

**GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA**

STARRED QUESTION NO:32
ANSWERED ON:02.12.2004
SCAM IN PURCHASE OF RAILWAY SLEEPERS
Owaisi Shri Asaduddin;Vijay Krishna Shri

Will the Minister of RAILWAYS be pleased to state:

- (a) whether a 200 crore Rupees scam in the purchase of railway sleepers has come to the notice of the Government recently;
- (b) if so, the details thereof;
- (c) whether the Government has set up any inquiry committee to look into the matter;
- (d) if so, the details thereof and time by which the inquiry committee report is likely to be received;
- (e) whether CAG also raised objection on the purchase of railway sleepers during the previous regime; and
- (f) if so, the details thereof and time by which the action is likely to be taken against those involved in this scam?

Answer

MINISTER OF RAILWAYS (SHRI LALU PRASAD)

(a) to (f) : A Statement is laid on the Table of the Sabha.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (f) OF STARRED QUESTION NO. 32 BY SHRI ASADUDDIN OWAIISI AND SHRI VIJOYKRISHNA, TO BE ANSWERED IN LOK SABHA ON 02-12-2004 REGARDING SCAM IN PURCHASE OF RAILWAY SLEEPERS

(a) & (b) The Standing Committee on Railways 2004 (14th Lok Sabha) in their report presented in Lok Sabha on 19.8.2004 had noted that the procurement of concrete sleepers have become a very sensitive matter because a lot of unscrupulous existing manufacturers have formed a cartel to secure orders by unfair means or tampering with procedure and simultaneously keeping new competitors out of race. They also expressed their unhappiness that new entrants are not encouraged which ultimately strengthen the cartel of old/existing manufacturers. They recommended that the procedure of procurement of concrete sleepers be streamlined and be made foolproof and transparent and has desired that the losses incurred on this account should be enquired into by an independent agency.

C&AG vide para 4.4.2 of report no.8 of 2004 has observed that failure to counter offer the updated rate of Railway Board tender No.CS-120/1997 in case of Railway Board tender No.CS.145/2000 has resulted into extra expenditure of Rs.30.97 crore and further through Audit Note dated 8.7.2004 it has been observed that the updating of higher rate given in case of tender No.CS-145/2000 in tender No.CS- 152/2002 Railways incurred additional extra expenditure of Rs.30.61 crore in procurement of 160 lakh sleepers. Thus C&AG has observed that Railways have incurred total extra expenditure of Rs.61.58 crore in the above two tenders.

Railway Board has forwarded the relevant paragraphs of the Report of Standing Committee on Railways (14th Lok Sabha) and C&AG's observations to CBI for keeping the same in view while scrutinizing the case.

The case is under scrutiny by the CBI. The exact details will be known after the scrutiny is over.

c) No, Sir.

d) Does not arise

e) Yes, Sir.

f) The details of Comptroller and Auditor General of India's (C&AG's) objections are as under:

(i) Vide para 4.4.2 of the C&AG's Report No. 8 of 2004, C&AG has concluded that failure to counteroffer the updated rate of Railway Board Tender No. CS-120/1997 in case of Railway Board Tender No. CS-145/2000 resulted into extra expenditure of Rs. 30.97 crore and would increase the price of sleepers in all future contracts.

(ii) An audit note "regarding extra expenditure due to injudicious finalization of rates of prestressed concrete sleepers" has been issued by the office of Comptroller and Auditor General of India vide their letter dated 08-07-2004 which is reproduced as under:-

"In the present tender (CS-152) the updated rate of last purchase i.e. Rs. 608 per sleeper was counter offered but in the previous tender (CS-145) the updated rate of Rs. 593.23 of last tender was ignored though it was the lowest available rate for counter offer. Consequently, Rs. 608 instead of Rs. 593.23 per sleeper became the Last Purchase Rate (LPR) for future procurement and hence resulted in pegging the price of sleeper at a higher level.

The updating of the rate for the present tender was done on the last analysis rate of Rs. 608 and worked out the rate of Rs. 774.63 per sleeper (including Rs. 68 MODVAT benefit retained) whereas the updated rate for Rs. 593.23 allowing the MODVAT benefit of Rs. 68 to be retained worked out to 755.50 per sleeper. Thus, ignoring the lowest available rate in the previous tender resulted in extra burden of Rs. 19.13 per sleeper. As such the Railways incurred an extra expenditure of Rs. 30.61 crore in procurement of 160 lakh sleepers at a unit price of Rs. 774.63 instead of Rs. 755.50 i.e. the rate that should have been counter offered based on the rate of Rs. 593 ignored in the previous tender."

As CBI has collected related documents for scrutiny, the question of taking action, if any, against the person(s) found responsible will arise only after the completion of scrutiny.