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**S** **MITTEE**  
**ON RAILWAYS**  
**(1995-96)**

**TENTH LOK SABHA**

**MINISTRY OF RAILWAYS**

**QUIREMENT, PROCUREMENT AND UTILISATION  
OF WAGONS BY INDIAN RAILWAYS**

**SIXTEENTH REPORT**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

*August, 1995/Sravana, 1917 (Saka)*

SIXTEENTH REPORT  
STANDING COMMITTEE ON  
RAILWAYS \n  
(1995-96)

(TENTH LOK SABHA)

MINISTRY OF RAILWAYS (RAILWAY BOARD)

REQUIREMENT, PROCUREMENT AND  
UTILISATION OF WAGONS BY INDIAN  
RAILWAYS

*Presented to Lok Sabha on 4 August, 1995*

*Laid in Rajya Sabha on 4 August, 1995*



LOK SABHA SECRETARIAT  
NEW DELHI

*August, 1995/Sravana, 1917 (Saka)*

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**CORRIGENDA TO  
SIXTEENTH REPORT OF STANDING COMMITTEE ON  
RAILWAYS (1995-96)**

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### PART II\*

Minutes of the Twelfth, Thirteenth and Seventeenth sittings of the Standing Committee on Railways (1994-95) held respectively on 21 November 1994, 8 December 1994 and 8 March 1995 and Third, Fourth, Fifth, Sixth and Eighth sittings of the Standing Committee on Railways (1995-96) held respectively on 16, 25 and 29 May 1995; 7 June 1995 and 1 August, 1995.

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COMPOSITION OF THE COMMITTEE ON RAILWAYS  
(1995-96)

Shri Somnath Chatterjee — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Harilal Nanji Patel
3. \*Vacant
4. Shri G. Madegowda
5. Smt. Santosh Chowdhary
6. Kumari Frida Topno
7. Shri Dileep Singh Bhuria
8. Dr. Kartikeswar Patra
9. Shri Ashok Gehlot
10. Shri Manku Ram Sodhi
11. Shri Allola Indrakaran Reddy
12. Shri B.K. Gudaddini
13. Shri Anand Ahirwar
14. Shri D.B.Shingda
15. \*\*Vacant
16. Shri Ram Naik
17. Smt. Sheela Gautam
18. Shri Phool Chand Verma
19. Shri Mangal Ram Premi
20. Shri Shrish Chandra Dikshit
21. Shri Raj Narain
22. Shri Ramchandra Veerappa
23. Shri Brishin Patel
24. Smt. Girija Devi

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\* Vacancy caused due to appointment of Shri A.R. Antulay as Minister.

\*\* Vacancy caused due to the death of Shri Tejsingh Rao Bhonsle.

25. Shri Basudeb Acharia
26. Shri S. Sivaraman
27. Shri Brahma Nand Mandal
28. Shri S.S.R. Rajendra Kumar
29. Shri Moreshwar Save
30. Shri P.C. Thomas

*Rajya Sabha*

31. Shri S.S. Ahluwalia
32. Shri Rahasbihari Barik
33. Shri V. Rajan Chellappa
34. Shri V. Gopalsamy
35. Shri Mohinder Singh Kalyan
36. Smt. Sarala Maheshwari
37. Shri Radhakishan Malaviya
38. Shri Sarada Mohanty
39. Shri Satish Pradhan
40. Smt. Malti Sharma
41. Shri Kailash Narain Sarang
42. Shri Janardan Yadav
43. Shri Ahmed Mohumedbhai Patel
44. Shri John F. Fernandes
45. Shri Prabhakar B. Kore

SECRETARIAT

1. Shri S.N. Mishra — *Additional Secretary*
2. Smt. Roli Srivastava — *Joint Secretary*
3. Shri T.R. Sharma — *Deputy Secretary*
4. Shri R.C. Gupta — *Under Secretary*

## INTRODUCTION

1. The Chairman of the Standing Committee on Railways, having been authorised by the Committee to submit the Report on their behalf, present their Sixteenth Report on 'Requirement, Procurement and Utilisation of Wagons by Indian Railways'.

2. The Committee have noted that Indian Railways' holding of wagons has been declining over the years. Due to drastically reduced wagon orders from the Railways in the recent years, the wagon industry in the country has been undergoing traumatic experience. Percentage reduction in wagon orders as compared to the original targets which was 12.6% during 1993-94 increased to 41.25% in 1994-95. Only during 1993-94, the low level of wagon orders has resulted in underutilisation of installed capacity from 25% to as high as 62% in different wagon manufacturing units. This has resulted in wide spread unemployment in the wagon industry which is basically labour-intensive. Besides, it has created liquidity problems disrupting various operational plans of the wagon building units in both public as well as private sectors.

3. The Committee have found that from 1994-95 the Ministry of Railways have taken recourse to 'open tender' system for meeting a sizeable part of their annual requirement of wagons. The decision was taken in haste without any basis and without any study and consultation with the concerned agencies *viz.*, Wagon India Ltd., Planning Commission, Ministry of Industry and the Wagon Industry. In fact, the tendering system has been strongly objected to by all these agencies. The Committee's investigations have revealed that the tender system for procurement of wagons has not borne fruits as 59% of the required number of wagons were not supplied during 1994-95. The Committee have also found that the tendering system has benefited only one particular firm to the detriment of the entire wagon industry comprising both public sector and private sector units.

4. To save the wagon industry, which is labour intensive in character, the Committee have desired that a thorough review of the working of this industry should be conducted jointly by the Ministry of Railways, Ministry of Industry, Planning Commission, Ministry of Finance and the Wagon India Ltd. with due participation of the representatives of the Industry.

5. In connection with the examination of the above subject, the Committee took evidence of representatives of (i) private sector wagon manufacturing units on 8 March, 1995; (ii) public sector wagon manufacturing units on 16 May, 1995; (iii) Wagon India Ltd. and the Ministry of Industry on 25 May, 1995; (iv) the Ministry of Railways (Railway Board) on 29 May, 1995; and (v) the Planning Commission on 25 May, 1995 and 7 June, 1995.

6. The Committee wish to express their thanks to the officers of the Ministry of Railways (Railway Board), Ministry of Industry, the Planning Commission, Wagon India Ltd. and all the wagon manufacturing units in public and private sectors for furnishing the material and information which they desired in connection with the examination of the subject and sharing with the Committee their views concerning the matter which came up for discussion during the evidence.

7. The Report was considered and adopted by the Standing Committee on Railways on 1 August, 1995. The Minutes of the sittings of the Committee held on 21.11.94, 8.12.94, 8.3.95, 16.5.95, 25.5.95, 29.5.95, 7.6.95 and 1.8.95 form Part II of the Report\*. For facility of reference, the recommendations/observations of the Committee have been printed in thick type.

NEW DELHI;  
1 August, 1995  
10 Sravana, 1917 (Saka)

SOMNATH CHATTERJEE,  
Chairman,  
Standing Committee on Railways.

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# PART I

## REPORT

### REQUIREMENT, PROCUREMENT AND UTILISATION OF WAGONS BY INDIAN RAILWAYS

#### *Introductory*

Growth of the economy depends on increased movement of goods from raw material sources to finished goods manufacturing points, from the latter to the points of consumption, to ports for export and from ports to the consumption points in case of import. Indian Railways are the principal mode of transport of goods. Important commodities whose movement is very much dependent on Railways are — raw materials for steel plants, finished steel from steel plants, coal (including coal for Railways), iron ore for export, cement, food grains, petroleum products and fertilizers. As all these commodities have a great bearing on the growth of the economy, the importance of adequate availability of wagons with the Railways cannot be overemphasized. The Eighth Five Year Plan has envisaged a freight traffic target of 443.4 million tonnes in the year 1996-97 which underscores the need to rapidly expand the Railways' freight transport capacity including the availability of wagons in adequate number so that the movement of goods is not affected by wagon shortage.

2. It has been indicated in very clear terms in the Eighth Plan document that "in order to keep pace with the demands for a vibrant economy, it will be necessary for the Indian Railways to almost double the existing capacity (of wagon availability) by the year 2000 A.D." This is obviously the guiding strategy for the Railways in all their plan activities including the rolling stock programme of which procurement of wagons is an integral part. Statistics indicate that the off-take of wagons by the Railways has been drastically curtailed in recent years which has resulted in widespread under-utilisation of capacity and massive unemployment in the wagon industry, for all the wagon manufacturing units in public as well as private sector are solely or primarily dependent on Railways for supply orders.

*Indian Railways' Holding of Wagons*

3. The following table indicates the number of different types of wagons available with the Railways from 1950-51 to 1993-94:

**Table-1**  
*Position of Wagon Holding with Indian Railways*

Year	Total Wagons on line (Number in units)
1950-51	205,596
1960-61	307,907
1970-71	383,990
1980-81	400,946
1989-90	349,661
1990-91	346,102
1991-92	346,394
1992-93	337,562
1993-94	312,405

Indian Railways' wagon fleet as on 31 March, 1994 was 312,405 comprising 138,642 covered, 101,160 open-high-sided, 11,922 open low-sided, 49,208 special type and 11,473 departmental wagons.

*Production Capacity of Wagon Industry*

4. Presently there are 11 wagon manufacturing units registered with the Wagon India Ltd.— six in public sector and five in private sector. All these units have been regularly manufacturing wagons against orders placed by the Ministry of Railways. The names of these

units, their capacity and production during 1991-94 are indicated in the following table:

**Table-2**  
*Unit-wise Licensed/Achievable Capacity and Actual  
Production During 1991-94*

Unit	Licensed@ Capacity	Achievable Capacity	(In terms of four wheelers)			Underutilisation of Capacity during 1993-94	
			Actual Production				
			1991-92	1992-93	1993-94		
(as intimated by respective units)							
<b>Public Sector</b>							
1.	M/s. Bharat Wagon & Engg. Ltd., Muzaffarpur.	2000	2000	1400	1375	985	50.5%
2.	M/s. Bharat Wagon & Engg. Ltd., Mokameh	2000	2000	1750	1710	1235	38.3%
3.	M/s. Braithwaite & Co. Ltd., Calcutta.	3000	4000	2937	3648	2126	46.8%
4.	M/s. Burn Standard Co. Ltd., Burnpur.	3911	3550	3553	3375	2633	25.8%
5.	M/s Burn Standard Co. Ltd., Howrah.	4750	3200	1228	1555	2080	35.0%
6.	M/s. Jessop & Co. Ltd.	3279	1200	485	580	513	57.3%
<b>Private Sector</b>							
1.	M/s. Cimmco Birla Ltd. Bhratpur.	3839	5600	3472	2900	2300	59.0%
2.	M/s. Hindustan General Industries Ltd., Nagloi, Delhi.	2000	2500	1235	1258	950	62.0%
3.	M/s. Modern Industries, Sahibabad, Ghaziabad.	2000	2000	1498	1360	1110	44.5%
4.	M/s. Texmaco Ltd., Calcutta.	4800	6000	5087	4710	3200	46.7%
5.	M/s. Hindustan Development Corporate Ltd., Calcutta.	4056	N.A.	N.A.	N.A.	N.A.	N.A.

