E. C. No. 702

ESTIMATES COMMITTEE (1971-72)

(FIFTH LOK SABHA)

TENTH REPORT

MINISTRY OF RAILWAYS

[Action taken by Government on the recommendations contained in the Hundred and Nineteenth Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Railways-Diesel Locomotive Works, Varanasi]

LOK SABHA SECRETARIAT
NEW DELHI

August, 1971/Sravana, 1893 (Saka)

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14. Shri N. P. Yadav.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present the Tenth Report on action taken by Government on the recommendations contained in the 119th Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Railways—Diesel Locomotive Works, Varanasi.

2. The 119th Report of the Estimates Committee (Fourth Lok Sabha) was presented to the Lok Sabha on the 23rd April, 1970. Replies indicating action taken on the various recommendations contained in the Report were furnished by Government between 3rd November, 1970 and 13th January, 1971. The Study Group 'F' of the Estimates Committee considered the replies received from the Ministry on the 4th August, 1971 and approved the draft Report on the same day. The Report was subsequently adopted by the Committee on the 10th August, 1971.

3. The Report has been divided into the following Chapters:—

I. Report;

II. Recommendations that have been accepted by Government;

III. Recommendations which the Committee do not desire to pursue in view of the Government's reply;

IV. Recommendations in respect of which reply of Government has not been accepted by the Committee; and

V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the 119th Report of the Estimates Committee (Fourth Lok Sabha) is given in Appendix to this Report. It would be observed therefrom that out of 36 recommendations made in the said Report, 21 recommendations *i.e.*, 58.34 per cent have been

accepted by Government. The Committee do not desire to pursue 12 recommendations *i.e.*, 33.33 per cent. The replies of Government to 2 recommendations *i.e.*, 5.55 per cent have not been accepted by the Committee. Final reply of Government in respect of one recommendation *i.e.*, 2.78 per cent is still awaited.

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

NEW DELHI;
August 16, 1971.

Bhadra 25, 1893 (*Saka*).

CHAPTER I

REPORT

Capital Investment

In para 1.16 of their Hundred and Nineteenth Report (Fourth Lok Sabha) on the Ministry of Railways—Diesel Locomotive Works, Varanasi, the Estimates Committee noted that as against the investment of 50 per cent in plant, machinery and electric installation of D.L.W., there has been investment of 21.1 per cent in township and 22.2 per cent in building and roads. They felt that this is appreciably higher than the norms prescribed by the Bureau of Public Enterprises. The Committee had stressed the imperative need for husbanding resources and suggested that the Government should concentrate on the core of the project so that it may yield the maximum production, the other *infra structure* being provided as resources become available.

2. In para 1.17 of the Report, the Estimates Committee had recommended that in future whenever, a new factory or an undertaking is to be set up by the Railways, they should plan ahead keeping in view the essential requirements and reducing the expenditure on townships to the barest minimum and keeping a check over avoidable expenditure on luxurious buildings such as swimming pools, big bungalows etc...The Government should ensure that buildings constructed in the township are cheaper in cost, utility oriented and not luxurious. They should plan as to how much is to be invested in buildings and township so that the investment may yield the maximum return.

3. In reply, the Ministry of Railways have stated that "The Bureau of Public Enterprises have not fixed any rigid norms for investment on townships and buildings. In fact they have observed that the preparation of norms of investment in these items is not possible as the extent of requirements of these items cannot be similar in all enterprises. They have, however, observed that by and large, the total outlay in township should not be more than 10 per cent of the total capital outlay on the Project. The Ministry of Railways (Railway Board) are of the view that 10 per cent on the township may be on the low side, especially as most of the factories would be located in out of the way places and it may be necessary to provide housing facilities for a major percentage of the employ-

ees. It would, therefore, be difficult to adhere to the percentage rigidly and every case will have to be considered on its own merits."

The Ministry of Railways have further stated that "The programme of investment in plant and machinery as well as buildings and townships is always discussed well in advance before undertaking the work as such, to see that the investment yields the maximum return, However, the Committee's observations are noted and every effort would be made to keep the cost of township to the barest minimum considered essential."

4. The Committee do not agree with the view of the Ministry of Railways (Railway Board) that '10 per cent of township may be on the low side.' On the contrary, they are in full agreement with the observations of the Bureau of Public Enterprises that by and large the total outlay on township should not be more than 10 per cent of the total capital outlay on the Project. The Committee, therefore, reiterate that Government should concentrate on the core of the Project, so that it may yield the maximum production, the other infra structure **being provided as resources become available.**

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1) Para No. 1.5

The Committee note that in 1968-69 the Railway Board had undertaken detailed studies regarding savings effected as a result of introduction of diesel traction on three sections. As dieselisation is being introduced in more and more routes, during Fourth Five Year Plan period the Committee suggest that such studies should be undertaken as a regular feature on other routes also so that a clear picture may emerge regarding the benefits derived from the dieselisation keeping in mind the cost of dieselisation and consequent increase in capital in charge and proper utilisation of all locomotives. They also recommend that the future dieselisation policy of the Government should be moulded in the light of the experience gained.

Reply of Government

The recommendation of the Committee is noted.

In keeping with the recommendation made by the Committee, the Efficiency Bureau in this Ministry is currently engaged in conducting studies of comparative economics of steam, diesel and electric traction for the following further three sections:—

1. Bhusaval-Badnera (BG)
2. Satna-Cheokki (BG)
3. Durg-Nagpur (BG)

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Comments of the Committee

The results of the studies undertaken when completed, may be furnished for the information of the Committee.

Recommendation (Serial No. 2) Para No. 1.7

The Committee note that in most of the countries, which were visited by Sarangapani Team, *viz.*, United Kingdom, France, Germany, Sweden, Holland, Switzerland, Belgium and Italy, there is a programme to gradually replace steam traction by electric traction. The Committee hope that while switching over from steam traction to diesel traction the Government will not lose sight of these facts and will ensure that the manufacture of diesel locomotives is in accordance with the requirements of the country. The Government should accordingly commence the preparation of perspective planning right from now and they must visualise what they have to do ultimately in the distant future, based on traction trends to go in for electrification and in this connection they should also take into account experience gained in the country in the matter.

Reply of Government

The Recommendation of the Committee is noted.

The Ministry of Railways would like to assure the Committee that comprehensive economic studies of various sections are undertaken from time to time for deciding the type of traction to be adopted on a section. While considering replacement of steam by diesel or electric traction on a particular section, the following important factors have to be borne in mind:

(i) Diesel traction is less capital intensive than electric traction as no additional fixed installations are required for its operation, whereas overhead equipment, electric substations, laying of electric cables etc. are required for introducing electric traction, at heavy initial cost.

(ii) On a congested section, the change-over of even a few long distance freight trains to diesel operation can bring about immediate relief, in congestion and higher returns. Dieselisation has thus the advantage that it can be introduced selectively in successive steps embracing more and more services, as the traffic builds up. Where changes in the pattern and growth of traffic may deviate from forecasts either in volume or direction, particularly in short run, diesel locos are an advantage. They can be switched over at short notice to new sections or their runs extended to subsidiary link connections of the given route in the network. On the other hand, electric traction can be

employed only on sections where overhead equipment and other matching facilities have been provided.

(iii) Electrification is time consuming, the lead time being 3 to 5 years and, therefore, even on sections where ultimately electrification has to come, dieselisation may have to be resorted to during the intervening period to meet the immediate requirements of traffic.

The dieselisation and electrification schemes on the railways during the Fourth Plan period have been formulated and are being finalised keeping in view the aspects outlined above within the overall financial allocation. A long term perspective has also been kept in view taking into account the experience gained in the country in the matter and action has already been initiated to prepare a perspective plan for Railway Electrification on the Indian Railways. It is also being ensured that the manufacture of various types of locomotives is in keeping with the requirements.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 3) Para No. 1.13

The Committee note that the decision to set up the Diesel Locomotive Works was taken in 1961 and by January, 1964, the first locomotive was turned out. While there was no technical know-how available with the Diesel Locomotive Works at the time of setting up the Works and foreign technicians had to be called to impart the necessary technical know-how, the DLW are now self-sufficient in the matter of technical know-how and there are no foreign technicians working with the DLW now. The Committee are glad to note that our own technicians were trained and found efficient in displacing foreign technicians completely. They, however, hope that this would not lead to complacency on the part of DLW and that they will conduct continuous research to improve design, manufacture and effect reduction in operational cost etc.

