

12

**STANDING COMMITTEE
ON RAILWAYS
(1997-98)**

ELEVENTH LOK SABHA

**MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

PROCUREMENT OF WAGONS BY RAILWAYS

TWELFTH REPORT



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**LOK SABHA SECRETARIAT
NEW DELHI**

September, 1997/Bhadra, 1919 (Saka)

CORRIGENDA
TO THE 12TH REPORT OF STANDING COMMITTEE ON RAILWAYS (1997-98)
ON 'PROCUREMENT OF WAGONS BY RAILWAYS'

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TWELFTH REPORT

STANDING COMMITTEE ON RAILWAYS (1997-98)

(ELEVENTH LOK SABHA)

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

PROCUREMENT OF WAGONS BY RAILWAYS

Presented to Lok Sabha on
Laid in Rajya Sabha on.....

LOK SABHA SECRETARIAT
NEW DELHI

September, 1997/Bhadra, 1919 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON RAILWAYS
(1997-98)**

Shri Basudeb Acharia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ram Naik
3. Shri Jagdambi Prasad Yadav
4. Shri Satya Deo Singh
5. Shri Anand Ratna Maurya
6. Shri Dhirendra Agarwal
7. Shri Ashok Sharma
8. Dr. Sahebrao S. Bagul
9. Dr. Ramvilas Vedanti
10. Shri Ashok Gehlot
11. Shri Priya Ranjan Das Munsi
12. Shri Nandi Yellaiah
13. Shri K.P. Singh Deo
14. Km. Sushila Tiriya
15. Shri Imchalemba
16. Shri V.M. Sudheeran
17. Shri Dinsha J. Patel
18. Shri Qamarul Islam
19. Shri Chun Chun Prasad Yadav
20. Shri Raja Rangappa Naik
21. Shri P. Theertharaman
22. Shri Ram Singh Shakya
23. Shri K. Parasuraman
24. Shri Kondapalli Pydithalli Naidu
25. Shri Narayan Gajanan Athawalay
26. Shri Sukhlal Khushwah
27. Shri Ram Bhadur Singh
28. Dr. Prabin Chandra Sarma
29. Shri E. Ahamed
30. Shri S. Bangarappa

Rajya Sabha

31. Shri Satyanarayana Dronamraju
32. Maulana Habibur Rahman Nomani
33. Shri Balbir Singh
34. Shri W. Angou Singh
35. Shri Shivajirao Giridhar Patil
36. Shri Gopalsinh G. Solanki

(iv)

37. Dr. Ishwar Chandra Gupta
38. Smt. Malti Sharma
39. Shri Nagmani
40. Shri Rahasbihari Barik
41. Smt. Chandra Kala Pandey
42. Shri S. Niraikulathan
43. Shri K.M. Saifullah
44. Shri Tridib Chaudhuri
45. Shri Wasim Ahmad

SECRETARIAT

1. Shri S.N. Mishra — *Additional Secretary*
2. Shri R.C. Gunta — *Deputy Secretary*
3. Shri Surinder N. Dargan — *Under Secretary*
4. Shri O.P. Shokeen — *Committee Officer*

INTRODUCTION

I, the Chairman of Standing Committee on Railways (1997-98) having been authorised by the Committee to present the Report on their behalf, present this Twelfth Report of the Committee on 'Procurement of Wagons by Railways'.

2. The Committee took evidence of the representatives of the Ministry of Railways, the Ministry of Industry and the Wagon India Ltd. at their sitting held on 21 August, 1997.

3. The Report was considered and adopted by the Committee at their sitting held on 18 September, 1997.

4. The Committee wish to express their thanks to the representatives of the Ministry of Railways (Railway Board), the Ministry of Industry (Deptt. of Heavy Industry) and the Wagon India Ltd. who appeared before the Committee and shared their considered views on the matters which came up for discussion during evidence. They also wish to thank them for furnishing the material and information desired by the Committee.

NEW DELHI;
18 September, 1997

27 Bhadra, 1919 (Saka)

BASUDEB ACHARIA.
Chairman,
Standing Committee on Railways.

PART I

REPORT

Indian Railways, as a part of the national infrastructure, have made a tremendous contribution to the national economy and in emergence of modern India. They have given a fillip to industrial growth by inter-connecting primary production areas, industrial centres and markets. They have played a vital role in the national integration and defence of the Country. Railways are the principal mode of transport in the Country. Major and important commodities which are transported by Railways include—raw materials for steel plants, finished steel from steel plants, coal (including coal for Railways), iron ore for export, Cement, food-grains, petroleum products, fertilizers, etc. Thus keeping in view the increasing trend in freight traffic, one of the principal strategies set for achieving the corporate objectives of freight transportation of Railways is to create capacity ahead of demand. This very objective underlines the importance of timely and adequate availability of wagons.

2. The Indian Railways are the major users of Wagons in India. The wagon manufacturers in the Country are therefore solely dependent on the orders placed by the Railways. In fact the wagon building capacity in the country was set-up and developed at the instance of the Indian Railways to match with their projections of traffic.

3. During 1960s, Railway Board used to procure wagons against their requirement through the conventional method of limited tenders from amongst their approved suppliers. However, during early 70s, due to general recession in the Industry, there was sharp decline in wagon procurement by Railways—which was as low as 6,543 Four Wheeler Units (FWUs) during 1971-72 compared to the average procurement of 20,000 FWUs per annum during 1960s. Due to resultant crisis over the years, the Industry became sick. As a result, 3 of the 16 Wagon Building Units, in existence at that time, were forced to down their shutters, and another 3 companies, diversified in other fields. Out of the remaining 10 Wagon Builders, at that time (1974-75), 6 Units, which now form the Public Sector, had to be taken over by the Government to avoid adverse socio-economic effects of closure.

4. Under the above described scenario of recession and sickness in the Wagon Industry, the Ministry of Industry (then Ministry of Industry and Civil Supplies), with the approval of Central Cabinet, decided to set up a Service Organisation under the name and style of 'Wagon India (P) Limited' which was incorporated in October, 1974 as a Joint Sector venture.