@ Licensed capacity as intimated by the Ministry of Railways (Railway Board).

5. Wagon building units in the public sector as shown in the above table are the subsidiaries of Bharat Bhari Udyog Nigam Ltd., a Central public sector undertaking under the administrative control of the Department of Heavy Industry in the Ministry of Industry. The Units in the private sector were originally licensed by the Ministry of Industry for undertaking manufacture of wagons.

6. In addition to the above 11 units, two new units, namely, M/s. Binny Ltd., Madras ( a private sector company) and M/s. Southern Structurals Ltd., Madras ( Tamil Nadu Government undertaking) have also started manufacturing Railway Wagons.

#### *Manufacturing of Wagons for Railways*

7. Wagon orders placed on the wagon building units are basically fabrication orders, as costly and vital inputs such as Wheelsets, Cartridge Trapped Roller Bearings, Air Brakes, Centre Buffer Couplers and Cast Steel Boggies are separately ordered by the Ministry of Railways and issued to wagon builders for fabrication and assembly of wagons. The names of the suppliers of these materials are given at Appendix-I.

8. Wagon builders on their part have to arrange for some small value components and other consumable items like paints and electrodes etc.

9. The only imported materials used in the manufacture of wagons have been small quantity of Steel and Door-operating Mechanism for BOBR wagons. According to the Ministry of Railways except for Door-operating Mechanism, no other item has been imported during 1993-94 and 1994-95 for manufacture of wagons. These Door-operating Mechanisms are imported directly by the wagon builders. Similarly for BTPGL wagons, which are Deposit Works, DOME — Fittings are imported directly by wagon builders.

10. For maintaining liaison with the wagon building units, there is an inspection and liaison wing in Research Designs and Standard Organisation, Lucknow with offices at Calcutta, Burnpur, New Delhi and Bombay. The role of this wing is to carry out inspection of wagons and other materials in accordance with the contracts which are entered into for manufacture of wagons and free supply items. This wing also ensures that acquired and consumable items arranged by the wagon building units conform to the standards and specifications laid down by the Railways.

*Types of Wagons Used by the Railways*

11. Important types of wagons available with the Indian Railways and their respective uses are as under:—

	<b>Wagon</b>	<b>Description &amp; Uses</b>
(i)	BOX	High sided open bogie wagon with side discharge arrangement for transport of coal and other bulk commodities.
(ii)	BOXN	High sided open bogie wagon with improved components like cast steel bogies, high tensile couplers, cartridge tapered roller bearing, air brakes etc. for enabling greater trailing loads for movement of bulk commodities like coal, iron ore etc.
(iii)	BOY	Low sided open wagon to carry iron ore.
(iv)	BOBS/BOBX	Open hopper wagons with bottom discharge arrangement to carry ballast, ores etc.
(v)	C	Water tight 4-wheeler covered wagons.
(vi)	CRT	Water tight 4-wheeler covered wagons having higher capacity for General Goods.
(vii)	CA/BCA	Wagons designed for transportation of cattle.
(viii)	BCX	Water tight covered bogie wagons for foodgrain and cement etc.
(ix)	BCN	Water tight covered bogie wagon with improved components like cast steel bogies, cartridge tapered roller bearing & air brakes etc. for foodgrain, cement etc.
(x)	BRH	flat wagons for loading rails sleepers etc.

(xi)	BFKI/BFKY	Flat wagons to carry containers.
(xii)	DFU	Well wagons for carrying over dimensional heavy consignment.
(xiii)	TANK	Tank wagons for liquid consignments like petroleum products, molasses, veg. oils etc.

#### *Assessment of Railways' Requirement for Wagons*

12. According to the Ministry of Railways (Railway Board), requirement of wagons for future years is assessed on the basis of freight traffic projected to be carried and the anticipated level of productivity of wagons measured in terms of Net Tonne Kilometers (NTKMs) per wagon per day likely to be achieved.

13. Projection of freight traffic for the terminal year of a Five Year Plan is made in consultation with the Planning Commission. Projections include originating tonnage, average lead and NTKMs which is the ultimate transport output for both revenue earning and non-revenue freight traffic. Transport output (NTKM) is thereafter distributed amongst broad gauge and other gauges on the basis of existing share and the likely changes on account of gauge conversion etc. anticipated. Based on the anticipated level of wagon productivity, wagon requirement for the projected level of traffic is calculated. The existing holding is thereafter subtracted from the wagon requirement for projected level of traffic to arrive at the wagons required on additional account. On the basis of age profile of wagon fleets, the number of wagons required for replacing overaged wagons during the Plan period are estimated. In addition, provision is also made for premature condemnation of wagons involved in accident and for replacing inefficient type of wagons with modern wagons to the extent required. Thus aggregate number of wagons required on: (i) additional account; (ii) replacement of overaged wagons; and (iii) replacement on account of premature condemnation determine the number of wagons required to be procured for moving the projected level of traffic.

#### *Procurement of Wagons by the Railways*

14. During early 1970s due to general recession in the industry, the wagon procurement by Railways had come down to as low as 6,543 Four Wheeler Units (FWs) during the year 1971-72 from an average level of 20,000 FWs during the 1960s. This situation encouraged

unhealthy cut-throat competition amongst the wagon suppliers in the country. Resultantly, 3 of the 16 wagon building units existing at that time were forced to down shutters and another 3 companies diversified to other fields. Out of the remaining 10 wagon building units, the then 6 private sector units which are now in the public sector, became sick and had to be taken over by the Government to avoid adverse socio-economic effects of closure. In the then prevailing situation of recession and sickness in the wagon industry, the Government of India, with the approval of Central Cabinet, decided to set up a service organisation under the name of 'Wagon India Ltd.' which started functioning from October 1974. One of the main objectives of the organisation was to equitably distribute the annual wagon orders amongst the remaining ten units so as to keep them going and also to centrally negotiate the wagon prices with the Ministry of Railways so that these are fair both to the industry and to the buyer, namely, the Indian Railways. It was also envisaged that Railway Board would give orders for requirement of wagons through Wagon India Ltd. and only to the companies, who are members of Wagon India Ltd.

15. According to Wagon India Ltd., at the time of its formation, all the ten existing wagon building units in the country became its members. Subsequently, another wagon building unit, namely, M/s. Hindustan Development Corporation Ltd., Calcutta has been added to the 10 wagon builders making a total of 11 wagon building units—6 in public sector and 5 in private sector as given in Table-2.

16. With the coming into being of the Wagon India Ltd., the Railways have been following the procedure for the procurement of wagons from the public and private sector units as under:—

The distribution of wagon orders between public sector and private sector is decided in consultation with the Wagon India Ltd. Thereafter, further distribution amongst the various public sector units enlisted with Wagon India Ltd. is carried out in consultation with Wagon India Ltd. and Bharat Bhari Udyog Nigam Ltd. which is a holding company of all the Public Sector manufacturing units registered with Wagon India Ltd. In so far as private sector units are concerned, the distribution is decided based on the three parameters, namely (i) the licensed capacity, (ii) best performance in any particular year and (iii) the average performance of the last 4-5 years. All the three factors are given equal weightage and an index is worked out on the basis of which the distribution is done on prorata basis. According to the Ministry of Railways, formula for distribution has been decided in

consultation with Wagon India Ltd. as far as units who are members of Wagon India Ltd. are concerned. For non-RSP wagons (wagons required by other Industries, like Oil Industry) usually tenders are floated.

#### *Eighth Plan Requirement of Wagons*

17. The Planning Commission convened a high level meeting on 10.4.1989 under the chairmanship of the Member, Planning Commission mainly to review the problems and prospects of the Wagon Building Industry in the context of the formulation of the Eighth Plan. The meeting was attended by the representatives of Planning Commission, Ministry of Railways and the Wagon Industry. The major issues discussed during the meeting related to the requirement of wagons during the Eighth Plan and the capacity of the wagon industry satisfy these requirements; modernisation and technological upgradation of the manufacturing activities, standardisation of specifications of components and materials; reduction in inputs; policy relating to supply of essential components and cost efficiency and international competitiveness.

18. During the above meeting the Member, Planning Commission indicated the requirement of around 1,50,000 wagons (in four wheeler units) during the Eighth Five Year Plan and accordingly the Wagon Industry was urged to improve the manufacturing technology. The representatives of the industry, both private and public sector units promised to gear up their manufacturing activities to meet the Eighth Plan requirements in full. It was decided that the Railways would book advance orders for a period of three years for 80 per cent of the assessed requirements to enable the Industry to organise production efficiency and for this purpose the Planning Commission assured flow of funds. Other important decisions taken during the meeting were as under :—

- “(i) The Industry will go in for the state-of-art-technology on a phased basis. In particular, immediate steps will be taken to introduce modern welding technology and facilities for surface preparation and painting.
- (ii) The Railways will take steps to upgrade the quality of inputs and material supplied to the Industry. Any changes in designs and specifications will be intimated to the Industry sufficiently in advance.

- (iii) The Railways will review the policy regarding free supply items so that the final product will not be stabled for want of such items.
- (iv) The Railways will prepare a paper bringing out improved designs, inputs and components required to make a better product which will withstand international competition."

Minutes of the above meeting are at Appendix-II

19. In regard to the above meeting, the Chairman, Railway Board informed the Committee during evidence that the meeting was held in the context of the Working Group on Railways' Programme for Eighth Plan. He further informed that the Assessment of 1,50,000 wagons was made at that time on the basis of the perspective plan for the traffic and when this projection of 1,50,000 wagons came, *i.e.*, raising the capacity of production straight away from 18,000 wagons per year (VIIth Plan level) to an approximately 30,000 wagons per year, doubts were expressed whether wagon industry would be able to do it. It was in this context a meeting was called by the Ministry of Railways to know the extent to which the industry would be able to come forward in order to manufacture in case the demand comes up to that particular level.

20. The witness also informed the Committee that it was also recorded in the Working Group's report that the industry should be given a certain amount of support on this count so that it could be possible for them to gear up and produce 30,000 wagons per year. According to him the meeting held on 10 April 1989 under the chairmanship of the Member, Planning Commission was "an exercise in order to ascertain whether the forecast was coming up reasonably, effectively or whether there could be other alternative strategies which could be thought of".

