more than eight years, that the firm had made unsatisfactory progress. Consequently, the contract was terminated in May 1974 at the "risk and cost" of the Firm 'A'. During the subsistence of the contract, over payments to the tune of Rs. 2.38 lakhs were made to the contractor on the basis of certificates given by the concerned Assistant Engineer for the approximate work done. Not only that, the Firm 'A' had been awarded another contract valued at Rs. 5.05 lakhs in May 1972 after watching its work for about seven years.

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31	6.7	-do-	Although, the Earthwork contracts were terminated in May, 1974 the detailed measurements of the work done were taken in October, 1975 after a delay of over one year, when an over payment of Rs. 2.38 lakhs was noticed. Again, while the left over portion of the work was got completed in May, 1975, through another contractor, the "Risk Cost" was assessed at Rs. 1.47 lakhs in April, 1978 after a delay of three years. Further, the other outstanding dues were assessed in February, 1979 after a further delay of about one year. The winding up proceedings against the firm were initiated in May 1979 after a delay of 5 years, since termination of the contracts in May 1974 on the ground that Firm was not in a state of solvency.
32	6.8	-do-	The Committee are not satisfied with the explanation furnished by the Ministry of Railways (Railway Board) for the delays which occurred at various stages. The detailed measurements should have been recorded before May, 1974 when the contract was terminated but the measurements were taken only in October, 1975 after a delay of over one year when an over payment of Rs. 2.38 lakhs could be detected. "The Risk Cost" should have been assessed immediately on completion of the left over portion of the work in May 1975; but this was done only after a delay of three years in April, 1978. The Committee do not find any valid justification for these delays and also for abnormal delays in assessing the other outstanding dues against the firm.

33	6.9	-do-	The episode indicates that either the designing and planning of the project or assessment of the period of execution of the contract was not done properly, and if it was, there was no ostensible valid reason for spreading the period of execution of the contract from one and half years, as originally planned to nine years in favour of the contractor Firm and at the same time making over payments to the firm to the tune of Rs. 2.38 lakhs. This could not have happened unless the concerned officers at higher level entrusted with the work of over-seeing the progress of execution of the contract were negligent towards their assigned duties. The Committee would like the Railway Board to get the matter thoroughly investigated in order to ascertain the factors responsible for inordinate delays having taken place at various stages of the execution of this contract including delays in assessing dues against the firm and also for making of over payments. The Committee would also like the Railway Board to fix responsibility and take drastic action against all those officers who might be found wanting so far as the execution of the Earthwork contract in question is concerned.
34	6.10	-do-	This is a typical case of delay causing not only financial losses to the Railways but hampering the execution of Hassan-Mangalore Railway Project. It is of common knowledge that delays in execution of one part of a Project particularly jobs like Earthworks, Civil works, etc. lead to, or at least are made excuses for, delays in completion of other parts of a project. The investigations should, there-

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			fore, also be directed towards assessing the impact of the delayed execution of this contract on the completion of the Hassan-Mangalore Railway Project, and also whether delayed execution of the Earth-work was made an excuse for delays, if any, in the implementation of the other segments of the Railway project. The Railway Board should also make an indepth study of the delays in the completion of other railway projects to ensure that such delays have not been instrumental to deplayed completion of other projects and take effective remedial actions to avoid recurrence of such cases of delay.
35	7·5	-do-	The Committee are distressed to note that a 50 tonne weigh-bridge costing Rs. 0.63 lakh was procured by the Central Railway Administration in October, 1967 without a clear idea as to its site of location. The Administration took more than six years to decide the site and finally installed it in March, 1974 in Cheoki Marshalling Yard serving the Naini Station (Allahabad Division) at a cost of Rs. 1.38 lakhs. Even after the lapse of this long period of six years, the Administration did not take note of the insufficient capacity of the yard for sorting out wagons to be weighed and the lack of space in the yard for unloadings excess material found on weighment. During the 8 years after it was installed (except for 15 days in November 1979) the weighbridge remained unutilised.
36	7.6	-do-	The Committee desire the Railway Board to enquire into the matter and fix responsibility for the various lapses brought out in