5. One of the main objects of the newly formed Company was to equitably distribute the annual wagon orders amongst the ten working Units so as to keep them going. The Company was also required to centrally negotiate the wagon prices with Ministry of Railways so that the prices paid were fair, both to the Industry and to the buyer, namely the Indian Railways. It was also envisaged that Railway Board would place orders against their requirement of wagons on the Industry, through Wagon India Limited, and only on the Companies, which were the members of Wagon India Limited.

6. Prior to 1972, different mixes of tendering, cost plus pricing, updating earlier contractual prices, rebates on increase order volumes, etc. had been in vogue in regard to major ordering and pricing by the Indian Railways.

7. However, from the year 1977-78 onwards, the distribution of wagon orders and prices of wagons were used to be negotiated by the Railways with Wagon India Limited and this system continued satisfactorily till 1994-95. In 1994-95, the Ministry of Railways had taken recourse to open tender system for meeting a part of their annual requirement of wagons even without any study and consultation with concerned agencies viz. Wagon India Ltd., Planning Commission, Ministry of Industry and the Wagon Industry. The tendering system had therefore been strongly objected to by all these agencies.

8. The Standing Committee on Railways (1995-96) took up the subject 'Requirement, Procurement and Utilisation of Wagons by Indian Railways' for detailed examination and presented their Sixteenth Report to the Parliament on 4th August, 1995. The Committee, *inter-alia*, examined Open Tendering System for procurement of Wagons and concluded as under:

"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 negotiated 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”.

9. In their Action Taken Reply, the Ministry of Railways stated as under:

“In line with the philosophy of economic liberalisation and need to foster competition so as to bring economies in purchases, tender for 10% of the requirement of 1994-95 was floated. Rates lower than the Railways’ computed costs based on contracts released through Wagon India Ltd. were received which resulted in savings of approximately Rs. 3 crores for the entire tender quantity. Therefore, it was decided to enhance procurement through tender to 50% in 1995-96. Lower rates have been received against 1995-96 tender also resulting in savings of approximately Rs. 11.00 crores *vis-a-vis* computed prices. Therefore tender system has proved advantageous to Railways and also it enables interaction of market forces. Only through the system of tender, the Railways can expect generation of competition amongst wagon builders inspiring wagon builders to cut down wastages and reduce costs which is the aim of the policy of economic liberation.

icf11h10l12m28 As far as mode of procurement is concerned, the Ministry of Railways is competent to decide and the question of consultation with other Ministries/agencies does not arise.

The Cabinet decisions taken in 1974 was for creation of a organisation viz., Wagon India Ltd. to facilitate a single point for negotiations with the Railways in face of low level of orders. The current procurement level is higher. The Cabinet decision did not prevent the Railways from following an appropriate mode of procurement”.

10. The Committee examined the replies of the Government (Ministry of Railways) to the recommendations/observations contained in their Sixteenth Report and presented their Twenty-first Action Taken Report to the Parliament on 12th March, 1996. While examining the replies of the Ministry of Railways, relating to open tendering system, the Committee concluded:

“The Committee do not agree with the arguments forwarded by the Ministry of Railways for procurement of wagons through ‘Open Tender System’. Although the Ministry of Railways was able to save Rs. 14 crores (Rs. 3 crores in 1994-95 and Rs. 11 crores in 1995-96) by placing orders through ‘Open Tender System’, yet the Government Exchequer had to lose about Rs. 70 crores per year by way of payment of idle wages. Besides, non-availability of orders had resulted in irregularities in payment of wages and salaries to the idle

manpower in public sector units and in turn cause the problem of industrial relations in these factories. The Committee strongly disapprove the change over to the system of procurement of wagons through 'Open Tender System' and further no explanation has been given for the change in the procedure. For healthy growth and continuance of the wagon industry and looking to its social problems it is imperative that a nodal agency like Wagon India Ltd., retains its control for equitable distribution of orders. Railways had not found any difficulty in acquiring the wagons through Wagon India Ltd. since its inception in 1974. The Committee fail to understand how all of a sudden the system was found faulty in 1994-95 after being in operation for 20 long years.

The Ministry of Railways should hold discussion with Wagon India Ltd. the nodal agency, and find out some mutually acceptable via media so that the wagon industry, which had built a vast infrastructure over the years mainly to cater to the wagon needs of Railways should not be ruined because of the alleged small gains of the Railways..."

11. The Ministry of Railways, in their action taken reply dated 6.3.1996 stated as under:—

"Procurement of wagons through tender has resulted in savings to Railways and resultant advantages. Continuation of placement of entire orders through Wagon India Ltd. on built up prices year after year—may be advantageous to wagon builders—but Railways (as a buyer) needs to adopt a system which will not only be financially advantageous to Railways but also permits Wagon builders to get additional orders provided their quotations are competitive.

Presently, part of the requirement is being ordered through Wagon India Ltd. and partly through tender system. Railways have introduced tender system in line with the present environment of liberalised economy & competition.

However, in view of Standing Committee's recommendation and to provide a stable level of orders, it has been decided to restrict procurement through tender to 25% of annual demand from 1997-98 onwards, instead of 50% hitherto".

12. However when it came to the notice of the Standing Committee on Railways (1997-98) that the Ministry of Railways contrary to the assurance given to them for 75% procurement of wagons through Wagon India Limited and 25% through open tendering system, have gone in for open tender for procurement of 50 per cent of their requirement of wagons without taking their approval the Committee decided to re-examine the issue a fresh. They also decided to take evidence of the Ministry of Railways, Wagon India Limited and the Ministry of Industry (Department of Heavy Industry).

13. The Chairman, Railway Board informed the Committee during evidence that the target for procurement of wagons during Ninth Five Year Plan is 1,75,000 in four wheeler units which is subject to the Plan size of Rs.65,000 crore being approved by the Planning Commission. The Planning Commission is yet to take a final view in the matter. The Planning Commission wanted to reduce it to Rs.50,000 crore. It is yet to be finally decided upon; and another meeting has been slated with the Planning Commission”.

14. When enquired about the number of wagons to be procured if the Plan size is reduced to Rs. 50,000 crore, the Chairman, Railway Board stated:

“Now we are spending about 40 per cent or 47 per cent of our Plan on acquisition of rolling stock and acquisition of locomotives which is certainly going up. If we have a reduced Plan size, then we will have to recast it based on the final outcome”.