Reply of Government

1.1. The observations of the Committee are noted. The Ministry of Railways are conscious of the need for continued research and improvements in design. Suitable engineers from the DLW are sent for advance training in diesel technology and design to coun-

tries where facilities exist. Close liaison is also maintained with the Research, Designs and Standards Organisation, Lucknow, and full advantage is taken of the technical knowledge, research experience and documentary information available there.

1.2. In furtherance of the task to keep abreast of the latest developments, the D.L.W. organised in March'70, a three day Diesel Seminar at D.L.W., Varanasi. Apart from Indian experts and Managers of Industries concerned with diesel technology, this Seminar was also attended by the Breach Railway's Diesel Engine Design Expert.

1.3. In view of the fact that about 80 per cent of the cost of locomotive represents cost of direct materials, the Planning Department at D.L.W., in an endeavour to reduce production cost, scrutinises in detail each of the manufacturing operations and determines the norms of produtcion. An incentive scheme is also being introduced in order to motivate direct workers to work to these norms.

1.4. Officers and staff from the D.L.W. are being regularly deputed to attend work study courses organised by the Railway's staff college at Baroda and other railway training centres. Use of these techniques as well as 'net work analysis' etc. is also made wherever necessary.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 9) Para No. 2.15

The Committee note that an amount of Rs. 67,25,000 has been appearing in the Balance Sheet of the D.L.W. as 'Deferred Expenditure' which relate to pre-manufacture developmental activities and the same is intended to be wiped out in the next five or six years by including it in the sale price. The Committee need hardly point out that this can be done by reducing overheads to the maximum extent, achieving economy all round, reducing cost and by providing sufficient surplus to absorb the deferred expenditure.

Reply of Government

The Committee's recommendation to wipe out the pre-manufacture expenses referred to in their above recommendation have been noted. Action has already been taken to gradually wipe off the

above amount through the differential between cost of production and the sale price at which locomotives are transferred to the Railways. The Committee are assured that all possible efforts are being made by the D.L.W. administration to reduce the overhead costs.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)|EC|IV|119 dated 3-12-1970|Kartika 12, 1892].

Recommendation (Seiral No. 10) Para No. 3.8

The Committee note that a Collaboration Agreement was signed by the Railway Board with M|s Alco Products Inc., of U. S. A. in February, 1962. The Committee also note that as funds for the purpose of importing diesel locomotives in a knocked down condition and for payment of technical fees and royalties were available only from U.S. aid, the possibility of collaboration was limited to M|s. General Motors and Alco Products of U.S.A. As the former did not evince sufficient interest in collaboration, there was no alternative but to enter into an agreement with M|s Alco Products. The Committee have found another case when for entering into a collaboration agreement for the production of diesel shunters, the choice for collaboration became limited to two firms in West Germany only as the same was to be financed through the K.L.W. (German) Loan. They feel that this policy of limiting the choice of collaboration to a particular country is not in the best interest of the country in the long term since this limitation of choice does not allow the authorities to ensure that the best possible terms for collaboration have been entered into.

The Committee need hardly emphasise that before entering into collaboration agreements, the Government should call tenders on Global basis and take a final decision in this regard only after evaluating such tenders with due reference to the need for setting up most modern and economic manufacturing unit consistent with the availability of foreign exchange and other constraints on resources. In the present case the Committee are not satisfied that such evaluation had been done as the manufacturers from countries other than U.S.A. were not considered. Even from the U. S. A. tenders from firms other than M|s General Motors and M|s Alco Products were not considered.

Reply of Government

The Committee's recommendations regarding tenders on global basis and taking final decisions after evaluating such tenders with due regard to the need for setting of most modern and economic manufacturing unit consistent with the availability of foreign exchange and other constraints on resources for the purpose of entering into collaboration agreements are noted for future guidance.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)|EC|IV|119 dated 3-12-1970|Kartika 12, 1892].

Recommendation (Serial No. 11) Para No. 3.11

The Committee regret that a clause was included in the collaboration agreement which restricted the right of export of diesel locomotives manufactured at Diesel Locomotive Works to other countries. The Committee, however, note that recently the policy of the Government has been not to accept any such condition. The Committee hope that this policy will be adhered to and such restrictions would not be allowed in future agreements.

Reply of Government

The Committee's recommendations about the desirability of not accepting any restrictions on the right of export in collaboration agreement for manufacturing units are noted for future guidance.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)|EC|IV|119 dated 10-12-1970|Agrahayana 19, 1892].

Recommendation (Serial No. 14) Para No. 3.21

Now that the targets of production of diesel locomotives have been revised, the Committee hope that the new targets would be strictly adhered to. The Committee further hope that shortage of foreign exchange would not be allowed to come in the way of achieving the revised targets.

Reply of Government

The targets for the Fourth Five Year Plan have been formulated and all efforts are being made to adhere to these targets by planning for both indigenous and imported materials in advance. The foreign exchange has been made available and orders have been placed for

components to cover locomotive production upto 31st March, 1972 and action has been taken to obtain further foreign exchange releases. The foreign exchange releases have to be obtained annually

With regard t. indigenous materials, orders are being placed well in advance. Indigenous industries is however not in a position in some cases to meet the requirements of DLW in full and, therefore, to keep up the outturn, balancing imports have to be made. The main item of balancing import is the electric traction equipment. Orders have been placed on MLW/Canada, IGE/USA and AEI/UK for the electrical items as and when foreign exchange was made available. Difficulty however arises when deliveries promised by the indigenous producers do not materialise according to schedule, thereby upsetting the production targets. The indigenous and imported availability of materials are reviewed periodically and advance action is taken as far as possible to plan for the materials with a view to keeping up production at DLW to the annual target figure.

[Ministry of Railways (Railway Board) O.M. No. 70/B(C)/EC/IV/119 dated 10-12-1970/Agrahayana 19, 1892]

Recommendation (Serial No. 15) Para No. 3.22

The Committee hopes that the targets and achievements would be kept under continuous review to achieve optimum results.

Reply of Government

The recommendation of the Committee is noted.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC/IV/119 dated 3-11-1970/Kartika 12, 1892].

Recommendation (Serial No. 18) Para No. 3.41

The Committee note that although in the beginning, locomotives built in the Diesel Locomotive Works gave some teething troubles, the same have been largely overcome and these locomotivs are now working satisfactorily. The Committee also note that several steps have been taken for effecting improvements in the locomotives and that the performance of the locomotives built at Varanasi has been satisfactory as that of the imported ones. The Committee hope that Diesel Locomotive Works would continue to keep in touch with the latest technological developments in the field of diesel locomotive manufacture and continue to effect improvements so that it may achieve its objective of developing a faster and more powerful locomotive and be able to meet the needs of an expanding economy and

also to be able to reduce the operational cost to the maximum possible extent. The Committee need hardly emphasise that as the Railways are in the red and showing deficit, there is need for utmost efficiency and economy in traction.

Reply of Government

1.1. The Committee's observations are noted. DLW will continue to strive to maintain the quality of locomotives produced by them. They would also endeavour to improve the manufacturing techniques to the extent possible.

1.2. Regarding technological developments for faster and more powerful locomotives, research and developmental work is essential and the matter is under constant review. Comments against Sl. No. 3 Para 1.13 may please be referred to.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 19) Para No. 3.42

The Committee further note that the Railway Board is not maintaining separate statistics in respect of imported and Diesel Locomotive Works built diesel locomotives. The Committee suggest that in order to make a comparative study of the performance of Diesel Locomotive Works built locomotives *vis-a-vis* imported locomotives, detailed statistics in respect of engine failures, engine days lost, No. of breakages, repairs etc. may be maintained separately for the Diesel locomotive Works built locomotives and imported locomotives.

Reply of Government

Instructions have been issued to the Railways to maintain separate statistics for Diesel Locomotive Works built diesel locos and imported diesel locos with a view to compare the performance of these locos in regard to engine failures, ineffective engine days, total availability and cost of maintenance etc.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Comments of the Committee

A copy of the instructions issued to the Railways may, however, be forwarded for the information of the Committee.

Recommendation (Serial No. 20) Para No. 3.43

The Committee note that an analysis of defects reported by Users Railways had revealed that in majority of cases, the defects were due to intrinsic design features or defects on vendor items. The Committee stress that steps should be taken to remove such defects in future.