21. Though as per the Planning Commission's indication the Railways would be requiring 1,50,000 FWs during the Eighth Plan period, the Ministry of Railways informed the Committee that the final figure adopted by them was 1,20,000 FWs. In this connection the Committee enquired as to how the figure of 1,20,000 FWs was arrived at. The Planning Commission informed the Committee that on the basis of Eighth Plan target of freight traffic of 443.4 million tones (318.47 million tone km.) and the wagon productivity target of 1750 net tonne Km. per wagon per day, Railways had estimated the

number of BG wagons required during Eighth Plan as follows:

Additional requirement		20,927
Replacement requirement	:	89,388
Brake vans container fleets etc.		8,200
		<hr/>
		1,18,515
		<hr/>
or say		1,20, 000

After discussion, the Railways' Eighth Plan Rolling Stock (including wagons) programme had been agreed to by the Planning Commission. The figure of 1,20,000 FWs was thus arrived at after detailed deliberations between the Ministry of Railways and the Planning Commission at the time of formulation of the Eighth Five Year Plan. But the Railways ultimately reduced their Eighth Plan wagon requirement to 81,000 FWs. and according to them "this assessment ... has taken into account all programmes of gauge conversion and new lines envisaged during the Plan period".

22. Asked whether the wagon procurement figure was reduced by the Railways with the approval of the Planning Commission or it was an arbitrary exercise, the Planning Commission in a written note have stated that "Railways did not obtain any formal approval from the Planning Commission before reducing the wagon procurement from 1,20,000 FWs to 81,000 FWs for the Eighth Plan."

23. In view of the decision taken in the April 1989 meeting that the Railways would book advance orders for a period of three years for 80% of the assessed requirement, the Committee wanted to know whether the Railways ever gave any advance indication to the wagon industry about the reduction in the off-take of wagons substantially and whether Planning Commission was ever apprised of such a decision of the Railways. The Chairman, Railway Board informed the Committee that "the exercise has continued to remain on annual basis dissociating the planning process to the executive process."

24. The Committee further wanted to know whether pursuant to the decision at the 10 April, 1989 meeting the Railways ever ascertained whether the wagon industry had tried to upgrade its technology and production efficiency to meet the projected requirement of 1,50,000 wagons during the Eighth Plan Period. The representative of the

Ministry of Railways stated that through their liaison organisation, they talk to the wagon builders, both in their own premises or across the table and advise them appropriately for upgrading the efficiency. He also stated that the wagon builders have been in a position to manufacture and supply the wagon that the Railways needed.

25. The Committee wanted to know whether the Wagon India Ltd., which is responsible for equitable distribution of wagon orders amongst various wagon manufacturing units, was also consulted by the Ministry of Railways while formulating their plan proposals especially in regard to procurement of wagons. In this connection the representative of the Wagon India Ltd. informed the Committee during evidence that they were not consulted by the Railways in the matter. He further stated that "..... this (wagon industry) is a heavy engineering industry which has got a very long production lead time and even materials are required to be procured in advance. We have always been insisting that we should be informed well in advance of the needs. Unfortunately, during the last couple of years, the system has gone awry."

26. When asked whether the Ministry of Industry get involved in the formulation of Plan, the Secretary, Department of Heavy Industry stated "we do not get any information".

#### *Technological Upgradation in Wagon Manufacturing Units*

27. Pursuant to the decision taken at the meeting held on 10 April, 1989 under the chairmanship of the Member, Planning Commission, all the wagon manufacturing units, both in public and private sectors, have taken various steps to upgrade the technology. The Committee enquired about the steps taken by the wagon builders for technological upgradation. M/s Bharat Wagon and Engineering Compnay Ltd. informed the Committee that they have been making investments in upgrading the plant and machinery from time to time and presently they are in the process of upgrading the surface finish technology by installing Shot Blasting Plants at their Units.

28. M/s Braithwaite and Company Ltd. have taken various steps to upgrade the technology, like-use of sophisticated Jigs and Fixtures, introduction of semi-automatic MIG Welding, implementation of Shot Blasting Facilities, Stress Releasing Calibrating and Weighment facilities.

29. M/s Burn Standard Company Ltd. (Burnpur) have stated that for developing their capability to meet market requirement, they have

taken initiative to have collaboration agreement with M/s Simotra SA, France in Bulk Transport and Pneumatic Handling of Powder Product. M/s Burn Standard Company Ltd. (Howrah) have taken many steps for technological upgradation—such as — (i) introduction of MIG Welding and Sub-merged Arc welding process; (ii) installation of rotators and manipulators for position welding; (iii) lifting and weighing system for measurement of tare weight of each wagon; (iv) Airless Shot Blasting Plant for surface preparation prior to painting for qualitative improvement; (v) Airless Spray Painting equipment; (vi) development and production of Miners Draft Gear upgraded from Cardwell-type Draft gear of lower capacities; (vii) Tup Hammer Testing equipment for Draft gear; (viii) Carburising Plant for heat-treatment of Draft gear components etc.

30. M/s Cimmco Wagon have stated that at the instance of Railways, the Wagon industry has started modernising and are in the process of introducing shot/grit blasting of surface clearing of wagons before painting.

31. According to M/s Texmaco Ltd., they are not only in the process of introducing shot/grit blasting but also have entered into technical collaboration tie-ups with certain overseas wagon builders/designers for special purpose wagons, as also with M/s Standard Car Truck Co. of USA for manufacture of high speed Barber radical type self steering bogies.

32. M/s Hindustan General Industries Ltd. have stated that Wagon fabrication has been technologically upgraded in many ways *viz.* inception by Electronic Weighbridges for individual Wagon weighment to correctly assess carrying replacement of Manual Arc Welding with MIG Welding, improved design of Jigs and Fixtures to eliminate distortion, upgradation in painting to compete with standards abroad etc.

33. M/s Modern Industries Ltd. have stated that they have taken various steps for technological upgradation, important among them being (i) Shot/Grit Brasting for surface cleaning of wagons before painting; (ii) use of carbon-dioxide Welding machines in the Welding Work; and (iii) installation of latest machines for example Drilling, Shearing and Heavy Press etc. as per the need and modernisation programme.

#### *Reduction in Wagon Acquisition*

34. Compared to the Wagon procurement figures as approved by the Planning Commission there has been drastic cut in the wagon

orders placed by the Railways during 1993-94 and 1994-95. The trend of reduction in wagon orders is depicted hereunder:

**Table 3**  
*Reduction in Wagon Orders\**

Year	Wagon procurement target as per Railway Budget		Actual number of wagons ordered/procured	Percentage reduction in wagon orders (against) Original target
	Original	Revised		
1993-94	22,500 FWs	20,000 FWs	19,649 FWs	12.67
1994-95	18,000 FWs	12,000 FWs	10,575 Fws	41.25

35. The Committee wanted to know as to how the requirement figure of 18,000 FWs as assessed before the Budget and finally approved by Parliament was drastically reduced to 12,000 FWs during 1994-95, i.e., one third reduction of the total assessed quantity. In this connection the Ministry of Railways stated in a written note that "based on study jointly done by Planning and Stores Directorates and duly accepted by the Board in July 1994, a decision was taken to reduce procurement of wagons for the year 1994-95".

36. When asked whether the Planning Commission was also consulted before taking a final decision to effect cuts in the procurement of wagons, the Ministry informed the Committee that the Planning Commission were consulted only at the initial formulation of the Plan and not on a continuous basis for mid-course plan corrections.

37. Explaining the reasons for reduction in wagon acquisition, the Chairman, Railway Board stated during evidence as under :

"There were two basic reasons for the reduction in the requirement of wagons from the number which was initially anticipated and projected and finally included in the Budget when it was passed. One of the reasons was that the overall transport output did not come up as we had anticipated and we felt that the wagons already with us were adequate as far as the transport output is concerned. Hence we reduced the requirement..."

Elaborating further he stated : "We took up certain exercises and also implemented them successfully in order to improve our wagon

utilisation even beyond what we had projected in the Budget. These included rationalisation of certain carriage wagons, examination procedure for air brake stock as well as closing down of certain marshalling yards in order to expedite the overall turn out of the wagons."

38. When asked whether 18,000 FWs was an excessive figure, the witness stated "Yes, as our review indicated, the traffic output did not come upto that level".

When further asked, whether any wagon orders have been placed during April-May 1995, the witness stated "We are yet to finalise it".

39. During evidence the representatives of the Wagon builders stated that there was no specific or formal information from the Ministry of Railways in regard to reduction in the placement of wagon orders. Rather, according to them, when the Eighth Plan projects were being drawn up, the Railways were insisting that the Wagon Industry must gear up their production and infrastructure, but contrary to this the Railways have been reducing their wagon orders.

40. It is worth mentioning that the Minister of State for Industry also took up the matter relating to wagon orders with the Minister for Railways. Expressing concern over the drastic curtailment in wagon orders by the Railways, the Minister of State for Industry in her communication dated 14 July, 1994 to the Minister for Railways stated:

"This steep reduction in wagon orders during 1994-95 to almost 50% of the last years' off-take has created an unprecedented crisis for the wagon manufacturers; and the very survival of these units has been threatened. Unless some immediate steps are taken, the situation might bring about serious problems on the front of industrial relations."

41. The Secretary, Department of Heavy Industry also informed the Committee during evidence that the matter regarding the crisis of wagon industry due to low level of wagon orders was brought to the notice of the Group of Ministers (in December 1994) where Deputy Chairman, Planning Commission was present and he promised to take a meeting to review the position. The Department of Heavy Industry also approached the Member, Planning Commission for conducting an early review. But the Planning Commission has given a different picture in this regard. When asked about the decision taken in the

meeting of the Group of Ministers held on 23 December, 1994, the Planning Commission have, in a written note, stated that "the Group of Ministers decided to take some measures for revival of the Braithwaite Company and no decision was taken regarding wagons procurement by the Railways". But the U.O. No. JS/M/95/69 dated 16.1.1995 of the Department of Heavy Industry (Appendix-III) indicates that the Deputy Chairman, Planning Commission and Commerce Minister has desired to take a meeting to review the wagon order position for wagon-manufacturing PSUs (BBUNL Group) in the context of the severe financial crisis they have been facing on account of drastic reduction of wagon orders during 1994-95.