15. When asked about the procurement of wagons for the current year, the Chairman, Railway Board stated:

“It is 26,000 — 5,000 by way of BOLT and Own-Your-Wagon Schemes and the rest by way of Railways’ own requirement. This projection of 26,000 is based on two factors. Firstly, it is based on the plan size in the current year which is Rs. 8,300 crores and secondly on the capacity of the wagon industry in the country. We have been getting a maximum quantity of 26,000 to 27,000 wagons in a year.”

16. When it was pointed out that the installed capacity of wagon manufacturing units is 36,000, he clarified:

“That is the licenced capacity. But the production has been of the order of 26,000 to 27,000 wagons. The highest ever production achieved was 26,129, which was in 1992-93. Then there was a stagnation or a downward trend for two years; but again it picked up”.

17. To a question whether the Ministry of Railways have gone in for procurement wagons through tender system and if so, the number of wagons to be ordered, he stated:

“Yes Sir; for 7025 wagons”.

18. Asked about the number of wagons to be procured through Wagon India Ltd., the Member (Mech.) stated that it is 5202. About procurement of the remaining number of wagons, he stated:

“We have assessed the capacity of the various builders as per their performance of last year. Based on that assessment, we have assessed the load they had on 1.4.97. Added to it, number of wagons to make up the load on 31.3.98 worked out to be 5000 and odd which I had mentioned just now. We have kept back another 2000 wagons. We will review the performance next month and see whether somebody is

shooting ahead or whether there is paucity of orders so that it is fully loaded up to next year”.

19. When it was pointed out that the target of procurement of wagons during the year is 26,000, the Member (Mech.) stated that this also includes the spill-over of last year. He further stated:

“We have assessed our requirement as 26,000 wagons. If the wagon builders have the capacity, then we will give them more orders. We have told them to proceed and that we have got 2000 in our hands. If we find that the load is not full upto 31.3.98, then we will consider and give more orders”.

20. Clarifying the position further, the Member (Mech.) stated:

“As per the Ninth Plan projections, we had to procure 1,75,000 wagons. It was 35,000 wagons per year. We had originally planned 35,000 wagons for 1997-98. Accordingly, from the tender which we had floated, the share of 25 per cent came to 7025 and that is what we have awarded against the tender. Later, when the Budget was presented, we found that funds were not available and we cannot go beyond 26,000 wagons. So, the left over wagons were only 7500. That is how it became 50-50 per cent”.

21. The Chairman, Railway Board clarifying the position submitted that it comes 50% from open tender system and 50% through Wagon India Ltd.

22. When his attention was drawn to the fact that Ministry of Railways, in reply to the recommendation made by the Committee in their 21st Report, have informed the Committee that the procurement of wagons would be 75% through Wagon India Ltd. and 25% through open tender system from 1997-98 onwards, the Chairman, Railway Board stated:

“The Government later took a view that it should be an open tender and not through Wagon India Limited”.

23. Asked whether they have floated the tender for the current year also, Member (Mech.) stated:

“It was clubbed with 1996-97 tender”.

24. On the one hand the Ministry had assured the Committee that the procurement of wagons would be 75% through Wagon India Ltd. and 25% through open tender, on the other they were resorting to 50% through tender system that too without informing the Committee, the Chairman, Railway Board stated:

“This is because of the sequence of events. Limited tender had already been called. I think, it was in September”.

25. The Member (Mech.) further clarified that it was not our intention to change the decision. It was a matter of circumstances. The Railways had all intentions of going by 75:25. The tender was finalized but were

forced to reduce the order for procurement of wagons through Wagon India Ltd.

26. The Ministry of Railways had decided to procure 75% of their requirement of wagons through WIL and had assured the Committee in this regard. In spite of that the Ministry took unilateral decision to depart from their policy without consulting the WIL, the Ministry of Industry and the Committee. When the Committee wanted to know why the Ministry of Railways had not come before them or informed them before going contrary to the assurance given, the Chairman, Railway Board submitted:

“I would like to explain. We have in our action-taken note said, 75 per cent of wagons would be through Wagons India and 25 per cent through tender. We have given this explanation to the Committee set up by Rajya Sabha. Any change made should have been informed to this august body but that has not been done. As my colleague says, we definitely owe our apology for this.”

27. When enquired about the experience of the Ministry of Railways in regard to open tender in the year 1994-95, that is whether the supply of wagons was in time, the Chairman, Railway Board stated they were supplied in time.

28. When asked about the justification of the Ministry of Railways for switching over to open tender system, the Chairman, Railway Board stated:

“The difference in price has been as much as five per cent between limited tender and WIL. The WIL prices are fixed, based upon costing”.

29. When enquired about the difference of prices of different units, Member (Mech.) stated:

“The biggest difference in price was HDC. While through Wagon India Limited he got Rs. 4.91 lakh, through tender he got Rs. 4.67 lakh. So, the difference is Rs.24,000. The smallest difference in price was that of a unit based in Calcutta. The difference was Rs. 1400. Through WIL he got Rs. 4.91 lakh and through tender he got Rs. 4.89 lakh”.

30. Expressing his view over variation of prices the Secretary, Ministry of Industry stated:

“I do not blame them because as far as the Wagon India Limited's prices are concerned, there is no quotation of prices. It is just an examination of the cost and on that basis a price is arrived at. If, on the other hand, they have to quote, they would like to be in business. So, they may recover their full margin as they would had liked to recover.

If we look at the statistic, according to our information, the delivered price of BCNA wagons through tenders was Rs. 4.99 lakh in 1995-96 for those which were supplied in 1996-97 on the basis of tender, the price was Rs. 5.84 lakh. Firstly, the tender price went up from Rs. 4.99 lakh in 1995-96 to Rs. 5.84 lakh in 1996-97. I am talking about the delivered prices. This is because when I enter the market as a private party, I would quote a lower price and when I am assured of orders, I would quote a sustainable price.

However, I cannot explain fully or cannot give the full reasons for tenderer quoting a lower price. As against the delivered price through tenders of Rs. 5.84 lakh in 1996-97, the price of wagons purchased through Wagon India Limited was Rs. 5.89 lakh.