Reply of Government

1.1. The Committee's observations are noted. It may however be mentioned that DLW's high rejection rates are found on the indigenous vendor items such as castings, forgings, hardware and rubber components. The castings and forgings bought from trade are of intricate design and complex shapes with close tolerances and thin sections and of high grade quality with stress-relieving and other heat treatment operations. Also, most of the hardware bought are required to conform to high quality standards of material, heat-treatment and close toleranced precision threads. As regards rubber components, the vendors are not adhering to correct polymer requirements. In most of the cases, natural rubber components are supplied in lieu of heat and oil resistant synthetic rubber and hence the rejection.

Nevertheless, there is constant liaison between the inspection design and development wing and the manufacturing units and technical guidance is offered to correct their production techniques to improve their production by way of visits to manufacturing units and technical discussions. This has helped DLW in getting quality supplies from vendors and in fact it has awakened those manufacturers who are in touch with DLW, instilling into them, the importance of 'built-in' quality control aspect to be developed in their manufacturing techniques. Wherever vendors are facing difficulties in testing their products, assistance is being rendered by way of DLW's laboratory undertaking complete mechanical and mettalurgical testing and advising them the correct procedure to be followed in rectifying the defects.

1.2. DLW has set up a separate Inspection Wing under its Quality Control Department for the inspection of vendor items. Mostly, Senior Inspectors having adequate experience are posted in this wing. Most modern and sophisticated facilities have been provided to this wing for non-destructive testing like visual inspection, dimensional check, pressure testing, hardness testing, magnaglow, zyglow testing

etc., of vendor items. For checking the other physical and chemical properties of the raw materials, both of the vendor and shop manufactured items, a very well-staffed Chemical and Mettallurgical Laboratory is also equipped with most modern and sophisticated testing equipment like spectograph, etc., for a very detailed analysis of all the raw materials being used by the Diesel Locomotive Works within shortest possible time.

Vendor items are only released for fitment on the locomotive after it is established that they conform to the specifications laid down.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 24) Para No. 4.27

The Committee note that the manufacture of crankshafts is being developed in the Heavy Engineering Corporation, Ranchi and technical details in this regard have been settled and a developmental order for 150 BG crankshafts has also been placed on them. The tentative delivery dates for the supply of crankshafts have also been settled but because of delay in the finalisation of collaboration agreements, HEC may not be in a position to supply the crankshafts according to the schedule. The Committee also note that during the Fourth Five Year Plan period the foreign exchange requirement for the import of crankshafts would be of the order of Rs. 4.35 crores. The Committee need hardly emphasise the immediate need for the finalisation of collaboration agreement by the HEC so that the manufacture of crankshafts in the HEC could be taken up without any delay and savings in the foreign exchange effected to the maximum possible extent.

The Committee hope that it would be possible for the HEC to meet the entire requirements of DLW in respect of crankshafts in the forseeable future so that the need for imports might be obviated. The Committee would urge that definite targets for attaining this self-sufficiency should be laid down and necessary steps for fulfilling the same taken.

Reply of Government

The recommendation was referred to the Ministry of Steel and Heavy Engineering who have furnished the following reply:

"Approval of the Government of India of the terms of the proposed collaboration agreement with the National Forge

Company of the U.S.A. and C.A.F.L. of France for the manufacture of Crankshafts for Diesel Locomotives was obtained on the 16th May, 1970. Action has been taken to sign the formal agreements. An application has also been made for licence for import of the necessary capital equipment.

2. As the collaboration agreements have not yet been formally signed and import of the capital equipment has also not been finalised, HEC would be in a position to start supply of Crankshafts only from 1972-73. This has already been intimated by Chairman, Heavy Engineering Corporation Ltd., to the General Manager, Diesel Locomotive Works on the 8th May, 1970."

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC/IV/119 dated 30-11-1970].

Recommendation (Seiral No. 25) Para No. 4.39

The Committee note that the Heavy Electricals Ltd. Bhopal had undertaken to supply electric traction equipment amounting to nearly 1/3rd part of a diesel locomotive. The Committee also note that HEIL have been revising downwards their commitments with regard to supply of this equipment and the actual supply has also fallen short of the commitment. While this shortfall in supply may have been because of over-optimism on the part of HEIL authorities, they feel that the HEIL authorities should not have made commitments which they were not be in a position to fulfil since such failure affected the production schedule of another public undertaking and also involved expenditure of foreign exchange in imports. The Committee also feel that Railway Board should have applied greater caution and scrutiny to see that HEIL did possess the means to produce the traction equipment according to the commitment. Moreover, when there was some apprehension in the minds of Railway authorities that HEIL might not be able to produce according to the commitments, Railway authorities should not have been taken in by the fond hopes expressed by HEIL and should have insisted on their assessment of production and thereby would have looked for market elsewhere and thereby saved production. The Committee have, however, noted the assurance given by the representative of the Department of Industrial Development and Internal Trade that the present commitments given by HEIL, Bhopal would be fulfilled and DLW can depend upon HEIL, Bhopal for the timely supplies during Fourth Plan period. The Committee hope that the revised commitments agreed to by the HEIL, Bhopal would be fulfilled and the electric traction sets supplied to DLW in time.

Reply of Government

The recommendation was referred to the Ministry of Industrial Development and Internal Trade (Depertment of Industrial Development) who have commented as under:—

"The main reasons for shortfall in supply of traction equipment to Railways by Heavy Electricals (India) Limited are as under:—

(i) Delay in finalisation of specifications;

(ii) Delay in release of foreign exchange required;

(iii) Late receipt of components from collaborators by Heavy Electricals (India) Limited as the collaborators have been maintaining that supply of components is not their normal line of business and they are, therefore, unable to guarantee deliveries;

(iv) Quicker pace of indigenisation, forced on Heavy Electricals (India) Limited by delays in supply of components by their collaborators;

(v) Certain difficulties were experienced in regard to the higher temperature rise obtained during testing of traction generator and failure of supplies of malleable iron castings for the control gear equipment. The manufacture of ACEMUs could not exceed the rate of 2.5 per month in view of the limited installed capacity of the plant;

(vi) Traction equipment is a very sophisticated products made for the first time in India therefore the skills and techniques took a long time to develop;

(vii) With the introduction of indigenous substitutes, proper quality control had to be established which caused delays due to inferior standards and subsequent rejections; and

(viii) Situations like Suez incident, etc. had interrupted the flow of components and raw materials and reduced production.

Heavy Electricals (India) Limited have already advised the Railways that they are now in a better position to meet the commitments. However difficulties crop up some time due

to delays and failures of Indian ancillary suppliers of raw materials and components from outside. In view of this, an element of uncertainty had to be allowed upto 10 per cent of the promised delivery. From the progress made till now on the shop-floor and the position regarding the availability of materials Heavy Electricals (India) Limited do not envisage any difficulty in meeting the commitments made to the Railways now."

The Ministry of Railways will continuously watch the fulfilment of the promised supplies by HEIL so that the production levels in the Diesel Locomotive Works can be maintained.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC/IV/119 dated 12-1-1971/22, Pausa, 1892.]

Recommendation (Serial No. 26) Para No. 4.40

The Committee have further noted that even if the commitments made by the HEIL, Bhopal and BHEL, Hardwar are fulfilled the entire requirements of the Works for the electric traction equipment would still not be met, and the DLW would have to import electric traction equipments costing about Rs. 1274 lakhs in foreign exchange to meet their requirements for BG and MG locos during the Fourth Five Year Plan period. The Committee can see little justification for continuous import of these items when sufficient technical know-how for the manufacture of this equipment already exists in the country. The Committee recommended that Government should intensify their efforts to locate spare capacity in public undertakings so that an integrated programme for manufacture of electric traction equipment required for diesel locomotives could be drawn up and implemented vigorously and without delay to save foreign exchange which would otherwise have to be expended on imports.

Reply of Government

The Committee's recommendations are noted. It may, however, be mentioned that continuous and sustained efforts are made by the Diesel Locomotive Works, Varanasi and the Railway Board to obtain the required number of Electric Traction Equipments from the HEIL|Bhopal and BHEL|Hardwar which are the only sources available for this equipment so far in the country. These units have developed the necesseary know-how, but have not yet come up to the required quantum of production to meet the full needs of D.L.W.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 10-12-1970|Agrahayana 19, 1892.]