*Position of Wagon Order Levels*

42. As already mentioned, during 1994-95 the target for procurement of wagons was reduced from 18,000 FWs to 12,000 FWs. The position in respect of Wagons for which orders were placed during 1994-95 on different wagon units, which are the members of Wagon India Ltd., has been as under:

**Table-4**

*Position of Wagons ordered on Different Units*

Name of Wagon Builders	(Figures in four-wheelers)
	No. of Wagon Order for 1994-95
1	2
<b>PUBLIC SECTOR:</b>	
1. M/s Bharat Wagon & Engineering Company Limited/Muzaffarpur.	462.5
2. M/s Bharat Wagon & Engineering Company Ltd./Mokameh.	575.0
3. M/s Braithwaite & Co. Ltd./ Calcutta.	1220.0
4. M/s Burn Standard Co. Ltd./ Howrah.	937.5
5. M/s Burn Standard Co. Ltd./ Burnpur.	1155.0
6. M/s Jessop & Co. Ltd./ Calcutta.	210.0
<b>Total Public Sector: (A)</b>	<b>4560</b>

1	2
<b>PRIVATE SECTOR:</b>	
7. M/s Cimmco Ltd., Bharatpur	687.5
8. M/s Hindustan General Industries/ Nangloi.	317.5
9. M/s Modern Industries/Sahibabad.	340.0
10. M/s Texmaco Ltd., /Calcutta	1045.0
11. M/s Hindustan Development Corp./ Calcutta.	650.0
<b>Total Private Sector: (B)</b>	<b>3040.0</b>
<hr/>	
Total (A + B)	7600.00

Thus 7600 FWs out of 12,000 FWs which works out to 63.33% of the total requirement were ordered on member units of Wagon India Ltd. during 1994-95.

43. The order book position of different wagon manufacturing units as given by them, in respect of wagons to be procured by the Railways during 1995-96 onwards is nil except that of M/s Jessop & Co. Ltd. and M/s Cimmco Wagons with whom orders for 50 FWs and 130 FWs respectively were placed during 1994-95.

44. The Committee also enquired whether the Wagon manufacturing units in the country have also been getting orders from the agencies other than the Railways. In this regard the position as informed by the individual units is as under:

**Table 5**

*Units Getting Orders for Wagons from the Agencies Other Than Railways*

Name of the Unit	Whether getting wagon orders also from other agencies in addition to Railways
<b>PUBLIC SECTOR</b>	
1. Bharat Wagon & Engg. Company Ltd.	No
2. Braithwaite & Company Ltd.	No
3. Burn Standard Company Ltd. Burnpur	Yes (for very small quantity)
4. Burn Standard Company Ltd. Howrah	No
5. Jessop & Company Ltd.	No
6. Southern Structurals Ltd.	Yes (rarely only for special wagons)
<b>PRIVATE SECTOR</b>	
1. Cimmco Wagons	Yes (for meagre quantity)
2. Texmaco Ltd.	Yes
3. Hindustan General Industries Ltd.	No
4. Modern Industries	No
5. Hindustan Development Corp. Ltd.	N.A.

*Present System of Placing Orders*

45. All the Wagon manufacturing units have shown their dissatisfaction to the Railways' present system of placing orders for manufacturing wagons on year-to-year basis. M/s Bharat Wagon & Engineering Company Ltd. have felt that the Railways must give their indicative plan of wagon requirement for atleast two years as it would help them in proper planning of the capacity utilisation.

46. According to M/s Braithwaite and Company Ltd. the practice of distribution of Railways' wagon orders through Wagon India Ltd. was by and large satisfactory upto 1992-93. But from 1993-94 onwards Railways started departure by releasing orders in piecemeal way and by introducing two more new units from outside Wagon India group for wagon procurement. Introduction of two more units has only resulted in further reduction in the off-take of wagons from the existing wagon building units.

47. M/s Burn Standard Company, Burnpur in their note submitted to the Committee have stated that they are not satisfied with the Railways' present system of placement of wagon orders. They have preferred atleast three years advance orders and production target for wagons to be procured by the Railways so that production planning can be made effective and switch-over time from one type of wagon to another type can be considerably reduced.

48. M/s Jessop and Company Ltd. expressing similar views have stated that Railways should place orders for three years to enable the Company to make sufficient advance planning depending upon the quantum of orders.

49. M/s Cimmco Wagons in their Memorandum submitted to the Committee have stated that "Orders must be placed atleast for three years at a time so that we set fair attitude to plan and speed up the quality and optimum utilisation of available resources".

50. M/s Texmaco Ltd. have also viewed that for stability of planning, it would be desirable if Railways forecast their requirement for next three years on a rolling basis.

51. The Committee wanted to know from the Ministry of Railways as to why it was not possible for them to plan the procurement of wagons on five yearly basis, based on the traffic projections of Five Year Plan. In this connection the Ministry of Railways in a written note submitted to the Committee stated that : "Wagon acquisition is a need based activity and is decided on year-to-year basis considering the transport output required."

#### *Impact of Low Orders — Notable Cases*

52. Bharat Wagon and Engineering Company Ltd. have informed the Committee that they have faced problems in getting orders from the Railways and the problems pertained to both quantity and timely

placement of orders. Due to inadequate orders, the licensed capacity of the Company remained under utilised to the extent of 75%.

53. According to Braithwaite & Company Ltd., as against their achievable capacity of 4,000 FWs, the Railways placed an order for only 1220 FWs for the year 1994-95 which was just adequate to keep their capacity utilised for only about four months of the year. It compelled the Company to keep its capacity idle for about eight months during the year. The drastic reduction in the off-take of wagons by the Railways has created a serious crisis for the Company adversely affecting its entire cash flow.

54. The functioning of Burn Standard Company Ltd. has been seriously affected due to financial stringencies caused by insufficient wagon orders placed by the Railways in the recent years.

55. According to the Cimmaco Wagons untimely placement of orders has attributed to idling of manpower and deterioration of industrial relations besides the problems in arrangement of inputs. The Texmaco Ltd. have, in their Memorandum, stated that sudden reduction of wagon orders from the Railways without any previous forecast has thrown their entire manufacturing programme into serious disarray. They have further stated that "sudden and sizeable reduction in wagon orders by Indian Railways results in gross idling of capacity and consequential problems for the industry, particularly having regard to its essentially labour intensive character".

#### *Open Tender System for Procurement of Wagons*

##### *(a) Change in Procedure*

56. In the present situation when the wagon builders are starved of workload in the face of precipitate decline in wagon off-take, the Railways have suddenly without any discussion with or reference to Wagon India Ltd., or the Ministry of Industry taken recourse to 'open tender' system of procurement for meeting a sizeable part of their annual requirement of wagons. According to the Wagon India Ltd. till 1993-94, the Railways procured the wagons from wagon industry through them. The open tender system has been introduced from 1994-95 with initial procurement of 1800 FWs through tender. The Wagon India Ltd. have been apprehensive that the tender system is likely to result in cut-throat competition, unrealistic price and inequitable distribution thus re-creating the scenario which existed in

early 1970s. In fact, the tender system has been opposed by all the concerned agencies viz. Ministry of Industry, Wagon India Ltd. and almost all the Wagon manufacturing units in the country.

57. When asked about the reasons for not placing all the orders on Wagon India as the tendering process takes time, the Chairman, Railway Board (CRB) stated during evidence that "We have a major point to settle and that is the prices".

The statement of the CRB indicates that prices of wagons have been major consideration for going in for tender system for the procurement of wagons. In this context, comments of Wagon India Ltd. are worth mentioning. According to them during the 1970s the wagon prices were determined on the basis of the recommendations contained in the Wagon Pricing submitted by the office of CCAO, Ministry of Finance, from time to time.

58. Since 1983 the prices for different types of wagons were being fixed on the basis of methodology and parameters recommended by a high level expert Wagon Pricing Committee headed by Chairman, Bureau of Industrial Costs and Prices which submitted its report in May 1983. Various parameters e.g., contract man-hours, average wage rate, overheads etc. have been up-dated through fresh studies carried out by CA (Cost), Ministry of Finance from time to time taking into account the changed circumstances.

59. Recently, taking into account the changed circumstances, the Railways have appointed another Pricing Committee headed by Chief Advisor (Cost), Ministry of Finance *vide* their Office Memorandum No. 94/RS(OFF & EC)/952/1/WP dated 19.12.1994 (Appendix IV) to conduct a comprehensive study of wagon manufacture and evolve pricing norms for different types of wagons and to recommend a suitable methodology for fixation of prices of wagons. Paradoxically, on the one hand, Railways have appointed a Pricing Committee for going into the wagon prices, on the other they have unilaterally resorted to open tender system for procurement of wagons.

60. A scrutiny of the record submitted by the Railway Board reveals as under:

On a proposal for finalisation of wagon orders in 1993-94 initiated by the Wagon Production wing of the Stores Directorate, directions were given by the Minister for Railways that tendering procedure

may be introduced for wagon procurement. In his note dated 5 March, 1993 the Minister stated:

“Arguments may be advanced for and against this (tender system), but I have a hunch that a change in procedure will be of our advantage. Tendering procedure may, therefore, be introduced indicating only the minimum number of free supply items. In any case steel need not be a free supply item. Modalities may be worked out and put up to me within the next few weeks.”

Thus, it is seen that the system of placement of orders through Wagon India Ltd., which had the approval of the Cabinet, was decided to be changed on the basis of the “hunch” only of the Minister for Railways. There is no record to show that there was any demand for such change, far less any consultation or discussion with regard thereto.

61. Subsequently, the proposal of procurement of wagons through tender procedure was examined by the Stores Department of Railways who opined that “if the present fabrication contracts for wagon building are converted into purchase contracts, the prices are likely to go up and therefore the present system of procurement should continue.” Adviser (Finance) advised that “it would be worthwhile to experiment with the suggested procedure for atleast a part of the wagon requirement.” Agreeing with Adviser (Finance) the Financial Commissioner suggested in his note dated 24.5.1995 that the Railways “may float tender for purchase of wagons for 10% of the total quantity ..... if the prices received are competitive then a higher percentage of total quantity can be ordered through the system in the coming years.” He further suggested that “for a fair comparison, the hidden costs which the Railways incur in the procurement/handling/storage/transportation etc. of steel and other free supply items under the present system needs to be worked out with a reasonable degree of accuracy”. For this he suggested that “a Committee of one Stores Officer and one Finance Officer may be constituted.”

On the above suggestions of the Financial Commissioner, the Minister for Railways ordered for inviting tender for wagon supply without free supply items.

62. When asked whether any Committee has been constituted to go into the hidden costs which the Railways incur in the procurement/handling/storage/transportation etc. of steel and other free supply items, the Ministry of Railways informed that a Pricing Committee has been constituted on 19.12.1994 with the approval of the Board.

The Committee was to submit its report by 30.6.1995. A scrutiny of the said Office Memorandum reveals that the scope and terms of reference of the Committee do not include the study of hidden costs which the Railways incur in the procurement/handling etc. of steel and other free supply items.

*(b) Railways' Justification for the Open Tender System.*

63. When asked about the justification for open tender system of procurement of wagons, the Chairman, Railway Board explained as under :

"It is a decision of the Railway Ministry. The basic purpose behind that was that we did feel that the entire sector is working under highly protective atmosphere and it should be possible to test as to what exactly the market conditions would be like and particularly in the future that once competition is brought in, a certain amount of new looking has to be there."