			the Audit Paragraph and also to take suitable action to ensure proper use of the weighbridge hereafter.
37	7·7	-do-	Naini (Allahabad) has, in recent years, developed into a new industrial complex where a number of private industrial units are also located. These industrial units generate considerable goods traffic to and from Naini. Despite paucity of weighbridge Northern Railway took over 6 years to select a site for installing comparatively a simple equipment like weighbridge and another eight years to utilise the weighbridge. In the meantime overloading wagons and loss of revenue as apprehended by the Audit cannot be ruled out. This indicates laxity in monitoring the use of machinery purchased. The Committee would like the Ministry of Railways (Railway Board) to get this aspect of the matter enquired and report the outcome thereof to the Committee. The remedial action taken by the Board to plug the leakage of railway revenue not only at Naini but other places, similarly situated, should also be intimated to them.
38	8.10	-do-	The Committee find that in the present case, the absence of a provision in a private siding agreement for recovery of the cost of Railway Staff posted on the siding was detected and brought to the notice of the Eastern Railway by the Audit in 1961. This led the Railways to make claims amounting to Rs. 4.54 lakhs for the period 1963-74. The company (Bata Shoe Company) which owned the siding first contested the matter in the High Court and failed and then it filed a special leave petition in the Supreme

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			Court. While the special leave petition was pending in the Supreme Court, the company sought out of court settlement. The Railway Administration entered into negotiations and arrived at settlement involving 50 per cent waiver of the Railway claims. The Railways' claims for the subsequent period upto 1979 are yet to be recovered in full while the siding agreement has not been amended to provide for recovery of the cost of staff. The Committee have a feeling that in the noted case, the private party got away with what it wanted by dictating its own terms. The company gave an assurance to the Railways to increase the rail traffic from the siding and in consideration of that assurance, it got a waiver of a portion of the claims. The Company, however, failed to keep up this assurance, rather the number of wagons moved over this siding actually came down from 1261 in 1976 to 287 in 1980 and the Railway, in the nature of things, seemed to be helpless in the matter. The company even delayed the payment of agreed amount and the Administration seemed to be unconcerned and continues ot operate the private siding. The settlement was negotiated in 1977 but the siding agreement still continues to be without a provision for recovery of the cost of staff.
39	8.11	-do-	The Committee agree with the Audit view that the waiver of the claim virtually amounted to providing staff on the private siding partly at Railway's cost in contravention of the extant rules for which approval of the competent authority, viz.,

			Ministry of Railways (Railway Board) was not obtained by the Eastern Railway Administration. The Committee cannot but view this state of affairs as an indication of the indifference shown by the officers of the Zonal Railway Administration in the matter.
40	8.12	-do-	The Committee observe that necessary instructions for incorporating provision for recovery of the costs of staff and allied terms and conditions in the siding agreement had not been issued to the Zonal Railways by the Railway Board earlier. The Committee desire that implementation of the instructions now issued be suitably monitored at the Railway Board's level so as to avoid recurrence of such dismal situations in future, and also accumulation of arrears of Railways dues in the hands of private parties, which could lead to ad hoc settlement later, generally having adverse effect on the Railway revenue.
41	8.13	-do-	The Committee would also like the Railway Board to get all the cases of private siding reviewed quickly, and ensure that private siding agreements do incorporate all the relevant terms and conditions to safeguard the interests of the Railway revenue, and that effective and prompt steps are taken by Zonal Railways to realise the outstanding dues from private parties. The outcome of the action taken in this regard should be reported to the Committee within a period of six months from the date of presentation of this report.

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42	9.9	Railway	Under the rules of the Indian Railway Conference Association (IRCA), the liability for the loss/deficiency/damage relating to a consignment moved over the Railways is divisible among the Railways concerned in the ratio of the distance travelled over those Railways, subject to investigation and acceptance of the liability by those Railways. As brought out in the audit paragraph, under the existing procedure, *vide* Board's letter No. TCIII/3149/66|BPT dated 18-4-68 authority has been delegated to the Bombay Port Trust Railway, despite its small length (4 km), to settle compensation claims without any financial limit.
43	9.10	-do-	Further, under the rules, the claim settled by the destination Railway is to be paid out of its own earnings and the portion to be borne by the other Railways is debited to them by book adjustments. The payment of claim is, however, arranged to the party only after the compensation claim has been referred to all the concerned Railways and the liability therefor on kilometrage basis has been duly verified and accepted by them within a reasonable period. In the case of the BPT Railway, however, exception has been made since 1968, as authorised by the Railway Board permitting payment out of the earnings of the Central Railway/other Railways initially received by the BPT Railway, without settling the question of inter-Railway liability and effecting adjustements as due irrespective of any limit.