Recommendtaion (Serial No. 27) Para No. 5.5

The Committee note that production in the DLW has suffered in the past on account of non-availability of the foreign exchange in time. The Committee urge that foreign exchange should be released well in time and on assured basis to Railways for import of equipment which is not available indigenously despite best efforts so that the production schedule in DLW is not hampered.

The Committee feel while setting up such projects as D.L.W., which has larger foreign exchange ratio, the Government will do well to plan in advance the foreign exchange requirement of such project till the project is able to manufacture all components indigenously. The Government should release foreign exchange from time to time and should also insist on a phased programme of indigenisation. Unless this is done, the production of the project will not be achieved according to the schedule and investment will not be profitably used.

The Committee would like to emphasise the need for proper coordination between the Railway authorities and the Ministry of Finance for the timely release of foreign exchange for the project.

Reply of Government

Noted. This is being done to the best extent possible. Availability of foreign exchange is partly dependent on loans|credits from international agencies|foreign countries.

Noted. The phased programme of progressive indigenisation is being continuously and closely watched.

A very close coordination is being maintained between the Ministry of Railways and Ministry of Finance for ensuring timely release of foreign exchange.

[Ministry of Railway (Railway Board) O.M. No. 70—B(C)-EC|IV|119 dated 30-11-1970.]

Recommendation (Serial No. 28) Para No. 5.10

The Committee have no doubt that Government would ensure that the loans and foreign exchange credits would be drawn upon as required to meet the vital import requirements of DLW to maintain the manufacturing schedule.

Reply of Government

Noted. Ministry of Railways and Ministry of Finance are keeping a close watch on the timely utilisation of foreign loans and credits

so as to meet the vital import requirements of DLW to maintain the manufacturing schedule.

[Ministry of Railways (Railway Board) O.M. No. 70—B(C)-EC|IV|119 dated 30-11-1970.]

Recommendation (Serial No. 31) Para No. 6.10

The Committee recommend that in view of imperative need to reduce cost of production, the Diesel Locomotive Works should ensure optimum production by implementing incentive scheme which should have been made applicable right in the beginning. The Committee recommend that the Diesel Locomotive Works should spare no pains in enlisting the cooperation of the staff by making the suggestion scheme attractive and rewarding.

Reply of Government

Committee's views are note. It is, however, submitted for their consideration that for the manufacture of sophisticated locomotive such as the Diesel Electric Locomotives, it is not possible to have a ready made incentive scheme which can be introduced at the very commencement of production. Such a scheme has to be developed after the various production methods have been established and the workers have gained experience in handling the various machine tools and in the manufacturing operations. The time standards can be built up only after the staff have reached a certain "normal" level of productivity so that with some additional incentive they may be able to improve upon the normal rate of production. If the incentive scheme is introduced before this stage, the timings are likely to be unrealistic and the earnings much above the desired level when the men become proficient with the production methods. Besides there are other constraints such as adequate and regular supply of raw materials and components—indigenous as well as imported—traffic demands etc., which have to be kept in view before introducing incentive working.

With the formulation of the Fourth Five Year Plan targets, and after the men had settled down to their work, action was taken to generate the extra capacity in the Works through increase in productivity by introducing incentive scheme from the year 1969-70 The production shops will be covered by the incentive scheme over a period of time and the incentive scheme is expected to be introduced completely in the latter part of the 4th Plan period.

As regard Suggestion Scheme, it is pointed out that such a scheme is in operation at DLW as a part of the incentive Scheme In addition

to this there is also a Suggestion and Invention Scheme in force in this unit.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 10-12-1970|Agrahayana 19, 1892.]

Recommendation (Serial No. 32) Para No. 6.14

The Committee note that there is a Technical Training School in the Diesel Locomotive Works which provides basic training to the newly recruited Apprentices and conducts some other training-Programme and refresher courses. The Committee would like the Diesel Locomotive Works to ensure that the training programme in the school is exhastive and actually useful and the trainees are kept informed of the latest techniques of production etc. The Committee hope that the Diesel Locomotive Works would make every possible endeavour to increase production and achieve economy by improving efficiency through purposeful training programme.

Reply of Government

The Apprentices being trained at the Technical Training School at DLW are Trade Apprentices in accordance with the Apprenticeship Act (52 of 1961). At the completion of the stipulated period of training the Apprentices undergo an examination conducted by the National Council of Vocational Trades and the result of the Apprentices from this school have so far been satisfactory.

DLW will endeavour to continue imparting purposeful and comprehensive training to Apprentices.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 34) Para No. 6.20

The Committee recommend that a work study covering all classes of employees in DLW should be undertaken in order to assess that there is no over-staffing and there is proper utilisation of the staff taking into account the production schedule.

Reply of Government

The Committee's recommendations are noted. The staff build up at DLW can be divided into two broad categories *viz.*, those engaged in the production of locomotive as direct workers and those

who indirectly help the production staff. Besides this, there is also a body of staff who are utilised in the Service Shops like the Tool Room. As far as direct workers are concerned work study has already commenced and is a part of the preparatory work for the introduction of incentive scheme. In the case of indirect staff, analysis is made from time to time of their work and incentive proposals are formulated on the basis of this examination. In respect of the service staff like Tool Room etc., a broad job analysis is made at the time of seeking an extension to the temporary posts and staff requirements are subject to an annual review. With the experience which is being gained with the incentive scheme and taking into account the higher load that will come on to the service shops, regular reviews will have to be made and the staff sanctions regulated accordingly.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 10-12-1970|Agrahayana 19, 1892.]

Recommendation (Serial No. 35) Para No. 6.21

The Committee feel that the number of casual workers in D.L.W. is quite high. They feel that the position requires examination by the Government.

Reply of Government

The number of casual labour in Diesel Locomotive Works has been engaging the attention of the Railway Board for quite some time past. The number of casual labourers who were rendered surplus on the completion of the major portion of the construction phase of D.L.W. Administration was nearly 2200. As a result of the instructions issued by the Railway Board from time to time, the number of casual labourers engaged on project and non-project works came down to 615 on 10-9-69. This number has come down to about 300 and is likely to come down further to about 260. These casual labour are engaged on seasonal and departmental works against different sanctioned estimates. This number is not high and is unavoidable.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 36) Para No. 6.22

The Committee note that 2,780 employees out of a total of 5,760 employees engaged in the DLW have been provided with residential accommodation.

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Reply of Government

The observation of the Committee is noted. The correct position as on 31-3-1969 is that of 3258 employees desiring railway accommodation, 2716 have been allotted Railway quarters. The balance of 64 quarters are allotted to the medical department staff of North Eastern Railway and Statutory Audit.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation (Serial No. 6) Para No. 1.23

The Committee note that the Diesel Locomotive Works, Varanasi, enjoys autonomy in its day to day working. They further note that the question of delegation of powers to the General Manager is under constant review of the Government and that more powers are delegated to General Manager as and when necessary. The Committee are not, however, aware if the Railway Board have made any study regarding granting different sets of powers to General Managers of Production Units as compared to the General Managers of various Zonal Railways, so that the General Managers of these Production Units may enjoy real autonomy in the day to day working. The Committee fail to understand why the powers of the Production Units like the Diesel Locomotive Works are retained by the Railway Board as compared to the autonomy enjoyed by Public Sector Undertakings, since such concentration of power is likely to lead to delay due to red-tape. The Committee recommend that the Railway Board should examine the question of devolution of power keeping in view the efficiency and profitability of the Unit.

Reply of Government

1. As suggested by the Committee, the question of delegating more powers to the General Managers of Railway Production Units has been examined in the light of similar delegations and autonomy enjoyed by the Public Sector Undertakings. It is observed that in the case of Public Sector Undertakings, the Board of Directors exercise full powers with the exception of certain strategic powers reserved to be exercised by the Government. In respect of financial powers, the Board of Directors are authorised to sanction capital expenditure after the detailed project report is approved by the Government, to prepare their revenue budget and also approach financial institutions for capital expansion under certain conditions. These factors do not apply to Railway Production Units as their entire budget is controlled by the Parliament.

2. In regard to administrative powers, in respect of recruitment and service conditions, certain autonomy is enjoyed by the Public Sector Undertakings. These are not applicable in the case of Railway Production Units as the Railway employees working in these units, some of whom are liable to transfer to open line, are Central Government servants and are subject to orders regarding recruitment and service conditions applicable to Central Government staff.