He further elaborated :

"There are only few wagon builders who were part of the Wagon India Ltd. who could participate in all the activities. Therefore, open tender does present an opportunity to other enterpreneures also who are desirous of undertaking this activity to participate, indicate and develop their own manufacturing capacity for this particular purpose."

*(c) Consultation with concerned Agencies*

64. The Committee in this context wanted to know whether the Railways held any discussion with the Wagon India Ltd. to find out whether prices could be reduced voluntarily instead of introducing the tender system. Replying to the Committee's query the Chairman, Railway Board stated that there was no discussion. Asked whether the matter was discussed with the Planning Commission and the Ministry of Industry before introducing the tender system, the witness replied in negative. When asked about the reasons for not discussing the matter by the Ministry of Railways with the agencies concerned, the witness stated—"There is only one particular point and that is there would not be any base for discussion."

65. In regard to procurement of wagons through tender, the representative of Wagon India Ltd. stated during evidence that initially

their (Railways') idea was that they will issue a tender and each unit will quote separately and that way they will be able to beat down the prices or just distribute the order according to whatever balance they have. But actually there was meeting with the Wagon India Ltd. with all its members and it was decided that Wagon India Ltd. should give a tender on behalf of the units both in the public and private sectors. But according to the representative of Wagon India Ltd. one unit in private sector, namely, Hindustan Development Corporation decided not to go along with the Wagon India Ltd. In this connection the representative of Wagon India Ltd. informed the Committee as under:

“Quotations of all others were submitted by Wagon India Ltd. on their behalf whereas Hindustan Development Corporation has gone alone and submitted their quotation. Their quotation was very low as the prices were quoted very low. That had an adverse effect. The Railway Board, against that tender had decided to award 50 per cent of the quantity to the lower tenderer viz. Hindustan Development Corporation and awarded 30 percent of the quantity to Wagon India Ltd., remaining 20 per cent going to Southern Structurals Ltd., Madras. The rate quoted by Hindustan Development Corporation was again analysed and consultation held all over again. There was no way those prices could be workable. We have taken into consideration the public sector where the overheads are slightly higher, so, we found that it was not at all economically viable to accept the order at that rate. So, we did not accept it.”

66. When asked about the difference between the rate quoted by the Hindustan Development Corporation and the rate quoted by the Wagon India Ltd., the representative of Wagon India Ltd. stated that “the difference was around 10 per cent.”

#### *Protest from the Ministry of Industry*

67. During the course of evidence, the Committee were informed that there was protest against the tendering system. The representative of Wagon India Limited stated that “there are letters from the Secretary, Ministry of Industry, (Department of Heavy Industry) protesting against this vehemently. But there has not been any official response.” In fact, the Secretary, Department of Heavy Industry in his letter dated 25 March 1994 addressed to Chairman, Railway Board had clearly stated that the tender system is “likely to lead to cut-throat competition as the wagon builders would be tempted to undercut prices this is

likely to cause further setback to the public sector wagon building units of the BBUNL group. Procurement through open tender would also be against the time-honoured Government policy of procuring wagons only through Wagon India Ltd. which was formed with the main objective of ensuring equitable distribution of wagon orders amongst the different wagon builders at negotiated normative prices."

68. Even the Prime Minister's Office was also approached by the Ministry of Industry for intervention in an appropriate manner in order to rescue the public sector wagon manufacturing companies which had/have been facing unprecedented crisis on account of drastic reduction in the wagon off-take and introduction of open tender system for procurement of wagons. In his letter dated 10 February 1995 addressed to the Principal Secretary to Prime Minister, the Secretary, Department of Heavy Industry had stated:

"..... the Ministry of Railways have decided to by-pass the Wagon India Ltd. which oversee the equitable distribution of wagon orders and have decided to resort to open tender system from 1994-95 which would inevitably lead to unhealthy competition among the wagon manufacturers to the detriment of the public companies."

69. Cautioning the Ministry of Railways about the adverse impact of open tender system, the Secretary, Department of Heavy Industry in his letter dated 10 February 1995 addressed to the Chairman, Railway Board had stated:

"If we return to the open tender system especially when the demand is a fraction of the installed capacity, there may be an initial reduction of prices of wagons on account of cut-throat competition. But once the wagon manufacturing Public Sector units disappear from the scene, there is every possibility of cartelisation and capricious prices. That will be an unwanted situation."

70. The Minister of State for Industry has also cautioned the Ministry of Railways about the disadvantages of open tender system. In one of her communications dated 14 July 1994 addressed to the Minister for Railways, she stated :

"..... when the off-take for 1994-95 is (was) itself so inadequate, the diversion of 1,800 wagons for procurement through open tender system will be another setback to the wagon manufacturers

who are members of Wagon India Limited ..... The worst sufferer in the process would of course be the public sector undertakings. The Government will have to continue to maintain the huge workforce with huge fixed costs already created. This will certainly not be in the overall interest of the Nation." In her another communication dated 6 May 1995 she stated that ".....Wagon India Limited was created by a Cabinet decision in the seventies to rationalise wagon orders distribution and put an end to the cut-throat competition prevailing at that time. Therefore, going back to the open tender system might bring forth a host of undesirable consequences and particularly this step might be very injurious to the interest of Public Sector units."

She, therefore, asked the Minister for Railways to "cancel the proposal of procuring 1,800 FWs through open tender system immediately" and to procure the wagons through Wagon India Limited from amongst its member manufacturers.

71. During evidence the Committee were informed by the Secretary, Department of Heavy Industry that no bilateral meeting was held between the Railways and the Ministry of Industry in the recent years to sort out the problems of wagon industry. The Secretary, Department of Heavy Industry held the Railways' decision to go in for open tender for wagon procurement as incorrect and against the Cabinet decision. To quote him—"As per the Cabinet decision, Wagon India Ltd. has been set up with the approval of the Council of Ministers. To that extent the decision of the Railways in calling for tender is not correct and it needs fresh Cabinet decision."

*Open Tender System — An Experience of change in the Procedure for Wagon Procurement*

72. The Ministry of Railways introduced tender system for the procurement of wagons from the year 1994-95. As per the Railway Budget (1994-95) a procurement target of 18,000 wagons was fixed for the year 1994-95 and accordingly the approval of Parliament was taken for that. But this procurement target was drastically reduced to 12,000 wagons. As the Ministry of Railways decided to procure 10% of the total wagon requirement through open tender system, the number of wagons to be procured through tender works out to 1200 within the wagon procurement programme of 1994-95. Of these, an order for 576 VUs (1440 FWs) was placed on Hindustan Development Corporation (HDC). It is pertinent to note here that the tender in

question was issued on 11.3.94 asking for delivery of wagons to commence in September 1994 and to complete by March 1995. These delivery terms were accepted by the Hindustan Development Corporation. But the contract was actually released by the Ministry of Railways as late as 23.1.1995 giving only two months' time to Hindustan Development Corporation for commencing the delivery of wagons. In the light of this the Hindustan Development Corporation represented and requested the Ministry of Railways as under:

“(a) Delivery Clause of the above contract be amended whereby 576 wagons shall be completed by September 1995 instead of March 1995, or (b) The full quantity of steel to the required specification and air brakes equivalent to 156 BOXN and 130 BCNA Wagons be supplied free of cost by first week of February 1995 by the Railway Board.”

The above request of Hindustan Development Corporation was examined by the Ministry of Railways and a proposal was initiated to give steel and air brakes to the firm for 250 wagons (reportedly on cost adjustment basis) which were promised to be supplied by March 1995. The proposal was approved at the Board level.

73. Since the tender procedure was introduced on the directives of the Minister for Railways, who in his note dated 18 June 1993 had ordered for inviting tenders without free supply items, the Ministry of Railways were asked whether the proposal for free supply of inputs to M/s Hindustan Development Corporation was brought to the notice of the Minister. The Ministry of Railways in their written note stated that “as per extant practice Minister of Railways’ approval was not required.” Thus, although Hindustan Development Corporation had in this tender agreed to manufacture without free supply of items, these in fact were supplied to them contrary to the tender terms and the agreement.

74. M/s Hindustan Development Corporation in their representation had stated that if full quantity of steel and air brakes are supplied to them, they would be able to deliver 250 VUs (625 FWs) by March 1995 and balance by July 1995. But the Ministry of Railways in their written note stated that “for balance wagons’ delivery was refixed upto May 1995 only and not upto July 1995 as requested by the firm.” When asked whether the delivery of wagons had been completed in May 1995, the Ministry stated that upto May 1995, Hindustan Development Corporation, which appears to be the only beneficiary of

the open tender system, had manufactured 587.5 FWs and for balance 852.5 FWs the delivery period has been extended upto September 1995 with liquidated damages. In other words, out of 1440 FWs to be procured upto May 1995, as per terms agreed to by the firm, 852.5 FWs (i.e. 59.2%) of the total quantity ordered, remained un-supplied thereby adversely affecting the availability of wagons.

*Wagon Procurement Programme for 1995-96*

75. Procurement of 12,000 FWs has been targeted for the year 1995-96 as per the Railway Budget. In this connection the Wagon India Limited informed the Committee that the Railway Board have given an indication to procure 10,800 FWs from the Industry, out of which only 50%, i.e., 5,400 FWs are proposed to be ordered through Wagon India Limited and the remaining 5,400 FWs, according to the Chairman, Railway Board, would be procured through open tender. But strangely if not significantly, till May 1995 no orders had been placed. As a result, the entire wagon industry had been idling since 1 April 1995 causing serious industrial relations problems and loss to the Nation.

76. When asked to comment on the adequacy of the number of Wagons targeted by the Railways for procurement, the Planning Commission informed the Committee that against the Railways projection of 12,000 wagons for 1995-96 they had suggested a procurement of around 20,000 wagons.

77. Asked about the points on which the targets of the Railways were not acceptable, the Planning Commission, in a subsequent reply, stated that the Railways were requested to re-examine their projected requirement primarily in view of the fact that the industrial growth was likely to be much higher in the next two years and the rail transport demand was also accordingly expected to pick up considerably.

78. The Committee asked as to why the Railways have been following the same tender system during 1995-96 also inspite of the fact that earlier the party with whom the orders were placed through tender could not supply the wagons in full. The Chairman, Railway Board stated—"The tender was called in the month of February. We have received the tender bids and that particular tender is under finalisation. "Thus, no reason has been suggested by the Board or the Ministry for continuation with the changed procedure, which has not given the results.

79. The Committee asked whether these 5,400 wagons were included in 12,000 wagons which are to be acquired during the current year (1995-96). The Chairman, Railway Board replied in the affirmative. Elaborating further the witness stated "we are supposed to procure 12,000 wagons. Out of these 1200 wagons are earmarked for our own workshops. This leaves a balance of 10,800 wagons. Fifty per cent of these will be given by way of tender and fifty per cent will be given to Wagon India Ltd."