In the case of BOX 'N' wagons, the delivered price of wagons supplied on the basis of tenders was Rs. 4.58 lakh in 1995-96; it went up to Rs. 5.42 lakh in 1996-97—to be precise, Rs. 5,42,329. As against that, the price that was given to these wagons through Wagon India Limited was Rs. 5,42,144. The amount was less by Rs. 200. What I am trying to submit is that on a medium-term basis, the gains that are expected from the open tendering may appear to be large but if we see the experience of 1996-97 *vis-a-vis* 1995-96, the picture is somewhat different.

As far as quotation of different prices is concerned, if the suggestion that we should give to the public sector some sort of assured orders is accepted, there could be a system by which there is no extra cost or only a marginal extra cost to the Railways”.

In their written reply, the Ministry of Industry (Department of Heavy Industry) have also submitted as under:

“The Public Sector Undertakings (PSUs) manufactured 11,555 Four Wheeler Units (FWUs) during 1990-91, 11,387.5 FWUs during 1991-92 and 12,388 FWUs during 1992-93. Production went down to 9250 FWUs during 1993-94, 5400 FWUs during 1994-95 and 8482.5 FWUs during 1995-96 on account of lower off take of wagons. As a result, PSUs suffered heavy losses. The production in 1996-97 could reach only 8197.5 FWUs due to acute shortage of critical erstwhile free supply of components like bogies and couplers. Supply of bogies and couplers had just started stabilizing, but PSUs started facing inadequate load for the year 1997-98. It is in this context that Secretary, Heavy Industry had written as early as on April 2, 1997 to Chairman, Railway Board requesting for allotment of 12000—14000 wagons during 1997-98 to the PSUs under the administrative control of the Department of Heavy Industry. After some correspondence, the Department was assured by Member (Mechanical), Railway Board that the Railways would do their best to keep adequate workload on the PSUs.

Although PSUs have a licensed capacity of 18,940 FWUs as against private sector's licensed capacity of 16,436, the orders released to

public sector during 1996-97 and 1997-98 have been of the order of 3685 and 3935 FWUs respectively while the private sector during that period got orders of 11,532.5 and 6010 FWUs respectively.

The Public Sector wagon industry will suffer irreparable loss if the railways go through the exercise of open tenders inviting bids. Certain issues relating to open tender system need consideration. First, the tender prices in all the three years have been based on the lower quotation of a single party. Second, the difference between the tender prices and the RSP order price have narrowed down over the years and in some cases the tender prices have turned out to be higher. Third, there is a long time gap between the opening of the bids and the placement of orders which adversely affects both production planning and capacity utilisation. Fourth, the lowest tenderer has not always adhered to delivery schedules in spite of Railways relaxing terms and conditions of the tender to facilitate deliveries.

The four PSUs stand referred to BIFR and Government is incurring substantial expenditure to revive them. Their revival critically depends on wagon orders. Further the future of over 19,000 employees is at stake and the annual liability on this account will be around Rs. 128 crore if the Government has to pay idle wages”.

31. However elucidating their stand, the Chairman, Railway Board submitted:

“Wagon India was formed because there was a cartel earlier. Then Wagon India became a cartel. The Cabinet never said that we should not go for tendering process. It became a mutual decision that we will go in for 100 per cent wagons through them. In 1994-95 we felt that this system could not continue for ever whereby we do not get the real price. In 1994-95 we went in for tendering again. This was a decision of the Ministry of Railways. Then later on it became 50:50. When the Standing Committee took up this issue, we set it at 75:25. Then by force of circumstances it became 50:50. We decided that we should go for tendering 100 per cent”.

32. When asked who decided to go for 100% procurement of wagons through open tender system, the Ministry of Railways stated as under in their written reply:

“A decision was taken by the Minister of Railways on 1.7.97 that from 1998-99 onwards, 100% procurement of wagons should be done through open tender”.

33. When asked whether the situation prevailing prior to 1974 would recur in case the procurement of wagons is made through open tender system, the Secretary, Department of Heavy Industry, during evidence, stated:—

“If this thing continues like that, the possibility of some of my public undertakings getting into even greater difficulties than they are facing today just cannot be ruled out. They are facing this possibility. You are aware of the difficulties that the companies like Burn Standard or Jessops are facing even today. The possibility of their facing greater difficulties is very much there if we are not able to get adequate wagon orders”.

34. During the evidence, the representatives of the Ministry of Railways had stated that orders for full quantity of wagons had been placed for the year 1997-98. When it was brought to the notice of the Secretary, Department of Heavy Industry, he stated:—

“Today, if I take into account the orders that were there as on 1st April, 1997 and the orders that have been given thereafter, the total number of four wheeler units, for which orders have been given to the four public sector undertakings, is about 10,500. As we have submitted earlier, in 1992-93, the public sector undertakings manufactured 12,500 four wheeler units. The capacity that has been accepted by the Railways is 14,000.

So even if we take this capacity of 14,000, there is a gap between orders and production capability, and some of the companies may not be having any orders, say from November or December onwards”.

He further stated:—

“When I take into account the orders pending at the beginning of the financial year, that is, 1.4.1997 and the orders that have been placed as on 21st of August, 1997, the total number of wagons is 10,500 as against our capacity of about 14,000”.

35. Emphasising the point that there should be assured orders so as to gear up the wagon manufacturing units, the Secretary, Department of Heavy Industry, stated:—

“I need two things to be done. The first and the ideal thing would be to do something to ensure that my balance capacity is utilised during the financial year. Secondly, we would like to have some assured capacity utilisation for the next two or three years. It need not be hundred per cent capacity utilisation. When I say 10,000 out of 14,000, it comes roughly to about 75 per cent or so... So, some sort of an assured order should be there so that we can go on with the production”.

36. Asked about the loss to be suffered in case the industry do not get optimum work load in 1997-98, the Secretary, Department of Heavy Industry stated:—

“Let me give you some figures that might be able to satisfy your point. It is roughly calculated that if we had been able to manufacture 12,300 wagons which we produced in 1992-93, what would have been my income and what has been the actual thing in 1996-97. We find that because of our not producing that many number of wagons which we produced in 1992-93, the total loss of contribution in 1996-97 was of the order of Rs. 29 crore. This loss is directly relatable to the actual wagon production in 1996-97”.