3. One essential difference between the Public Sector Enterprises and the Railway Production Units is that almost the entire output of the Railway Production Units is for utilisation on Railways. Therefore the programming of manufacture in the Production Units requires central control in order to determine the product mix and the volume thereof as also the distribution of the output. However, in regard to training of personnel, purchase of stores, import substitution, etc., adequate powers are exercised by the General Managers of the Railway Production Units and these are under constant review for enhancement in order to improve the efficiency of the units. Profitability of production units can only mean the improvement of efficiency, since the production units supply locomotives mostly to the Indian Railways only and no profit in the commercial sense, as such is envisaged. By maintaining frequent exchange of views at the different levels between the Production Units and the Railway Board any delay due to red tape is avoided.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC/IV/119, dated 30-11-1970.]

Recommendation (Serial No. 7) Para No. 2.51

The committee note that the Diesel Locomotive Works, Varanasi, had suffered cumulative losses amounting to Rs. 123,00,000 till 31st March, 1969. The Committee also note that the main reason for the loss as explained is that while the sale price of a diesel locomotive manufactured at DLW is Rs. 21 lakhs, the cost price of a locomotive comes to nearly Rs. 26 lakhs. It was also stated to the Committee that with the production getting stabilised at the optimum level and with the increased experience and knowledge gained gradually, the cost of manufacture is expected to come down even below the landed cost. The Committee have dealt with the delay in reaching the target set for optimum production and the rising trend in the price structure of both imported and indigenous supply of locomotive purchase items separately. The Committee note that the ex-factory price of a diesel locomotive manufactured at Diesel Locomotive Works, Varanasi, which comes to about Rs. 26 lakhs is much higher

than the ex-factory price of a diesel locomotive manufactured at the collaborators etc. The Committee hope that the DLW would make every possible endeavour to bring down the cost of production below the landed cost at the earliest. The Committee need hardly stress the necessity of cutting down the overhead expenses and greater utilisation of the installed capacity of the DLW to achieve, this objective.

Reply of Government

1.1. The observations of the Committee are noted. The Ministry of Railways would, however, respectfully reiterate that the debit accumlations of the difference between the actual cost of production of BG diesel electric locos and the "notional" selling price adopted for book adjustments in Railways accounts, can not be considered as "loss" in the ordinary sense as understood in commercial parlance. The locomotives manufactured by the Railways' Departmental Production Unit could have been transferred at cost to the allottee Railways which is normally the practice in case of any "departmental work" without giving rise to such accumulations. The sale price adopted was merely intended to serve as a "target" for the Production Unit to achieve and to improve upon if possible.

1.2. The Committee are informed that the average cost of BG diesel electric locomotive at DLW which was Rs. 22.52 lakhs during 1968-69 has decreased to 22.29 lakhs in 1969-70 (average cost of 49 out of 58 locos turned out in that year). The sale price has also been revised to Rs. 23 lakhs per loco from 1st April, 1968, by taking into consideration the increase in the cost of certain imported as well as indigenous items.

1.3. The Ministry of Railways would submit that it is not perhaps quite valid to compare the cost of manufacture of the loco at DLW with the ex-factory cost of similar loco produced abroad without taking into onsideration the "plant facilities" available to the Locomotive Factory in the foreign country and the cost of components procured by it from ancilliary industries in that country *vis-a-vis* the facilities at DLW and the cost of components imported as well as indigenously procured by DLW. The customs duty payable on imported components and materials is also a relevant factor.

1.4. The Ministry of Railways would also like to draw attention to salient point *viz.* that a substantial portion of the cost of a diesel electric locomotive produced at DLW is accounted for by "Direct Stores" of which approximately 60 per cent is procured by DLW

from external sources (indigenous as well as foreign vendors). It will be appreciated that this places a constraint on the capacity of the DLW to ensure substantial cost reduction. The Committee are however, assured that the Railways will spare no effort to bring down the cost of manufacture to a reasonable level below the landed cost of similar locomotives produced in foreign countries.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 8) Para No. 2.12

The Committee note that the cost of production of diesel locomotive manufactured at Diesel Locomotive Works in the batch turned out in October|November, 1968 has already shown a downward trend. The Committee would like to be informed of the cost of manufacture of locomotives produced in subsequent batches. The Committee feel that the price of the diesel locomotive manufactured at DLW should have been fixed after setting off freight and custom duties and every possible endeavour should have been made to reduce the import content to the barest minimum. They would like to add that since DLW is manufacturing largely one standard type of locomotive, the price of the diesel locomotive manufactured at Varanasi should be most competitive and should compare favourably with the ex-factory price of the similar locomotives manufactured by the collaborators|foreign manufacturers. In this connection, the Committee would like to stress the importance of DLW exploring export possibilities from now onwards so as to derive advantage of economy of large scale production and gain foot-hold in foreign markets.

Reply of Government

1.1. The average cost of manufacture of a BG Diesel Electric Locomotive during 1968-69 was Rs. 22.52 lakhs which decreased to Rs. 22.29 lakhs in 1969-70 (average cost of 49 out of 58 locos turned out in that year).

1.2. The current sale price of the BG diesel electric locomotives manufactured in DLW has been fixed by taking into account (i) the landed cost of imported components (ii) the anticipated cost of indigenous components and (iii) the cost to be incurred in DLW in turning out the locomotives.

In the Diesel electric locomotive the 'direct material cost' forms about 80 per cent of the total cost of manufacture. Therefore,

there is no alternative but to fix the sale price taking into consideration what the materials and components will cost to the locomotive works.

The Ministry of Railways would also like to submit that fixation of the sale price for such locomotives on par with either ex-factory cost or F.A.S. (Free-alongside-ship) cost of similar locomotives abroad without taking into consideration the plant facilities, the cost of components obtained by the locomotive works from the ancillary industries in that country *vis-a-vis* the facilities available for DLW, need to import certain components and the cost of components supplied by indigenous vendors (which also may have some import content), will not be realistic. It may not also be out of place to mention here that while indicating the broad guide-lines for fixing the sale price for public sector undertakings, the Bureau of Public Enterprises have indicated that 'the pricing should be within the basis of the landed cost of comparable imported goods (and not on the basis of CIF prices) which would be the normal ceiling'.

1.3. The import content of BG Diesel Electric Locomotive produced in DLW has been progressively reduced from 98 per cent in 1963-64 to 18 per cent in 1969-70. The Committee are assured that every effort will be made to keep the imported items to the barest minimum.

1.4. DLW|Varanasi is now manufacturing Broad Gauge and Metre Gauge locomotives and not a single type only. However, the price of DLW locomotives is considered reasonable in relation to the prices understood to have been quoted in response to a tender in another country for locomotives of a different gauge, suitably equated.

1.5. The production of Diesel Locomotive Works, Varanasi is at present barely enough to meet the requirement of the Indian Railways. Efforts are, however, being made to export some diesel locos, from within the existing capacity of this unit to countries where the demand and requirements are of types similar to those locos, which are being manufactured at Varanasi.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 30-11-1970|Kartika 12, 1892.]

Recommendation (Serial No. 12) Para No. 3.19

The Committee note that according to the Project Report DLW was expected to produce 641 locomotives till 1969-70 and from

1967-68, the DLW was expected to manufacture 150 locomotives every year. The Committee, however, find that the DLW can manufacture only 348 locomotives till the end of 1969-70 and the target of manufacturing 150 locomotives every year is expected to be attained in the last year of the Fourth Five Year Plan only and this is also subject to the availability of foreign exchange.

While the Committee realise the difficulty of the Government in the matter of non-availability of foreign exchange and lack of demand because of recession etc., the Committee is constrained to observe that it is not a sound policy of drawing up certain targets and building up requisite capacity without visualising that the targets may not be achieved due to certain common factors such as non-availability of foreign exchange and lack of demand. The Government should have speeded up the programme of indigenisation once they could detect that there would be difficulty in getting foreign exchange. The foreign exchange position was not sound even in the years 1961 and 1962 when this Project was set up. Therefore, the Government should have taken all precautions to eliminate foreign exchange hurdles by adhering to a programme of quick indigenisation.