80. When asked whether the matter relating to procurement of wagons through open tender brought to the notice of the Planning Commission while discussing the Railways' wagon procurement programme for the year 1995-96, the Planning Commission stated in a written note that "this matter was not specifically brought to the notice of the Planning Commission during the Annual Plan discussion."

81. When further asked whether the Planning Commission approves of the tender system especially in the light of the present plight of the wagon industry, the reply of the Commission has been that they "have not formulated any specific views in this regard."

82. When asked about the reasons for not placing all the orders through Wagon India Ltd. as the tendering process takes time, the Chairman, Railway Board stated, "We have a major point to settle and that is the prices".

#### *Impact of Gauge Conversion on Wagon Procurement*

83. The Committee wanted to know whether in the light of gauge conversion any assessment was made about the increased number of broad gauge wagons that would be required. The Chairman, Railway Board informed the Committee as under:

"..... there would be a requirement of broad gauge wagons to take on that particular traffic which was erstwhile handled by the metre gauge system."

#### *Problems of Wagon Manufacturing Units*

84. The main problem faced by the wagon units relates to inadequacy of wagon orders. The crisis during 1994-95 has been due to the Railways' abrupt decision to severely curtail wagon procurement. In fact, non-receipt of adequate orders from Railways has resulted in huge under-utilisation of wagon manufacturing capacity in the country.

85. Explaining their problems, M/s Braithwaite & Company Limited informed the Committee that the orders received from Railways presently are also becoming unremunerative. The contracts awarded by Railways are generally on the provisional price basis and it has been observed that Railways have revised their terms and conditions including price 3/4 years after completion of a contract, resulting in unforeseen huge recovery from their current bills. This has created serious liquidity problem disrupting all their operational plans.

86. M/s Burn Standard Company Ltd. (Burnpur) have expressed their problem as under:—

“Sudden drastic cut in the wagon orders and consequent dwindling of cash flow have given a severe blow to the working capital position. Actual shortage of working capital is the major problem faced by the Unit so much so that we are unable to execute timely orders already in hand due to inability to purchase inputs. Due to such fund crisis we are not in a position to undertake further technological upgradation and diversification of the product range and purchase modern highly productive and sophisticated machines.”

87. M/s Jessop and Company Ltd. have stated that due to insufficient orders from Railways, manpower is in excess and capacity utilisation in this area is poor which has an adverse effect on the overall performance of the company.

88. M/s Cimco Wagons have stated that their main problems are — paucity of orders, timely finalisation of orders for and prices of wagons.

89. During evidence the representatives of public sector wagon manufacturing units stated that since they are in the public sector, they cannot resort to things like closure and therefore have to pay the idle wages which has resulted in irregularities in the payment of wages and salaries. When asked about the quantum of idle wages the Managing Director of Burn Standard Company Ltd. informed the Committee that “in a full year it comes to Rs. 70 crores.”

*Procurement of Wagons on Replacement Account—The Issue of Shortage of Wagons*

90. Rate of condemnation has an important bearing on the procurement of wagons. The codal life of a four wheeler wagon is

35 years. After that the wagon is considered to be over-aged and therefore condemned. According to the Ministry of Railways the number of wagons to be condemned and phased out during the Eighth Plan period is estimated to be around 1,03,000 FW units.

91. When asked about the Railways' plan for replacement of 1,03,000 FW units proposed to be phased out during the Eighth Plan, the Ministry of Railways informed the Committee that they "plan to procure 81,000 BG Wagons on replacement account."

92. Asked about the manner in which the Ministry of Railways propose to meet the shortage of 22,000 wagons, the Ministry have, in a written note submitted to the Committee, stated:—

"Now wagons under procurement are wagons capable of producing much higher transport output compared to the wagons which are being condemned as majority of these are obsolete four wheeler wagons fitted with plain bearing, vaccum brake and screw coupling. No shortage, therefore, is likely to be felt."

93. Interestingly, on the one hand the Railways do not feel any shortage of wagons but on the other, reports of shortage of wagons adversely affecting the movement of essential commodities like coal and steel are coming in. Notably, a recent survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) has revealed that coal movement to the non-core sectors of the industry has been adversely affected due to shortage of wagons. According to survey, the allotment of rakes for loading continues to be substantially lower than the offer in most of the coalfields linked to non-core industries. As a result, coal movement in the non-core industries has been steadily declining over the last two years and key industries such as textiles, heavy chemical and paper are facing serious production constraints. Similar complaints of shortage of wagons are also coming in from other sectors of the economy.

#### *Problem of Diversification in Wagon Industry*

94. During evidence, the Committee wanted to know from the representatives of wagon building units whether they are or are capable of going in for diversification so that the idle capacity and manpower can be utilised fruitfully. Representatives of all the wagon units expressed a general view that they have been facing difficulties in diversification. The representatives of Braithwaite and Company

Limited specifically informed the Committee that the Wagon building units whose 70 to 80 per cent turn over is only wagon building have no prospects of diversifying and going in for some other products particularly in the present situation when the market is very competitive. He further stated that in wagon manufacturing units, it is also not feasible to train the manpower engaged in the manufacturing of wagons for their deployment elsewhere.

#### *Possibility of Selling the Wagons Abroad*

95. When asked about the possibility of selling the wagons abroad the representatives of wagon manufacturing units stated during evidence that in the global market they cannot prove to be competitive. Explaining the reasons, the representative of Braithwaite and Company Ltd. stated that they are not in a position to finance it and make the delivery very competitive, for the competition from Romania and some other countries would be tough as they are getting a lot of subsidy, whereas in India subsidy is no longer given. Besides, the condition that the freight should be by Indian vessels, adversely affects the competitiveness of Indian wagon builders. The representative of Braithwaite and Company Ltd. also admitted that they were not getting orders from abroad because these wagons have been more expensive.

#### *Observations and Recommendations*

96. In the context of Indian Railways' transport capacity and freight carrying activities which impinge greatly on public life, economics of supply and demand of wagons has assumed special significance. For the past many years. Railways have been the sole buyer of wagons manufactured by all the wagon builders in the country. The Railways as the monopoly buyer of the wagons have enough potential to affect the functioning and even the existence of the suppliers of wagons in many ways. The Railways can, therefore, play a vital role in pushing the industry forward as the movement of many important commodities is greatly dependent on the timely availability of wagons for transportation.

97. Presently, 11 units — six in Central Public Sector and five in Private Sector, which are the members of Wagon India Ltd. since 1974 are engaged in the manufacturing of different types of wagons in order to meet the requirement of Railways. In addition, two new units, one in public sector at State level and one in private sector have also started manufacturing of railways wagons.

98. The wagon industry in the country has a capacity to manufacture around 36000 Four Wheelers per annum. But the industry has presently been undergoing traumatic experience due to drastically reduced wagon orders from the Railways. On the one hand the wagon building units in the country have been starving for orders, on the other, movement of many essential commodities like steel, coal etc. has been badly hit due to paucity of wagons. This paradoxical situation has necessitated the Committee to go into the Railways' wagon procurement programme and the state of wagon industry in the country.

99. The Railways procure various types of wagons for carrying different kinds of goods. The Committee note that though the Railways assess their requirement of wagons for future years on the basis of freight traffic projected in consultation with the Planning Commission and the anticipated level of productivity of wagons, the main factors that determine the number of wagons required to be procured for moving the projected level of traffic during a particular year are (i) wagons required on additional account (ii) replacement of overaged wagons and (iii) replacement on account of premature condemnation.

100. The Committee note that Indian Railways' holding of wagons has been declining over the years. Total wagons in line which were 4,00,946 in 1980-81 have come down to 3,12,405 in 1993-94, *i.e.*, 22% decrease during a period of thirteen years. This is indicative of the fact that the Indian Railways have substantially lost freight traffic to other modes of transport due to shortage of wagons.

101. The Committee note that a high level meeting under the Chairmanship of Member, Planning Commission was convened in April 1989 in order to assess the requirement of wagons during Eighth Plan. It was indicated in that meeting that the requirement of Eighth Plan would be around 1,50,000 Four Wheelers (FWs) and accordingly the wagon builders were urged to gear up their production activities. But subsequently, the Eighth Plan requirement of wagons was re-assessed jointly by the Ministry of Railways and the Planning Commission and finally keeping in view the growth of the economy, it was decided to procure 1,20,000 FWs. The Committee are concerned to note that the Ministry of Railways, without consulting the Planning Commission, took a decision to reduce their Eighth Plan Wagon requirements from 1,20,000 FWs to 81,000 FWs. The Committee highly deprecate the action of the

Ministry of Railways to dissociate themselves with the national planning process in an arbitrary manner in such a vital matter.

102. An important policy decision taken in the April 1989 meeting convened by the Planning Commission had been that the Railways would place advance orders on firm basis for a period of three years for 80% of the assessed requirement and the Planning Commission would ensure requisite funds for the purpose. However the Railways have been following the system of placing wagon orders on year-to-year basis and thus creating a state of uncertainty for the wagon manufacturing units. The Committee express their anguish to note that such a policy decision as has a great bearing on the production planning of wagon manufacturers was not followed-up either in letter or in spirit. Almost all the wagon manufacturing units have shown their dissatisfaction to the Railways' present system of placing orders for wagons and they wanted three years' advance orders to enable them to make sufficient advance planning depending upon the quantum of orders. The Committee, after going into the problems of the wagon industry, strongly feel that the demand of wagon units for two to three years' advance placement of orders for wagons by the Railways is justifiable and the justification given by the Ministry of Railways for placing orders on year-to-year basis is not convincing to the Committee. Alternatively, the Railways should atleast forecast their requirement for the next three years on a rolling basis. This would help the wagon industry to plan alternative load in good time to sustain their workforce and infrastructural facilities in the event of any reduction in the level of wagon orders. The Committee hope that the Ministry of Railways would give a serious thought to this aspect of their wagon procurement policy and take a suitable decision keeping in view their own interest as also that of the industry and the Nation.

103. The Committee note that at the instance of the Railways as well as the Planning Commission, all the wagon manufacturing units in the public and private sectors had taken various steps and made sincere efforts, even in difficult situations, to upgrade their technology for qualitative improvements. Surprisingly, on the one hand the Railways were insisting that the wagon industry must gear up their production and infrastructure, yet on the other there has been drastic cut in procurement of wagons during 1993-94 and 1994-95 without any advance indication to the industry. Percentage

reduction in wagon orders as compared to the original targets which was 12.67% during 1993-94 increased to 41.25% in 1994-95. Due to lack of wagon orders during the first three years of the Eighth Plan, the very survival of wagon building units in the country has been threatened. The Committee are deeply concerned to note that only during 1993-94 the under-utilisation of installed capacity ranged from 25% to as high as 62% in different wagon units. This has resulted in huge under-utilisation of wagon manufacturing capacity and wide spread unemployment in the industry which is basically labour oriented. Besides, due to insufficient wagon orders, the cash flow in wagon units has been dwindled which in turn has given a severe blow to their working capital position.