“In 1997-98, the loss will be of this magnitude, maybe somewhat more, maybe somewhat less. I think that gives you the picture instead of going into the entire balance sheet. If I produce a wagon, there is a value addition. That means after paying for the material and all those sort of things, if I had produced that, I would have got that much margin. If I am not producing that, I am not getting that much margin”.

37. When asked how to get over this situation, the Secretary, Department of Heavy Industry stated:—

“I am going slightly beyond. I have said earlier that if we get some assurance of our product, we could do a medium term planning. If you ask me what is the most ideal thing, my submission would be, without any additional cost to the Railways we have to ensure that a public sector undertaking gets an assurance for some orders at least for a period of three years. If we can produce fourteen thousand wagons a year, is it possible to ensure that for the next three years we get an assured order for ten thousand wagons and the balance would depend upon the developments and things like that? If that be the case, for each year at the beginning of the financial year I would make a perspective plan. That is the ideal situation that I am talking about. Some of the public undertakings are going through a revival process and they would possibly be able to plan much better if some sort of assurance of orders is given for the next two-three years. This type of assured order does not necessarily mean increased cost to the Railways”.

38. The Ministry of Railways stated before the Committee that they were going in for 100% procurement of wagons through open tender

system for 1998-99 onwards. When asked to react about the impact of this decision on the Wagon India Limited and the Industry, the Secretary, Department of Heavy Industry stated:—

“I would submit that if we have to go by the reason of the Railways, all wagons must be obtained through tenders. This would change the relevance of the Wagon India Limited dramatically.

I would like to submit that the relevance of the Wagon India Limited should continue so that we try to ensure that not only the public sector undertakings and other companies get a fair share of the wagon allotment but also to ensure that the production capability that has been established in the country, is utilised in an optimum manner.

With your permission, I will elucidate the last point. If we see the history of the last two to three years particularly, we find that the placement of orders or even the decisions on the tenders that were issued, have not really been done on in even manner. If on the other hand, the orders are placed in an even manner and at least on some sort of a medium term basis, the entire development of not only the wagon manufacturing industry but the component and the ancillary industry would also be possibly put on a much more sustainable position compared to when going on the basis of the public sector undertakings and other undertakings responding in fits and starts to the type of orders that we are getting.”

He further stated:—

“There are two aspects of it. I am talking about the timing of the placement of the orders. The other aspect is about the orders with PSUs and non-PSUs. I would try to elaborate that.

Let us not go into the ancient days. We talk about 1996-97. In 1996-97, some of the orders of 1995-96 were revalidated. After that, the orders were placed on 9th September, 10th September and 11th March. If I talk about 1997-98, the first order that was placed, was on 9th July, 1997. What I mean to say is that if the orders were placed on a little more of a predictable basis, capacity utilization would improve, planning for linkage with component manufacturers would also improve and, in the process, when production optimization can be planned in advance, that should also, in turn, lead to a reduction in unit cost. If orders are placed on an even keel, that should logically finally lead to a reduction in the unit cost. This is one point.

The second point was about the public sector versus private sector. If I talk about the last two years, as per rough calculations of the production capacity, as on today a capacity of 19,500 FWUs is in the public sector undertakings and about a capacity of 16,000 is in the private sector. These are the name plate capacities. If we look at the

shares, in 1995-96, the public sector undertakings got about 54 per cent of the wagon orders. In 1996-97, the public sector undertakings got about 41 per cent of the wagon orders. I hope, I have given you the facts.

I would also like to add here that since the capacity of the public sector undertakings is always a matter of dispute, I understand that on a conservative estimate, it had been estimated that the public sector undertakings among themselves can produce at least 14,000 wagons. As against that, today if I take into account the orders that were pending on 1st April, 1997 and some orders that were released in 1997, it comes to only about 10,500 wagons. If all the other wagons are to be based on the tender notice that has been issued, it is unlikely that any decision will be taken on these tender notices within this year. I am saying this as per the previous experiences. In any case, that notice is for requirement in 1998-99. So, we are not sure at this moment for how many more wagon order would be placed with the public sector undertakings."

39. When asked whether the Ministry of Industry were informed about the change in the procurement policy by the Railways, the Secretary, Department of Heavy Industry stated:—

"I would give a little longer answer than saying yes or no. We wrote first time from our Ministry to the Railway Board, if I remember correctly, on 2nd April, 1997, keeping in view the maximum production that has taken place in the public sector undertakings and the rated capacity,—not name plate capacity—we requested them to place orders for 12,000 to 14,000 wagons in time. It was on 2nd April, 1997 because we were trying to start this process in the beginning of the financial year. We had some correspondence with them in the middle of July. They had communicated that they would try to see that they would give adequate orders. We came to know about this notice by the end of July. As for their going in for the open tender, we were not formally consulted at any point of time".

40. Speaking on the tendering system, the Director, Department of Heavy Industry stated:—

"The order actually was for 1996-97. No tender was called for 1997-98. The previous year's tender was pending and orders were issued against that tender in March 1997 covering the current year's demand also.

It was issued in November, 1995. This tender took a whole of a year to get finalised. So, the year 1996-97 passed".

He further added:—

“That is a problem with the Railway tendering. Tender for the whole of 1995-96 was released in March 1996 and second one in April, 1997. Since there has been some delay, that order covered the 1997-98 procurement plan also.

The decision to first open tender was taken in November 1995, but the process took a year long and only by April, 1997 a final decision could be taken when there was some addition to the original quantity. So, the ordered quantity was more than the tendered quantity.

Two things have happened. Since the Railways could not decide within the validity period of the tender, the price had been jacked up twice. That itself had a substantial impact.

At the end of it all, the quantity was enhanced to cover the next year's projection also. So the tender had to be finalized at a much higher price”.

41. When asked how much increase would be in prices, he stated:—

“Almost Rs. 40,000 to Rs. 50,000 per wagon.”

42. When asked about the mechanism for fixing the prices, the Chief Managing Director, WIL stated:—

“First, it was just a negotiation between the Wagon India Ltd. and the Railway Board, but later on, an expert body like the Bureau of Industrial Costs and Prices (BICP) was brought into the picture. In 1983, they submitted their report which laid down the foundation to the pricing of wagons. The BICP Committee consisted of very senior officers of the level of Chairman, BICP and other high ranking officers. They laid down the various yardsticks for pricing, then, the Railways automatically took up the pricing on the basis of that report. Shri A. K. Ghosh was the chairman of the BICP at that time and there were other officers from various ministries and the Railways and the Chairman of the Wagon India Limited was a Member of it.