Reply of Government

The Ministry of Railways are grateful to the Committee on Estimates for their suggestion to ensure expeditious indigenisation. The Committee may be aware, that as a result of concerted efforts of the Ministry of Railways since 1955, considerable indigenisation has already been achieved. A stage has, however, been reached when mostly 'hard core' and proprietary items remain to be indigenised. As regards 'hard core' items, it needs to be mentioned that manufacture of some of them may not be an economic proposition as the requirements are limited in relation to the investment involved. This is one of the main reason causing delay in indigenisation of such items. However, efforts to indigenise them continue. With a view to achieving better results within the shortest possible period, the purchase procedures have been further streamlined and new incentives have been introduced in appropriate cases. With these steps, it is hoped that a greater degree of self-sufficiency would be achieved by the end of the Fourth Plan period. It may be added that even where indigenous know-how has been developed, it has been the experience of this Ministry that supplies do not always materialise

in sufficient quantities or at the time required, resulting in some balancing imports having to be arranged even of those items which are being manufactured in the country. Every effort is, however, made to increase the local sources of supply in order to reduce imports.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)—EC|IV| 119 dated 10-12-1970].

Recommendation (Serial No. 13) Para No. 2.20

The Committee are constrained to observe that the targets laid down for the DLW should have been more realistic and the indigenous programme of manufacture particularly in related public undertakings should have been coordinated in advance.

Reply of Government

The Committee's recommendation is noted. The Ministry of Railways would, however, like to point out that in the process of quick indigenisation, precise coordination, in advance, between different units presents many practical difficulties.

While coordination is being maintained at the highest level, it is DLW's experience that the material and equipment to be obtained from public sector undertakings have not been forthcoming to the extent promised|anticipated for various reasons and alternative arrangements have to be restored to meet the immediate production requirements.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)—EC|IV| 119, dated 30-11-1970|Kartika 12, 1892]

Recommendation (Serial No. 16) Para No. 3.23

The Committee note that the introduction of the incentive scheme in the DLW which would have accelerated the pace of production was deferred in view of the lower demand of the diesel locomotives due to recession. The Committee cannot but come to the conclusion that this is indicative of over staffing in D.L.W. The Committee would like to point that incentive system should be built into the staff norms right from the very beginning so as to obviate overstaffing and proper emphasis on production.

Reply of Government

The artisan staff built-up at DLW was made by training such staff in phases and a gradual build-up was made during the early stages of these Works. The artisan staff had also to gain the necessary experience and confidence on their jobs which were in many cases entirely new to them. As and when the operators were acquinted with the working of the machine tools, assembly etc., time studies to assess the production norms were also taken in hand as it was originally anticipated that the production at DLW would go up and in order to meet the higher level of production it was envisaged that incentive scheme should be introduced. But the introduction of incentive scheme was deferred due to lower demands of diesel locomotives at that stage.

The staff build-up at DLW non incentive condition was made, keeping in view the fact that the same staff, with marginal adjustments and inputs, if necessary, would be able to cater to the requirements of staff under incentive conditions, for targetted production level of 150 locos per year at DLW. The staff build-up under non incentive conditions was made to meet the production level of 7 to 8 locos per month so that with the increase of productivity consequent to the introduction of incentive scheme, the same body of direct workers under non incentive conditions would be sufficient to meet the targetted production requirements.

Even from early stages, the emphasis of staff build-up to meet the ultimate production targets was based on the concept that the base requirements should be such that with an earning level of 33 per cent bounds, the overall staff requirements can be met.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 10-12-1970|Agrahayana 19, 1892.]

Recommendation (Serial No. 17) Para No. 3.30

The Committee note that although Diesel Locomotive Works has geared for production of BG locomotives, a diversification programme was taken up later on and since 1968, MG locomotives are also being manufactured. The Committee further note that the requirements of the Railways of MG locomotive during the Fourth Five Year Plan period are expected to be met by production at Diesel Locomotive Works thus obviating the need of imports. The indigenous content of the first MG locomotive produced in 1968 was 56 percent which is expected to reach 80 per cent in the near future. The Committee feel that since the Indian Railways consist of both

Broad Gauge and Metre Gauge, the Collaboration Agreement as well as the works at Varanasi should have provided for the manufacture of BG and MG locomotives right in the beginning thus obviating the need of undertaking the diversification programme at a subsequent stage. The Committee hope that the target of production laid down for MG locomotives during the Fourth Five Year Plan would not only be achieved but exceeded & Diesel Locomotive Works would be in a position not only to meet the domestic requirements but will also be able to export MG locomotives to other countries in the foreseable future.

Reply of Government

1.1. The production of MG locomotives at DLW was envisaged even at the inception stage of the project and suitable provisions for purchasing designs and drawings had been made in the original agreement itself. However, in a newly established Production Unit, it is prudent to limit the lines of manufacture to one type which is in greater demand leaving any diversification to be taken up after sufficient experience has been gained and production gets stablished. In this context and keeping in view the various considerations, it was felt that it would be best to start with production of B.G diesel locomotives.

1.2 Every effort is being made to meet the targets of production for MG locomotives during the Fourth Five Year Plan. The availability of Electric Traction Equipment, however, has been and will continue to be for the foreseable future, an over-riding factor in the achievement of these targets.

1.3. DLW have also submitted quotations for export of locomotives similar to MG Locomotives to countries like Syria and Nigeria.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

Comments of the Committee

Action taken or proposed to be taken to meet the shortage of Electric Traction Equipment may be intimated for the information of the Committee.

Recommendation (Serial No. 21) Para No. 4.8

The Committee note that while the indigenous content in the first locomotive manufacture in DLW was only 2 per cent. it

reached the level of 80 per cent in 1968-69 and is expected to reach the level of 87 per cent by the end of 1970-71 against a target of 90 per cent. The components which still remain to be indigenised are highly sophisticated and hard core items. The Committee feel that the indigenisation of these hard core and highly sophisticated items pose a challenge to the technological skill of the country and should be accepted in that spirit by the DLW, the Railways Designs and Standards Organisation and industry. The Committee stress that no effort would be spared in indigenously manufacturing these parts at competitive prices with guaranteed quality and assured delivery to match the manufacturing programme for diesel locomotives. The Government should draw up a firm target date by the end of 1970-71 to manufacture all components imported at present indigenously.

Reply of Government

The Ministry of Railways are grateful to the Committee on Estimates for their suggestion regarding accepting the task of indigenisation of 'hard core' and sophisticated items as a challenge by Diesel Locomotive Works, Research Designs & Standards Organisation and the industry. Already the Ministry of Railways are working on these lines and constant watch is being kept and regular reviews are maintained. It would be appreciated that for the diesel locomotive, no compromise with regard to standards and specifications can be made and, therefore, supplies have to be precisely to specification and of acceptable quality. With the steps already taken, a larger degree of self-sufficiency is expected to be achieved at the end of 4th Plan period. As regards the Committee's recommendation to draw up a target date by the end of 1970-71 to manufacture all components hiterto imported, it is submitted that a clearer picture would be available after some time, say at the end of 4th Plan period and in the meantime the drive for indigenisation would continue. It may, however, be mentioned that even ultimately some essential raw material and special components will have to be imported and 100 per cent indigenisation is not likely to be achieved.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)—EC|IV| 119 dated 10-12-70|Agrahavana 19, 1892].

Recommendation (Serial No. 22) Para No. 4.20

The Committee note that the requirement of DLW in respect of wheels and axles were expected to be met from the Durgapur Steel Plant but because of certain difficulties Durgapur Plant has not been able to meet the requirements of the DLW in respect of wheels and

axles. They have now intimated that they would not be in a position to supply any more axles and even the wheels supplied by them are not upto the standard required. With the failure of Durgapur Steel Plant to supply wheels and axles, TISCO was tried as an alternative source of supply, but because of serious defects found in the axles supplied by them, TISCO has also ceased as a sources for supply for the time being. Now HEC, Ranchi has been developed as a satisfactory source of supply. In the meantime, the balance requirements of axles and wheels are still being imported.

The Committee are constrained to observe that Durgapur Steel Plant has failed to meet the requirements of wheels and axles for Railways. Against the estimated production of 45,000 wheelsets at 1 million tons which should have gone upto 75,000 with the increased capacity at 1.6 million tons, the actual performance has in fact dwindled form about 23,000 in 1964-65 to 4,500 wheelsets during the first six months of the current year. This under-scores the imperative need for taking concerted remedial measures to improve the performance of the Wheels and Axle Plant at Durgapur which was specially meant to meet the requirements of Railways. The Committee need hardly emphasise the need for an overall assessment of the utilisation of the available capacity in the Durgapur Plant.