104. The Committee are distressed to note that the unilateral decision of the Railways to restrict their wagon procurement figure to 81,000 FWs against the figure of 1,20,000 FWs as approved by the Planning Commission, has not only caused a serious problem of wagon shortage during the Eighth Plan period thereby adversely affecting the movement of goods in different core/non-core sectors of the economy but also put the entire wagon industry in deep crisis.

105. The Committee further note that not only the wagon builders represented against insufficient orders for wagons from the Railways but also the Ministry of Industry took up the matter with the Ministry of Railways at the Ministers' as well as Secretaries' levels and requested the Planning Commission to review the wagon order position especially in the context of severe financial crisis that the wagon units had/have been facing on account of drastic reduction of wagon orders during 1994-95. Even the Prime Minister's office was also approached by the Ministry of Industry for due intervention in order to rescue the public sector wagon manufacturing companies. The Committee are really shocked to learn that in spite of the matter having been taken up at the highest level, nothing concrete could emerge till recently.

106. The Committee note that except Burn Standard Company Ltd. in public sector and Cimmco Wagons in private sector, no other wagon building units get wagon orders from the agencies other than the Railways. It is distressing to note that at the end of 1994-95 except Jessop and Company Ltd. in public sector and Cimmco Wagons in private sector which had orders for 50 FWs and 130 FWs respectively for the year 1995-96, no other wagon manufacturing

units had an order even for a single wagon from April 1995 onwards. Since most of the wagon building units in the country are solely dependent on the railways for their survival, the Committee strongly feel that the Ministry of Railways should not effect abrupt changes in regard to placement of wagon orders. Being the part of Government, it is the social responsibility of the Ministry to give due consideration to the interest of wagon industry and the workers while taking any policy decision.

107. The Committee find that at a time when all the wagon building units of Wagon India Company have been starving for orders, two new units have been introduced from outside the Wagon India Group for wagon procurement. This has resulted in further reduction in the off-take of wagons from the existing wagon building units. Since the existing capacity of the units of Wagon India Group is more than sufficient to cater to the needs of the Railways, no new units should have been allowed to come up in this field. Introduction of more units in the present scenario is bound to result in cut-throat competition, under-utilisation of capacity and diseconomy of scale.

108. The Committee note that untimely and insufficient wagon orders from the Railways have attributed to idling of manpower and loss of the productive capacity of the units. Besides, it has created liquidity problems disrupting various operational plans of the wagon building units in both public as well as private sectors. The plight of public sector units is indeed eye opening. Like the private sector units they cannot resort to methods like closure in the event of non-availability of orders and therefore they have to pay idle wages amounting to about Rs. 70 crores in a year, which according to the various units, have resulted in irregularities in the payment of wages and salaries and in turn caused the problem of industrial relations in the factories. The Committee, therefore, desire that the Ministry of Railways should take remedial measures immediately to save the wagon industry at this critical juncture.

109. The Committee note that since 1974 the Railways had been procuring wagons through Wagon India Ltd. which was set up as a service organisation after a Cabinet decision. One of the main objectives of this organisation has been to equitably distribute the annual wagon orders amongst the wagon building units in public as well as private sector so as to keep them going and also to Centrally negotiate the wagon prices with the Ministry of Railways.

Till 1993-94, the Railways procured the wagons from the wagon industry through Wagon India Ltd. but from 1994-95 they have taken recourse to 'open tender' system for meeting a sizeable part of their annual requirement of wagons. The Committee are unhappy to note that the decision to go in for open tender for wagon procurement was taken in the Ministry of Railways in haste on the hunch of the Minister and without any study and consultation with the agencies concerned *viz.* Wagon India Ltd. Planning Commission, Ministry of Industry and the Wagon Industry.

110. A scrutiny of the record submitted by the Ministry of Railways reveals that the proposal of procurement of wagons through the tender procedure which originated at the level of the Minister for Railways was examined by the Stores Department of Railways which did not favour any change in the existing procedure of procurement of wagons through Wagon India Ltd. However, Adviser (Finance) Railway Board advised that the open tender system should be introduced on experimental basis. Ultimately, the Ministry of Railways decided to float tenders for purchase of wagons for 10% of the total required quantity during 1994-95. Though further increase in wagon procurement through tender was subject to proper study of hidden costs which the Railways have to incur in procurement/handling/storage/transportation etc. of steel and other free supply items the Ministry of Railways have decided to procure 50% of the required number of wagons through tender during 1995-96 without any cost study. The Committee are of the firm opinion that any major change in the procedure of wagon procurement should be effected only after a fresh Cabinet approval, for the existing procedure of procuring wagons through Wagon India Ltd. has been in practice since 1974 on the basis of Cabinet decision.

111. An important consideration for introducing the tender system by the Ministry of Railways has been to procure the wagons at lower prices. It is incomprehensible to the Committee as to how the Ministry of Railways thought of getting wagons at lower prices particularly when their own representative is always nominated in the Pricing Committee. Moreover, if there was any substance that the prices were high, the Ministry of Railways should have called a meeting of all the constituent units of Wagon India Ltd. The Committee find that such an obvious course was not followed and the tendering system has benefited only one particular firm, to the detriment of the entire industry, comprising both public sector and private sector units.

112. The Committee find that the Ministry of Railways had set up in December 1994 a Pricing Committee headed by CA (Costs) Ministry of Finance and having members from the Railway Board, Wagon India Ltd. and the Ministry of Industry to go into the prices of wagons. This high powered Committee is yet to submit its report. The Committee are surprised to learn that on the one hand the Railways are fully committed to the policy of administered prices, on the other they have unilaterally reverted to the practice of tendering on the ground of making the wagon prices competitive. They are distressed to note such a duality in the Railways' policy towards wagon prices.

113. The tendering system has been strongly objected to by Wagon India Ltd., the Ministry of Industry and almost all the wagon building units excepting M/s Hindustan Development Corporation (HDC) which have currently been supplying wagons to the Railways on tender basis. The Committee find that the tender system for the procurement of wagons has not borne fruits. The firm, namely, HDC on which orders were placed through tender against the wagon procurement programme of 1994-95 could not supply the desired number of wagons and 59.2% of the total number of wagons for which orders were placed remained un-supplied till May 1995 thereby adversely affecting the availability of wagons with the Indian Railways. In the light of the recent experience, the Committee desire that the tendering system should be stopped forthwith and the Railways should continue the old practice of placing orders through Wagon India Ltd. Any decision for change in the wagon procurement procedure should be taken in the light of recommendations of the Pricing Committee set up by the Railways in December 1994 with due consultation with the Wagon India Ltd., Ministry of Industry and the Planning Commission and after Cabinet approval.

114. As regard the Railways' wagon procurement programme for 1995-96, the Committee note that 12,000 FWs have been targeted for the year. The target is not acceptable to the Planning Commission who have asked the Ministry of Railways to re-examine their projected requirement in view of the fact that the industrial growth in the country is likely to be much higher in the next two years and the rail transport demand is expected to pick up considerably. In fact, the Planning Commission have suggested a procurement of around 20,000 FWs during 1995-96. The Committee desire that the

target suggested by the Planning Commission should be adopted immediately by the Railways and 20,000 FWs be procured through Wagon India Ltd. so that industrial growth is not adversely affected due to paucity of wagons in the near future.

115. The Ministry of Railways are going ahead in a big way with large scale conversion of metre gauge tracks to broad gauge. This would automatically increase the requirement of wagons of broad gauge type. However, this is not duly reflected in the wagon procurement plan of the Indian Railways. The Committee desire that the Ministry of Railways should immediately make a realistic assessment of the requirement of broad gauge wagons and an advance indication should be given to the wagon manufacturing units through Wagon India Ltd. so that the industry could gear up for production accordingly.

116. The Committee note that though the Railways propose to phase out as many as 1,03, 000 FWs during the Eighth Plan they propose to procure only 81,000 FWs during the Plan period resulting in a shortage of 22,000 FWs. The Committee do not agree with the views of the Ministry of Railways that there is no shortage of wagons and wagon utilisation has been improved beyond what had been projected in the Railways Budget. The shortage of wagons has started to show its effects on the economy. The Committee have come to learn that shortage of Wagons is adversely affecting the movement of essential commodities like coal, steel etc. With the result, key industries such as textiles, heavy chemical and paper have been facing serious production constraints. It is also understood that the Cabinet Committee on Infrastructure is also seized of the matter of wagon shortage in the country. The Committee would like to know the specific issues discussed and the action taken by the Ministry of Railways thereon. They also desire that steps should be taken immediately by the Ministry of Railways to realistically assess their wagon requirement on different accounts including replacement of unserviceable wagons; and the Planning Commission should also play a more effective role in the matter.

The Committee are also of the firm opinion that the Ministry of Railways should place orders for their additional requirement of wagons including spill over demand with Wagon India Limited only.

117. The Committee are distressed to note that till May 1995 no wagon orders had been placed by the Railways. With the result, the

entire wagon industry had been idling since 1 April, 1995 causing serious industrial relations problem. Keeping in view the present crisis of wagon industry, the need for timely placement of wagon orders through the Wagon Indian Ltd. cannot be overemphasised. The Committee hope that the Ministry of Railways will finalise their wagon orders at the earliest so that the supply could match demand and the capacity of the wagon industry could be properly utilised in national interest.

118. The Committee find that the wagon industry in the country do not have much prospects of diversification due to lack of availability of substantial amount of capital. The possibility of selling the wagons abroad is also very bleak due to stiff competition in the global market. Particularly in the present situation when inadequacy of indigenous wagon orders has crippled the economic health of the entire wagon industry, the units cannot be asked to go in for diversification or export unless the Government comes forward to financially assist them. To save this labour-intensive industry, the Committee desire that a thorough review of the working of wagon industry should be conducted jointly by the Ministry of Railways, Ministry of Industry, Planning Commission, Ministry of Finance and the Wagon India Ltd. with due participation of the representatives of the industry. If the present problems of the wagon industry are left unattended at the present juncture, several units will permanently close down and the future of thousands of workers engaged in the industry is bound to be jeopardised and the national interest will suffer greatly.

NEW DELHI;  
 1 August, 1995  
 10 Sravana, 1917 (Saka)

SOMNATH CHATTERJEE,  
 Chairman,  
 Standing Committee on Railways.