Subsequently, when another Pricing Committee was set up, the basic guidelines given by the earlier BICP Committee were followed. Things like man-hours, man-hour rates and various technological improvements which were taking place were all taken into account while settling the price.”

He further added:—

“It was done through negotiations. When the Wagon India Limited was set up, the tender procedure was dropped and the understanding was that the Railway will simply determine their demand”.

43. When enquired whether the wagon manufacturing units are getting timely orders for supply of wagons, the Director, WIL stated:—

“It is always not possible to do it as per the requirement. But 80 per cent of our total requirement must be planned in advance on a firm basis for three years. One cannot disturb it unless there is a rolling plan. Once we adopt the concept of a rolling plan for three years by placing 80 per cent of our own assessment, that assessment is approved by the Planning Commission in the Budget. Having done that, if we need 20 per cent more, the Industry must take care of it.

May I say that in the entire history of railway procurement, there has not been even an instance when a Plan has been completed. It is all done on an *ad hoc* way. The problem is that, we must get rid of this *ad hoc*ism in planning and procurement”.

44. When asked whether open tender system was in existence even after the formation of Wagon India Limited in 1974, the CMD, WIL stated:

“I will explain it. May be for a year, there was an overlap. But in fact, the bulk requirement of the Railways, according to their Rolling-Stock Programme was met through Wagon India Limited”.

45. Asked as to when the open tender system was introduced after the formation of Wagon India Limited, the Director, WIL, stated:—

“This came suddenly on us in 1994-95. They tried to experiment this. They thought that they would issue a tender and probably they would save a lot of money. To start with, mercifully they issued a tender only for 10 per cent. At no stage, let alone Wagon India Limited, even the Ministry of Heavy Industry who are responsible for the wagon industry in the country were consulted. Even at the time when they issued a tender for 10 per cent, there was vehement protest. We also protested. Individual wagon industry protested. There was also a protest from the Ministry of Heavy Industry. So, at all levels, even at the ministerial level, letters were exchanged. At the time the Railway Minister took a decision about 10 per cent. The Industry Minister probably had a meeting with him. All these things are on record”.

46. When asked to throw some light on tendering in 1994-95, Director, Bharat Bhari Udyog Limited, stated:—

“In 1994-95 the tender was for supply of raw materials including steel to be arranged by the tenderer. HDC quoted accordingly and won it. Other parties did not quote because it required huge working capital. Later on Railways were supplying steel. The question of benefit of Rs. 28 crore in capital also came in. In spite of the fact that there was no order and the plant was closed down, steel kept on pouring because this order was placed much before in March 1995 and the delivery did not come in that year. While other units were starving, this plant was overflowing with steel. What we are basically saying is

that if we examine all the tenders, they have given five key tenders. In all the five tenders, the winner is only one party. The rules of the tender and the evaluation criteria have not been violated. What is that synergy that every time there was only one winner? That is the basic point that has to be examined. It is not that anybody was opposed to the tender. In 1994-95 there was no supply, next year also the order was not complied with though they had taken the advance money and the steel. But there was no delivery.

In 1996-97, the tender price was jacked up again. The orders were posed with the same problem. The bogie tenders got discharged. Three months later; the party got the order at an increased price and another Rs. 2 crore was lost. These are the records of the tender details. The point is that by whatever means it was done the beneficiary was the same party. If it was an open and fair tender, sometimes X would have got the orders and sometimes Y would have got the orders”.

He further stated:—

“Basically, what has happened under the garb of this tendering is that somebody has been allowed to expand the capacity through the back-door while the others have been starving for capacity utilisation. Basically, they were giving money for setting up factories while the public sector and established private sector units were starving. Capacity expansion through the back-door has taken place. It has led to an imbalance. If this was so, then, why in December, 1994 did the Ministry of Railways appoint a pricing committee, whose prices will be valid for five years? The entire Committee had been dominated by the Ministry of Railways”.

CMD, WII also added:—

“There was a big order for BOBRN wagons. It is a wagon with an automatic door opening mechanism. They placed a big order for these wagons on HDC in 1995 through an open tender. They have not been able to, as on date, supply these wagons. Now they are asking Burn Standard to take a view on this at the same price”.

Director, WIL also stated on this point:—

“Unlike every tender, you ask here also about the quantum, of business, quantum of material and the quantum to be transported. I have to give a complete cost break-up in the format provided by the Railway Board about different items.

Finally a firm earns conversion charges and fabrication charges.

It would be pertinent to bring to your kind notice that the conversion charges that I get are only 15 per cent of the total price, and 85 per cent is of material. The other day, in a general way, I was reading the statement of hon. Minister. He said that he was

determined to save the money for exchequer. We all want it. Ultimately, if the exchequer does not save, we are taxed. Sir, we are talking in terms of savings by seven per cent or 10 per cent or let us say about Rs. 12 lakh. If we save seven per cent or 10 per cent, we save about a lakh of rupees per wagon. The fabrication charge I am paid is Rs. 1 lakh and 60 thousand. What are they talking about? I think, the matters are now to be put up. How on an earth can we save seven per cent or 10 per cent of the total price out of the bidding amount which accounts for 15 per cent and the rest is of material? There is no possibility. It is the same price given to me. The Railways directly buy materials, steel, bogies, bearings etc., until recently. They have said now that they cannot do it for us and we will have to buy these materials ourselves”.

47. When asked whether the situation prevailing prior to 1974, can reoccur if the open tendering is adopted, CMD, WIL stated:—

“I do apprehend it. Whatever is quoted against the tender is good. Unfortunately, there are many players now. They have got improved capacities. So, if not immediately, it will lead to more casualties later. I think, everyone will suffer. Both private sector and public sector will suffer more”.