Reply of Government

The recommendation was refered to the Ministry of Steel & Heavy Engg, who have furnished the following reply:—

The rated capacity of the Wheel and Axle Plant at Durgapur is 45,000 sets at 1 M.T. stage and 75,000 sets at 1.6 M.T. stage. Production has been as follows:—

Year	Number of Wheel Sets
1962-63	5,769
1963-64	18,660
1964-65	23,736
1965-66	23,241
1966-67	16,210
1967-68	15,420
1968-69	12,732
1969-70	9,040
1970-71 (April—June)	2,861

Low production is mainly due to:

(i) Low productivity on account of difficult industrial relations and the attitude of the workers;

(ii) Non-settlement with the Union of the manning of the balancing facilities provided;

(iii) Delay in implementation of the revised incentive scheme on account of non-Cooperation from Unions;

(iv) Frequent maintenace troubles also resulting from difficult industrial relations;

Steps taken to improve the production are as follows:—

(i) A cell has been created within the Wheel and Axle Plant for looking after the production planning within the Department.

(ii) The maintenance of the Wheel and Axle Plant has been decentralised.

(iii) Inter-stage inspection has been introduced to a large extent.

(iv) Organisation of the Wheel and Axle Plant has been suitably strengthened.

(v) Continuous discussions are being held with the recognised union for solving various day-to-day problems.

(vi) Installation of varous balancing|additional facilities.

As a result of the steps already taken and also in view of the fact that an agreement has now been reached regarding new incentive scheme in the Wheel and Axle Plant with the recognised labour Union, The Ministry of Steel & Heavy Engineering expect that production will improve.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC!IV|119, dated 3-11-1970|Kartika 12, 1892.]

Comments of the Committee

The production figures of wheels and axles for the year 1970-71 and 1971-72 may be intimated in due course for the information of the Committee.

Recommendation (Serial No. 23) Para No. 4.21

The Committee note that there has been low capacity utilisation at Heavy Engineering Corporation in respect of production of axles. The Committee would like to emphasise that the surplus capacity in H.E.C. should be put to good use by increasing production of axles to meet Railways requirements at competitive price keeping in view the price of imported axles, and the price charged by a Steel Plant in private sector etc. Above all, the quality should be maintained in the interest of public safety and delivery schedule adhered to in the interest of manufacturing programme. It should be possible for the public undertakings to meet the requirements for vital component required for manufacturing programme and thus effect saving in foreign exchange.

Reply of Government

The recommendation was referred to the Ministry of Steel and Heavy Engineering who have furnished the following reply:

"Regarding the axles, the wheels, tyre and Axles Plants of both Durgapur and Jamshedpur are organised for the manufacture of axles for railway wagons. The range of axles cover the DLW requirements also in Board gauge and metre gauge axles. The two projects lined up for manufacture of axles of good amount of tonnage probably find it difficult to take up the manufacture of 45 special type axles per month to be increased to 80 at the end of the Fourth Plan period.

Foundry Forge Project organised for manufacture of rolls for which large number of standard lathes are installed, can, with certain shortcoming like no copying attachment for finishing the journals etc., undertake to supply their requirements. Two of the orders form DLW have already been executed and during June 1970 alone they have supplied 53 axles. They have agreed to meet the demand of DLW for the axles as and when they want.

Regarding pricing, the Heavy Engineering Corporation has proposed that the cost per axle will be Rs. 2,750-00. This is based on the actual cost of production which is due to machining of the axles on general purpose lathes. The shops are not specially organised for axle manufacture and therefore the cost of production is high and cannot compare with cost of production from other plants or imported costs."

The actual price to be paid by the DLW is under consideration of the Ministry of Railways and the Ministry of Steel and Heavy Engineering.

[Ministry of Railways (Railway Board) O.M. No.; 70-B(C)-EC|IV| 119 dated 30.11.1970)]

Recommendations (Serial No. 29) Para No. 5.14

The Committee are glad to note that the diesel locomotives produced at Diesel Locomotive Works have export opportunities. The Committee, however, note that no detailed plan in this regard has been chalked out. The Committee would, therefore, urge that the Ministry of Railways should fully explore the export potentialities for the products of Diesel Locomotive Works and chalk out detailed perspective plan in this respect. In this context, it needs no emphasis that the DLW should make every possible endeavour to get a foothold now in the world market by exports as this would help them in taking advantage of economies of large scale production. The Committee recommend that D.L.W. should spare no effort to ensure that the Diesel locomotives produced at the Works are most competitive both in quality and price. If necessary, the Diesel Locomotive Works authorities should examine the feasibility of introducing suitable changes in their products to suit the needs of Railways of the countries which would be interested in purchasing the products of the Works.

Reply of Government

Unlike in other developed countries who have been manufacturing Diesel Locomotives of various specifications and types for a considerable period, manufacture of Diesel Locomotive Works has been only for a period of about 10 years. This Unit has been manufacturing 2600 H.P. Alco design broad gauge locomotives and has recently started manufacture of metre gauge locomotives also. Different countries import diesel locomotives to their own specifications to suit their need and the Varanasi Unit do not have the experience of manufacturing diesel locomotives to other design. Within this limited scope, 2 quotations were sent to Syria which however did not result in obtaining an order. An order for 300 connecting rods for diesel locomotives to Canada valued at Canadian Dollar 247 each has, however, been received and is under execution. However, in the national interest of export promotion, foreign enquiries for diesel locomotives are examined with a view to submission of an offer.

Production at the Varanasi Unit has not yet reached the target of 150 locomotives per year and an export order if executed is likely to affect internal supply adversely.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 10-12-1970|Agrahayana 19, 1892.]

Recommendation (Serial No. 30) Para No. 6.7

The Committee note that the DLW, Varanasi had as on 31st August 1969, quite a large amount of overstocks and scrap. While agreeing that in the case of imported items etc. some amount of overstocking becomes inevitable, the Committee would like to emphasise the need for avoiding unnecessary overstocking. Now as the number of imported items in the production of Diesel Locomotive Works is decreasing, the Committee hope that it would be possible for the D.L.W. to reduce the amount of accumulated stores etc. to the minimum. The Committee hope that all measures would be taken to avoid unnecessary accumulation of stocks and steps will also be taken for early disposal of scraps etc.

At the same time, the Committee is constrained to note that a large quantity of over-stock of steel released from construction phase is there. All care should be taken to dispose of this over-stock as quickly as possible. Norms prescribed by the Bureau of Public Enterprises for preparing inventory should be strictly adhered to.

Reply of Government

Para 1.1. The inventory at the end of the last 3 years together with the figures of value of stores issued and the stocks held in terms of No. of months' consumption are shown in the table below:

(Figures in crores of Rs.)

Year	Inventory at the end of the year.	Value of stores issued.	Stocks held in terms of No. of months' consumption.
1967-68 . .	13·57	14·38	11·3
1968-69 . .	10·84	16·00	8 2
1969-70 . .	8.53	13.85	7.4

1.2. A study of the above would indicate that the ratio of inventory to annual issues has been progressively coming down. This

shows the care and vigilance that has been exercised in watching over the inventory.

1.3. With regard to the over-stocking of some items, it may be mentioned that procurement in DLW is directly linked to the locomotive out-turn programme schedule and all efforts are made to phase supplies to match production requirements in order to avoid heavy inventory. In the case of DLW, however, there are some peculiar features, some of which are spelt out below, which contribute to temporary over-stocking of some items.

1.3.1. *Imported items*: Over-stocking for imported items has already been appreciated by the Committee.

1.3.2. Development items: Diesel loco components are of sophisticated nature involving new technology, precision manufacture and rigid quality control. Indigenous development of these imported items is necessarily restricted to those firms which are capable of handling this work. Failures by indigenous manufacturers has been a regular feature. Such instances of failures occur even in established items like axles by TISCO. Some cushion stock is therefore inescapable in order to avoid interruption in production.

1.3.3. *Forging & Castings*: In order to obtain economic rates as well as afford firms to procure bulk quantities of raw material, some items of castings and forgings have to be stocked in bulk. Such stocking also becomes necessary on account of the fact that rough forgings|castings are being purchased and machining has to be done in DLW.