# APPENDIX I

(See Para 7 of the Report)

## SUPPLIERS OF FREE SUPPLY ITEMS

### I. Wheelsets

1. Wheel & Axle Plant/Bangalore.
2. D.S.P. SAIL/Durgapur.

### II. CTRBs

1. National Engg. Industry/Jaipur.
2. Tata Timken Ltd./Calcutta.

### III. C.S. Bogies

1. Mukand/Bombay.
2. H.D.C./Calcutta.
3. Cimmco/Gwalior.
4. Bhartia (BESCO)/Calcutta.
5. BESCO/Faridabad.
6. Titagarh/Calcutta.
7. Orient Steel Industry/Calcutta.
8. Anup Malleables Ltd./Dhanbad.
9. Bhilai Engg. Corp. Ltd./Bhilai.
10. Burn/Howrah.
11. Himmat Steel/Raipur.
12. Sri Ranga/Coimbatore.
13. Texmaco/Calcutta.

**IV. H.T. Couplers**

1. Bhilai Engg. Corp. Ltd./Bhilai.
2. Burn/Howrah.
3. Mukand/Bombay.
4. Titagarh/Calcutta.
5. Texmaco/Calcutta.
6. H.D.C./Calcutta.
7. Bhartia (BESCO)/Calcutta.
8. Sri Ranga/Coimbatore.

**V. Air Brakes**

1. S.D. Technical/Delhi.
2. Greysham & Company/Delhi.
3. Escorts/Faridabad.
4. W.S.F./Calcutta.
5. Bharat Brakes/Calcutta.
6. Stone India Ltd./Calcutta.
7. Railway Products India Ltd./Bangalore.

## **APPENDIX II**

(See Para 18 of the Report)

### **MINUTES OF THE MEETING HELD ON 10.4.1989 TO REVIEW THE PROBLEMS OF WAGON INDUSTRY**

#### **Planning Commission (Transport Division)**

Record note of discussions at the meeting of Wagon Manufacturing Industry held on 10.4.1989 under the Chairmanship of Shri Hiten Bhaya, Member, Planning Commission.

A list of participants is given in annexure.

The meeting was convened mainly to review the problems and prospects of the Wagon Building Industry in the context of the formulation of the Eighth Plan. The major issues posed for exchange of ideas related to the requirement of wagons during the Eighth Plan and the capacity of the Industry to satisfy these requirements; modernisation and technological upgradation of the manufacturing activity; standardisation of specification of components and materials; reduction in inputs; policy relating to supply of essential components and cost efficiency and international competitiveness.

2. The following emerged during the discussions.

- (1) Member, Planning Commission indicated the requirement of around 150,000 wagons (in four wheeler units) during the Eighth Five Year Plan. He urged the Industry to improve the manufacturing technology, take effective measures for reduction in material inputs and to make a product more reliable and cost efficient. The representatives of the Industry, both private and public sector units, promised to gear the manufacturing activities to meet the Eighth Plan requirements in full. The Industry also appreciated the need for updating the technology and improve cost efficiency. It was decided that the Railways will book advance orders for a period of 3 years for 30 per cent of the assessed requirements to enable the industry to organise production efficiency. The Planning Commission will ensure flow of funds for this purpose.

- (2) The Industry will go in for the State-of-art-technology on a phased basis. In particular immediate steps will be taken to introduce modern welding technology and facilities for surface preparation and painting.
- (3) The Railways will take steps to upgrade the quality of inputs and material supplies to the Industry. Any changes in the designs and specifications, will be intimated to the industry sufficiently in advance.
- (4) The Railways will review the policy regarding free supply items so that the final product will not be stabled for want of such items. In particular adequate availability of wheel and axles sets would be ensured. In this context the Railways will review the position with SAIL keeping to the bearest minimum imports of these items. The Railways would also take up with SAIL and Ministry of Steel the matter relating to supply of appropriate higher quality of Steels.
- (5) The Railways will prepare a paper bringing out improved designs, inputs and components required to make a better product which will withstand international competition. Technology Consultancy may be built to review the present status of technology.
- (6) It was felt that the present Organisation entrusted with export promotion is not adequate and exports need to be promoted through a consultancy organisation like the RITES in association with other concerned organisations. A paper in this regard will also be prepared by the Railways in consultation with the industry.

LIST OF OFFICIALS PRESENT IN THE MEETING

*Planning Commission.*

1. Sh. Hiten Bhaya, Member (In Chair)
2. Sh. K.L. Thapar, Principal Adviser
3. Sh. M.C. Gupta, Adviser (I & M)
4. Sh. V.A. Valiaparampil, Jt. Adviser (Transport)
5. Sh. B.D. Jethra, Additional Adviser (I & M)
6. Sh. N.K. Chandekar, Dy. Adviser (Transport)
7. Sh. V.K. Bhatia, Dy. Adviser (Engg.)
8. Sh. S.S. Ganapathy, Research Officer (Transport)

*Ministry of Railways, Railway Board*

1. Sh. Anup Singh, Member (Mech.)
2. Sh. S.P. Jain, Adviser (Traffic)
3. Sh. Ashok Bhatnagar, ED (Planning)
4. Dr. J.P. Char, Adviser (RS)
5. Sh. R.M. Aggarwal, DRS (W)

*Industry*

1. Sh. S.R. Choudhary, CMD, Bharat Bhari Udyog Ltd., Calcutta
2. Sh. Ramesh Maheshwari, President, Taxmaco Ltd.
3. Sh. P.K. Dutta, CMD, Wagon India Ltd.
4. Sh. O.P. Arora, Wagon India Ltd.
5. Sh. S.S. Rajan, Ch. Resident Executive, Taxmaco Ltd.
6. Sh. M.L. Lohia, President, Hindustan Development Corporation Ltd.
7. Sh. D.K. Goel, President, Cimco Ltd.
8. Sh. S.K. Rajgarhia, MD, Hindustan General Industries
9. Sh. S.C. Gupta, Dy. Manager, Modern Industries

## APPENDIX III

(See Para 41 of the Report).

### NOTE OF THE MINISTRY OF INDUSTRY REGARDING REVIEW OF WAGON ORDER POSITION BY THE PLANNING COMMISSION

**Department of Heavy Industry  
Ministry of Industry**

The group of Ministers in the meeting held on 23rd December, 1994 had discussed the case of Braithwaite & Co. Ltd. (BCL). In the context of the discussions, it was desired by Hon'ble Deputy Chairman, Planning Commission & Commerce Minister that a meeting would be taken to review the wagon orders position for wagon manufacturing PSUs (BBUNL Group) in the context of the severe financial crisis they are facing on account of drastic reduction of wagon orders during 1994-95. If the wagon orders are restored to 1992-93 level by the Railways, these PSUs are likely to make a turn-around.

2. It is, therefore, requested that Hon'ble Deputy Chairman, Planning Commission may kindly convene a meeting in this regard at an early date. Hon'ble Railway Minister and senior officials of the Railway Ministry like Chairman, Railway Board etc., Secretary, Heavy Industry, CMD of Wagon India Ltd. and MDs of the concerned PSUs may be invited to the meeting.

*Sd/-*

(A. K. Mohapatra)

**Joint Secretary**

O.S.D. to Minister (Ms. Omita Paul)  
Ministry of Commerce, Udyog Bhavan, New Delhi

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DHI U.O. No. JS/M/95/61

Dated 16.1.1995

## APPENDIX IV

(See Para 59 of the Report)

### MINISTRY OF RAILWAYS' O.M. REGARDING SETTING UP OF PRICING COMMITTEE FOR RAILWAYS WAGONS

GOVERNMENT OF INDIA  
MINISTRY OF RAILWAYS  
(RAILWAY BOARD)

No. 94/RS (PF & EU)/952/1/WP

New Delhi, dt. 19-12-1994

#### *Office Memorandum*

*Sub* : Setting up of a pricing Committee for Railway Wagons

Currently prices of wagons supplied to Railways are determined in accordance with the norms recommended by the Pricing Committee set up in 1983 and as modified and accepted by the Government. It is felt that keeping in view the changes that have taken place, a fresh study should be conducted to evolve norms for fixation of wagon prices.

2. It has therefore, been decided to set up a Pricing Committee under the Chairmanship of the Chief Advisor (Cost), Min. of Finance, for evolving a suitable methodology for determination of prices of wagons. The composition of the Committee will be as follows :—

Shri C. Ramaswamy Chief Advisor (Cost)/Min. of Finance	Chairman
Shri M.V. Ramani Exec. Dir. Rly. Stores (Wagons), Rly. Board	Member
Shri R. Ashok Exec. Dir. Finance (Stores)/Rly. Board	Member
Shri O.P. Arora General Manager (Tech.)/Wagon India Ltd.	Member
Shri H.R. Singh Director/Deptt. of Heavy Industry	Member

3. The scope and terms of reference of the proposed Committee are :

*Scope*

To conduct a comprehensive study of wagon manufacture and evolve pricing norms for different types of wagons and evolving a suitable price variation formula for material (items bought out by wagon builders) and labour, overhead, interest and profit.

*Terms of Reference*

To recommend a suitable methodology for fixation of prices of wagons having regard to :

- (i) Man-hours for manufacture of different types of wagons.
- (ii) Norms for incentive hours.
- (iii) Overhead percentages—linked to different levels of capacity utilisation.
- (iv) Interest on working capital.
- (v) Profit margin—having regard to capital employed by the industry, production levels, the extent of financing done by Railways.
- (vi) Cost of bought outs.
- (vii) Price preference to Public Sector Industry in the light of extant Government policy.
- (viii) Evolving suitable escalation formulae for wage and bought out components.
- (ix) Norms for requirement of raw material for each type of wagon.
- (x) The benefit of scrap generation with wagon builder.
- (xi) Norms for computation of man hour rate—based on which the man hour rates can be derived quarterly by CA/Cost, Min. of Finance.

While making recommendations the Committee will keep in view:—

- (i) Impact of changes in wagon pricing on the finances of the Railways and their capacity for carrying certain essential goods at low tariff.
- (ii) The need to ensure economic viability of the wagon industry on a durable basis.

The Committee will also suggest periodicity of this cost study to enable the pricing norms being consistent with the changing technologies, materials and design changes in wagons.

4. The Committee will submit its reports by 30.6.1995.

(RAKESH ARON)  
Jt. Dir. Railway Stores (W)  
Railway Board

To :

1. Shri C. Ramaswamy,  
Chief Advisor (Cost),  
Min. of Finance,  
2nd Floor, Lok Nayak Bhavan,  
New Delhi.
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Exec. Dir. Railway Stores (Wagons),  
Railway Board.
3. Shri R. Ashok,  
Exec. Dir. Finance (Stores),  
Railway Board.
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New Delhi-110001.
5. Shri H.R. Singh,  
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New Delhi.

Copy for information to :

PSs to F.C., M.M. Adv. (F) & Adv. (RS).  
Director Standards (Wagon), RDSO, Lucknow.