48. Asked about the impact on Wagon India Limited if 100% open tender system is introduced, the CMD, WIL stated:—

“But this sudden switch over to 100 per cent is going to be very harmful. As a Ex-Railwayman or as a man from the Industry who knows the industry well, I am saying this. Unfortunately, it has not really been brought to the knowledge of the wagon industry. Wagon is something which cannot be equated to any other item which the Railways are buying. They are buying as many things right from pin to piano. Certainly, procurement of wagons is a big thing. It is a very unique situation; there are limited number of manufacturers and those manufacturers are also governed by G-93 specifications. Of course, technologically, the wagon industry is not very advanced and there is no doubt about that. But it required a very skilled input—by way of plant and machinery. It requires infrastructural facilities like heavy cranes which can as a whole lift a wagon; it requires big yards; it requires connecting lines and it is not that everyone can enter into this industry.

What are they looking for by introducing an open tender? Who are the people who do that? The other people are in the field because they just want to get a big jump and so, they quote like that. Of course, now two other organisations have come up which are still struggling. They are: the BESCO and the Titagarh Steel. Orders were placed for 400 and 200 wagons in March, 1996 and

May 1996 but they have produced only 18 each so far and they would still take nearly two years to complete this”.

He further stated:—

“All that they can do is, they can poke their nose and spoil the prices. How much can the Railways order from them? They are already filled up.

What they are doing is dangerous. Somehow People will get into the order. Somebody will quote and he may go to the court and things like that may happen. It took 10 months to settle the previous tender. But here they are saying that they will do it in three or four months. After all, I know how the Ministry is working”.

Recommendations/Observations

49. During early 1970s, due to general recession in industry, there was sharp decline in wagons procurement by the Railways. The reduction in off-take of wagons by the Railways led to cut-throat competition amongst the wagon manufacturers, making the wagon Industry sick. The Wagon India Limited, a Public Sector Undertaking, was set up in 1974 primarily to revive the wagon industry. The functions assigned to it inter-alia include equitable distribution of the annual wagon orders amongst the working units so as to keep them going and negotiate centrally the wagon price with Ministry of Railways thereby ensuring that the prices paid were fair both to the Industry and the buyer, namely the Indian Railways. The Committee find that the procurement of wagons by Railways through Wagon India Limited continued satisfactorily till 1993-94. However, in 1993-94, the wagon industry again started facing problems of less procurement of wagons by the Railways. At the same time, the Ministry also decided to resort to procurement of wagons through open tender. Consequently, the Standing Committee on Railways (1995-96) conducted a thorough examination of the procurement policy of the Railways and presented their Sixteenth Report on 4.8.1995 to the Parliament. The Committee in their Report emphasised the need to procure wagons through Wagon India Limited. Thereafter the Ministry of Railways revised their orders for procurement of wagons from 12000 to 19000 FWUs for the year 1995-96. In their Action Taken Report (21st), the Committee reiterated their stand and again stressed the imperative need for procurement of wagons through Wagon India Limited only. The Ministry of Railways, in their action taken note submitted to the Committee assured that “In view of Standing Committee’s recommendation and to provide a stable level of order, it has been decided to restrict procurement through tender to 25% of annual demand from 1997-98 onwards, instead of 50% hitherto”. The Committee are, however, shocked to find that the Ministry of Railways had unilaterally decided to call for 50% procurement of wagons through open tender for the year 1996-97 and 100% for 1998-99 onwards contrary to their assurance given to the Committee. Not only this, the Ministry of Railways did not think it proper

to inform the Committee about this change in policy. The Committee take a very serious view of the brazen move made by the Ministry for resorting to open tendering system without seeking the permission of the Committee or taking the Committee into confidence. This shows the extent of casualness and callousness on the part of the Ministry of Railways in treating the recommendation of a Parliamentary Committee. The Committee are of the view that it is nothing less than the contempt of the Committee and of course of the House. The Ministry of Railways owes an explanation to this major lapse on their part. Since, the decision of the Ministry of Railways threatens the existence of labour oriented and capital intensive wagon industry, the Committee strongly recommend that the assurance given by the Ministry to the Committee, be implemented in letter and spirit.

50. The Committee note that while giving their justification for resorting to 100% procurement of wagons through open tender system from 1998-99 onwards, the Ministry of Railways have, on one hand stated that the procurement of wagons through open tender system is cheaper and on the other they have stated that it was not at all their intention to go for open tendering beyond 25% against the assurance given to the Committee. The Committee totally fail to understand as to what is happening in the Ministry of Railways. The Committee cannot but to conclude that there is total mismanagement and lack of transparency in working of the Ministry.

51. Even the contention of the Ministry that the procurement of wagons through Open Tender System is cheaper has been challenged by the representatives of Wagon India Limited who informed the Committee that the conversion charges which the industry get are only 15% of the total price of a wagon and 85% is the cost of material supplied by the Railways. The Secretary, Ministry of Industry has also stated before the Committee that in some cases the delivered price of wagons supplied on the basis of tenders was higher than that given for these wagons through Wagon India Limited. If that is so, it is incomprehensible to the Committee as to how the Ministry of Railways could save about 5% of the cost of wagon through open tender system. In view of the above facts, the Committee desire to have the full details of the fabrication and material cost of a wagon at a given point of time.

52. The Committee also note that prior to 1974, procurement of wagons through open tender had led to cut-throat competition among wagon manufacturing units. As a result, number of wagon units were forced to close down their shutters and later taken over by the Government to avoid adverse socio-economic affects due to their closure. The Committee express their strong apprehensions that resorting to open tendering would again create the similar circumstances which would prove to be disastrous to the labour-oriented wagon industry as well as the Railways.

53. The Committee find that absolute ad-hocism in regard to placing of orders with the wagon industry prevailing in the Ministry has resulted in under-utilisation of capacity available both in public and private sectors. Apart from creating labour problems, this policy has adversely affected timely and adequate availability of wagons, thereby causing great loss of revenue to the Railways. The Committee, therefore, strongly recommend that the ad-hocism prevailing in the procurement of wagons must be stopped henceforth and orders for 75 per cent of the wagons requirement of the railways should be placed with the wagon industry through Wagon India Limited. They also desire that 70 to 80 per cent of Railway's firm order for procurement of wagons should be placed with the wagon industry well in advance, say atleast three years, so that industry may make necessary arrangements/planning for fabrication of wagons. Had this procedure been followed which would have led to full assets utilisation with proper planning by the Ministry of Industry and Wagon India Limited, the prices of wagons would have been much less.