1.3.4. *Raw material*: Raw material like steel sheets of plates used in DLW are either of imported origin or of indigenous manufacture but the availability is scarce. It may be clarified that although HLS manufactures plates to specification IS: 2062 (required by DLW) the rolling is irregular and the capacity is inadequate. There are also rejection on account of laminations which are detected on ultrasonic testing after receipt in DLW. In the interest of production, therefore, cushion stock is necessary and cannot be avoided.

1.4. In respect of the above, it will be noticed (vide para 1.1) that the inventory held in terms of No. of months' issues has substantial-

ly improved during the last 3 years. If we further consider the fact that a part of the value of the total inventory at the end of 1969-70 is also accounted for by stores still on the high seas (enroute from abroad) and consider only the physical inventory on 31-3-1970 (*viz.*, only Rs. 5.62 crores), it will be readily appreciated that the position is on the whole, quite satisfactory. In fact, the physical stocks on 31-3-1970 (Rs. 5.62 crores) represent less than 5 months' requirements. This figure has further come down to only Rs. 4.99 crores by 30th June, 1970.

1.5. Disposals of over-stocks|surplus and scrap materials during the last 3 years are given in the table below:

(Figures in lakhs of Rs.)

Year	Value of over-stocks surplus disposed of.	Value of scrap disposed of.
1967-68 . . .	3·88	6·00
1968-69 . .	9·86	6·58
1969-70	12·03	6·35
Position of holdings as on 31-7-1970.	4·41	3·83

1.6. There was a considerable quantity of steel released from construction phase but a very large portion of this has already been disposed off. The disposal has been to Railways and other Government Organisations. The present comparatively small stock is also under process of disposal.

Total Qty.	Qty. already disposed of (Rlys. & other Govt. Organisations).	Present stock.
M/T	M/T	M T
3330·00	3040·00	290

1.7. According to the observations of the Committee on Public Undertakings (3rd Lok Sabha) in their 40th Report on Materials Management (which were repeated by the Bureau of Public Enterprises in their circulars to different Ministries), the overall level of inventories in industrial running concerns should be reduced to about 6 months' production. The position at DLW terms of value

of production as well as value of annual issues is given below for the year 1969-70:

Value of total inventories at the end of 1969-70.	Rs. 8·53 crores.
Value of anticipated issued during the current year 1970-71 (for which really, the above inventory is meant).	Rs. 18·00 crores.
Inventories on 31-3-1970 in terms of No. of months anticipated requirements for 1970-71.	5·7 months.'
Value of anticipated production during the current year 1970-71. 80 BG locos : 30 MG locos valued at Approx.	Rs. 24 crores.
Value of inventory on 31-3-70 in relation to production	4·27 Months.

1.8. It will be seen from the foregoing that the inventories held by DLW are well within the norms set by the Public Undertakings Committee|Bureau of Public Enterprises.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119, dated 3-11-1970|Kartika 12, 1892.]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLY OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendations (Serial Nos. 4 and 5) Para No. 1.16 and 1.17

4. The Committee note that as against the investment of 50 per cent in plant, machinery and electric installations of DLW, there has been investment of 21.1 per cent in township and 22.2 per cent in building and roads. They feel that this is appreciably higher than the norms prescribed by the Bureau of Public Enterprises. The Committee would like to stress the imperative need for husbanding resources and would suggest that the Government should concentrate on the core of the Project so that it may yield the maximum production, the other infra-structure being provided as resources become available.

5. The Committee recommend that in future whenever a new factory or an undertaking is to be set up by the Railways, they should plan ahead keeping in view the essential requirements and reducing the expenditure on townships to the barest minimum and keeping a check over avoidable expenditure on luxurious buildings such as swimming pools, big bungalows etc. The Government should ensure that the buildings constructed in the townships are cheaper in cost utility oriented and not luxurious. They should plan as to how much is to be invested in plant and machinery and how much is to be invested in buildings and townships so that the investment may yield the maximum return.

Reply of Government

The Bureau of Public Enterprises have not fixed any rigid norms for investment on townships and buildings. In fact they have observed that the preparation of norms of investments in these items is not possible as the extent of requirement of these items cannot be similar in all enterprises. They have however observed that *by and large* the total outlay in township should not be more than 10 per cent of the total capital outlay on the Project.

2. The Ministry of Railways (Railway Board) are of the view that 10 per cent for township may be on the low side especially as

most of the new factories would be located in out-of-the-way places and it may be necessary to provide housing facilities for a major percentage of the employees. It would, therefore, be difficult to adhere to the percentage rigidly and every case will have to be considered on its own merits.

3. The programme of investment in plant & machinery as well as in buildings and townships is always discussed well in advance before undertakings the work as such, to see that the investment yields the maximum return.

4. However, the Committee's observations are noted and every effort would be made to keep the cost of township to the barest minimum considered essential.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119 dated 3-11-1970|Kartika 12, 1892].

Comments of the Committee

The Committee do not agree with the view of the Ministry of Railways (Railway Board) that '10 per cent for township may be on the low side'. On the contrary they are in full agreement with the observations of the Bureau of Public Enterprises that by and large the total outlay on township should not be more than 10 per cent of the total capital outlay on the Project. The Committee, therefore, reiterate that Government should concentrate on the core of the Project so that it may yield the maximum production, the other infra-structure being provided as resources become available.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 33) Para No. 6.78

The Committee urge that the question of setting up a Central School for providing education to the children of the staff of the DLW may be examined early and the matter taken up if necessary with the Ministry of Education for providing adequate facilities for education of children of staff in DLW.

Reply of Government

The question with regard to the setting up of a Central School in DLW Township has been under correspondence with the Ministry of Education since July, 1967 *Vide* their Joint Educational Adviser's D.O. letter No. 3641|JEA(G) dated May 8, 1969, this office was informed that the matter is being looked into and further communication would follow. No decision of the Ministry of Education has, however, been received as yet in this connection. Meanwhile, this Administration had to provide additional teachers and other facilities to cater for the increased educational requirements of the children of the DLW employees. With the regular set up of the teaching staff including other school establishment which we have at present, it will not now be possible to spare the building for setting up the Central School. Since the existing High School is too small for the anticipated needs of the Colony, the Ministry of Education should provide a Central School as an additional High School in a separate building to be constructed by them for this purpose.

[Ministry of Railways (Railway Board) O.M. No. 70-B(C)-EC|IV|119 dated 3-11-1970|Kartika 12, 1892].

COMMENTS OF THE COMMITTEE

The reactions of the Ministry of Education may be communicated in due course.

KAMAL NATH TEWARI,
Chairman,
Estimates Committee.

NEW DELHI;
August 16, 1971,
Bhadra 25, 1893 (*Saka*).

APPENDIX

(*Vide* Introduction to Report)

Analysis of the action taken by Government on the recommendations in the 119th Report of the Estimates Committee (Fourth Lok Sabha)

1.	Total No. of recommendations	3
2.	Recommendations which have been accepted by Government (*Vide* recommendations No. 1, 2, 3, 9, 10, 11, 14, 15, 18, 19, 20, 24, 25, 26, 27, 28, 31, 32, 34, 35 and 36 included in chapter II) .	
	Number	21
	Percentage to total	58·34%
3.	Recommendations which the Committee do not desire to pursue in view of the Government's reply (*Vide* recommendations No. 6, 7, 8, 12, 13, 16, 17, 21, 22, 23, 29 and 30 included in chapter III) .	
	Number	12
	Percentage to total	33·33%
4.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendations No. 4 and 5 included in chapter IV)	
	Number	2
	Percentage to total	5·55%
5.	Recommendations in respect of which final replies of Government are still awaited (*Vide* recommendation at Serial No. 38 included in chapter V)	
	Number	1
	Percentage to total	2·78%

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Sl. No.	Name of Agent	Agency No.
	DELHI	
24.	Jain Book Agency, Connaught Place, New Delhi.	11
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	2
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	87
32.	Jayana Book Depot, Chap parwala Kuan, Karol Bagh, New Delhi.	66
33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
36.	Hind Book House, 82, Janpath, New Delhi.	95
37.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
	MANIPUR	
38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
	AGENTS IN FOREIGN COUNTRIES	
39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.-2.	59

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