676 LS—6.

44	9.11	-do-	The Committee note that the Railway Board have observed that the work in claims office of the Bombay Port Trust should be properly streamlined and the powers of officers at different levels in the matter of settlement of compensation claims should be clearly defined. They have also been directed that each compensation claim should be examined carefully having due regard to the 'railways' liability under the provision of Indian Railways Act and in case of any doubt the concerned trunk Railway should be consulted before the claim is settled by payment. In case of high valuation compensation claim, concurrence of the associate finance of the Port Trust should be obtained. The Committee, however, note that the Central Railway would exercise only post checks. However meticulous these checks may be, the extant procedure does not leave any scope for a probe in the adequacy of investigations conducted by BPT Railway prior to settlement of claims by the Railways.
45	9.12	-do-	The Committee would, therefore, like the Railway Board to make an expeditious review of the existing procedure of settlement of claims in vogue from 1968 in the Port Trust Railway. The Committee would suggest the desirability of fixing a monetary limit upto which the Port Trust Railway could settle claims on its own and those above that limit to be got concurred in by the Central Railway before settling them should be examined so that such cases might not recur.

1	2	3	4
46	10.7	Railway	The Committee are unhappy to note that on the South Eastern Railway, the pooled rate for recovery of electricity charges from the Railway employees, required to be fixed on 'no profit no loss' basis every alternate year, had remained unrevised for about ten years resulting in short recovery of Rs. 1.72 crores for the period March 1968—June 1978. As a consequence of non-revision of rates for such a long time the Railway Administration had to make steep increase in the rates in December, 1978 and therefore, it was not possible to give effect in full to the belatedly revised rate.
47	10.8	-do-	The Committee are also unhappy to note that the procedural complications involving collection of data from different divisions pleaded for the delay in rate revision had not been reported by the Railway Administration till 1980 to the Railway Board for either simplifying the procedure or for relaxing the prescribed periodicity of rate revision.

48	10.9	-do-	The Committee would like the Ministry of Railways to review the position on other Railways as well to see whether there had been similar delays in rate revision due to procedural problems or lack of timely and appropriate action by the Railways. The result of the review including the action taken for streamlining the procedure to ensure timely rate revision and/or the responsibility fixed for avoidable delays, if any, should be reported to the Committee.

PART II

MINUTES OF THE 69TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 24 APRIL, 1982

The Public Accounts Committee sat from 1500 to 1800 hrs. in Committee Room No. 50, First Floor, Parliament House, New Delhi.

PRESENT

Shri Satish Agarwal—*Chairman.*

MEMBERS

2. Shri Subhash Chandra Bose Alluri
3. Shri Mahavir Prasad
4. Shri M. V. Chandrashekara Murthy
5. Shri Ashok Gehlot
6. Shri Sunil Maitra
7. Shri Hari Krishna Shastri
8. Shri Indradeep Sinha
9. Shri N. K. P. Salve

REPRESENTATIVES OF THE OFFICE OF C&AG

1. Shri R. C. Suri—*Addl. Dy. C&AG.*
2. Shri N. Sivasubramaniam—*Director of Receipt Audit.*
3. Shri M. M. Mehta—*Director of Audit (Central Revenues).*
4. Shri R. S. Gupta—*Director of Receipt Audit.*
6. Shri K. H. Chhaya—*Joint Director (Railways).*
7. Shri G. R. Sood—*Joint Director.*

SECRETARIAT

1. Shri D. C. Pande—*Chief Financial Committee Officer.*
2. Shri K. C. Rastogi—*Senior Financial Committee Officer.*
3. Shri Ram Kishore—*Senior Legislative Committee Officer.*
4. Shri K. K. Sharma—*Senior Financial Committee Officer.*

2. The Committee took up for consideration and adopted the draft 109th Report showing action taken on 128th Report (Sixth Lok Sabha), on Social Welfare Board.