54. The Committee note that during the process of open tendering in the years 1994-95 to 1996-97, every time a particular firm had remained beneficiary. Even the terms of contract were revised in its favour by supplying steel and other inputs, free of cost by the Railways. The Committee express their anguish and recommend a through probe of the whole process of tendering during that period by the Railways Vigilance/CBI. The Committee also strongly recommend that before resorting to 100% procurement of wagons from 1998-99 onwards through open tender, the issue of procurement of wagons by Railways should be settled through mutual consultations amongst the Ministry of Railways, the Wagon India Limited, the Planning Commission and the Ministry of Industry. The Committee desire that the whole process of open tender, which was opened on 3.9.1997, for the year 1998-99, should be kept in abeyance till the whole issue is mutually settled.

NEW DELHI;
September 18, 1997

Bhadra 27, 1919 (Saka)

BASUDEB ACHARIA,
Chairman,

Standing Committee on Railways.

PART-II

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON RAILWAYS (1997-98)

The Committee sat on Thursday, the 21 August, 1997 from 1100 hrs. to 1250 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Shri Basudeb Acharia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Satya Deo Singh
3. Shri Ramvilas Vedanti
4. Shri Priya Ranjan Das Munsi
5. Shri K.P. Singh Deo
6. Km. Sushila Tiriya
7. Shri Imchalemba
8. Shri Chun Chun Prasad Yadav
9. Shri Ram Singh Shakya
10. Shri K. Parasuraman
11. Shri Kondapalli Pydiotallinaidu
12. Shri Ram Bahadur Singh
13. Dr. Prabin Chandra Sarma

Rajya Sabha

14. Shri Wasim Ahmad
15. Dr. (Smt.) Chandrakala Pandey
16. Maulana Habibur Rahman Nomani

SECRETARIAT

1. Shri R.C. Gupta — *Deputy Secretary*
2. Shri Surinder N. Dargan — *Under Secretary*
3. Shri O. P. Shokeen — *Committee Officer*

WITNESSES

Ministry of Railways (Railway Board)

1. Shri M. Ravindra *Chairman, Railway Board & Ex-Officio Principal Secretary to the Government of India.*
2. Shri V. Sivakumaran *Financial Commissioner (Railways) & Ex-Officio Secretary to the Government of India.*

3. **Shri L.K. Sinha** **Member, Mechanical & Ex-Officio
Secretary to the Government of
India.**

2. The Committee took evidence of the representatives of Ministry of Railways on the subject 'Procurement of Wagons by Railways'. The representatives of the Ministry of Railways replied to the various points raised by the Committee Members on the subject.

3. A verbatim record of the sitting has been kept.

The Committee then adjourned.

MINUTES OF THE THIRD SITTING OF THE STANDING
COMMITTEE ON RAILWAYS
(1997-98)

The Committee sat on Thursday, the 21 August, 1997 from 1500 hrs. to 1750 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Shri Basudeb Acharia—*Chairman*

MEMBERS

Lok Sabha

2. Shri Satya Deo Singh
3. Shri Ramvilas Vedanti
4. Shri K.P. Singh Deo
5. Shri Ram Bahadur Singh
6. Dr. Prabin Chandra Sarma

Rajya Sabha

7. Shri W. Angou Singh
8. Maulana Habibur Rahman Nomani

SECRETARIAT

1. Shri R.C. Gupta — *Deputy Secretary*
2. Shri Surinder N. Dargan — *Under Secretary*
3. Shri O.P. Shokeen — *Committee Officer*

WITNESSES

Ministry of Industry

(Department of Heavy Industry)

1. Shri Prabir Sengupta — *Secretary*
2. Shri Amitabh Kumar — *Director*
3. Shri R.P. Singh — *CMD, BBUNL*

Wagon India Limited

1. Shri Shiv Raj Bahadur — *Chairman & Managing Director*
2. Shri R.P. Singh — *Director*
3. Shri Ramesh Maheshwari — *Director*
4. Shri O.P. Arora — *General Manager (Mech.)*
5. Shri S.K. Dua — *Secretary & Chief Fin. Manager*

2. The Committee took evidence of the representatives of the Ministry of Industry (Deptt. of Heavy Industry) on the subject 'Procurement of Wagons by Railways from 1500 hrs. to 1600 hrs. After the break, the Committee took evidence of the representatives of Wagon India Ltd. on the subject.

3. A verbatim record of the sitting has been kept.

The Committee then adjourned.

MINUTES OF THE SIXTH SITTING OF THE STANDING
COMMITTEE ON RAILWAYS
(1997-98)

The Committee sat on Thursday, the 18 September, 1997 from 1100 hrs. to 1200 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Shri Basudeb Acharia — *Chairman*

MEMBERS

Lok Sabha

2. Shri Jagdambi Prasad Yadav
3. Shri Satya Deo Singh
4. Shri Dharendra Agarwal
5. Dr. Ram Vilas Vedanti
6. Shri Priya Ranjan Das Munsi
7. Shri Nandi Yellaih
8. Shri P. Theertharaman
9. Shri Ram Singh Shakya
10. Shri K. Parasuraman
11. Shri K.P. Naidu
12. Shri Narayan G. Athawalay
13. Shri Sukhlal Khushwaha
14. Shri Dinsha J. Patel
15. Dr. Prabin Chandra Sarma
16. Shri E. Ahamed
17. Shri S. Bangarappa

Rajya Sabha

18. Shri Satyanarayana Dronamraju
19. Shri Wasim Ahmad
20. Shri W Angou Singh
21. Shri Gopalsinh G. Solanki
22. Smt. Malti Sharma
23. Dr. (Smt.) Chandra Kala Pandey
24. Shri S. Niraikulathan
25. Shri K.M. Saifullah
26. Maulana Habibur Rahman Nomani

SECRETARIAT

1. Shri Surinder N. Dargan — *Under Secretary*
2. Shri O.P. Shokeen — *Committee Officer*

2. The Committee considered and adopted the Draft Twelfth Report on the Subject 'Procurement of Wagons by Railways', without any amendments/modifications.

3. The Committee authorized the Chairman to finalise the Report after making consequential changes, if any, arising out of factual verification by the Ministry of Railways or otherwise and to present the Report to both the Houses of Parliament or the Hon'ble Speaker, Lok Sabha.

The Committee then adjourned.