3. The Committee then took up for consideration and adopted the following draft Reports subject to certain amendments/modifications as given in Annexures I to III:

1. Draft 101st Report on Direct Taxes—Wealth Tax.
2. Draft 107th Report on Railways.
3. Draft Report on Para 6 on Railways.

The Committee then adjourned.

ANNEXURE I

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ANNEXURE II

Amendments/modifications made by the Public Accounts Committee in the draft One Hundred and Seventh Report on Indian Government Railways

Page	Para	Line (s)	Amendments/Modifications
1	2	3	4
40	1-5	[from bottom]	*For* "3.16 The Committee would also ......and inform the same to the Committee". *Read* "3.16 The coach in question has been reported to have been put to use as a tourist coach. The Committee are not happy at this, as demands for tourist coaches are sporadic and not as extensive as that for other second class coaches. The Committee would like the Railway Board to re-examine the possibilities of its use as general passenger service coach. 3.17 The Committee would also like the Railway Board to obtain and verify a report from the Western Railway on utilisation and earnings of the coach in question through tourist traffic and inform the same to the Committee."
61	6.9	5-7	*Omit* the words "or were working under influences detrimental to the interests of the timely completion of the project."
62	6.10	4-10	For "The Railway Board......cases of delay" Read "The Railway Board should also make an indepth study of the delays in the completion of other railway projects to ensure that such delays have not been instrumental to delayed completion of other projects and take effective remedial actions to avoid recurrence of such cases of delay".

1	2	3	4
65	7.5	8-9	*For* "The final installation cost came to Rs. 1.38 lakhs"
			Read "at a cost of Rs. 1.38 lakhs"
		16-20	*Omit* "The Committee now........ to make it more useful."
66	7.7		*For* Para "7.7"
			Substitute "7.7 Naini (Allahabad) has, in recent years, developed into a new industrial complex where a number of private industrial units are also located. These industrial units generate considerable goods traffic to and from Naini. Despite paucity of weighbridges Northern Railway took over 6 years to select a site for installing comparatively a simple equipment like weighbridge and another eight years to utilise the weighbridge. In the meantime over-loading wagons and loss of revenue as apprehended by the Audit cannot be ruled out. This indicates laxity in monitoring the use of machinery purchased. The Committee would like the Ministry of Railways (Railway Board) to get this aspect of the matter enquired and report the outcome thereof to the Committee. The remedial action taken by the Board to plug the leakage of railway revenue not only at Naini but other places, similarly situated, should also be intimated to them."
73	8.12	21-23	*For* "The Committee observe that instructions on........ referred to earlier"
			Read "The Committee observe that necessary instructions for incorporating provision for recovery of the costs of staff and allied terms and conditions in the siding agreement had not been issued to the Zonal Railways by the Railway Board earlier."

1	2	3	4
81	9.11		*For* Para "9.11" *Substitute* "9.11 The Committee note that the Railway Board have observed that the work in claims office of the Bombay Port Trust should be properly streamlined and the powers of officers at different levels in the matter of settlement of compensation claims should be clearly defined. They have also been directed that each compensation claim should be examined carefully having due regard to the "railways" liability under the provision of Indian Railways Act and in case of any doubt the concerned trunk Railway should be consulted before the claim is settled by payment. In case of high valuation compensation claim, concurrence of the associate finance of the Port Trust should be obtained. The Committee, however, note that the Central Railway would exercise only post checks. However. meticulous these checks may be, the extent procedure does not leave any scope for a probe in the adequacy of investigations conducted by BPT Railway prior to settlement of claims by the Railways. The Committee would, therefore, like the Railway Board to make an expeditious review of the existing procedure of settlement of claims in vogue from 1968 in the Port Trust Railway. The Committee would suggest the desirability of fixing a monetary limit upto which the Port Trust Railway could settle claims on its own and those above that limit to be got concurred in by the Central Railway before settling them should be examined so that such cases might not recur."

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