

**THIRTEENTH REPORT**  
**PUBLIC ACCOUNTS COMMITTEE**  
**(2000-2001)**

**THIRTEENTH LOK SABHA**

**INFRACTUOUS EXPENDITURE**  
**ON PURCHASE OF WATER COOLERS**  
**AND FILTERS**

*[Action Taken on 23rd Report of Public Accounts Committee  
(11th Lok Sabha)]*



*Presented to Lok Sabha on 14.12.2000.*  
*Laid in Rajya Sabha on 15.12.2000.*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*November, 2000/Agrahayana, 1922 (Saka)*

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE  
(2000-2001)

Shri Narayan Datt Tiwari      *Chairman*

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2. Shri P.D.T. Achary      — *Joint Secretary*
3. Shri Devender Singh      — *Deputy Secretary*

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\* Elected w.e.f. 2 August, 2000 *vice* Shri Rajesh Pilot expired.

\*\*Elected w.e.f. 25 August, 2000 *vice* Shri Vayalar Ravi ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 1 July, 2000.

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf this Thirteenth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Twenty-Third Report (11th Lok Sabha) on "Infructuous Expenditure on purchase of water coolers & filters".

2. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 23rd November, 2000. Minutes of the sitting form Part-II of the Report.

3. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the report and have also been reproduced in a consolidated form in the Appendix to the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;  
27 November, 2000  

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6 Agradhayana, 1922 (Saka)

NARAYAN DATT TIWARI,  
Chairman,  
Public Accounts Committee.

## **CHAPTER—I**

### **REPORT**

1.1 This Report of the Committee deals with the action taken by the Government on the recommendations and observations of the PAC of 11th Lok Sabha contained in their 23rd Report on Paragraph 4.3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1995, No. 10 of 1996, Union Government (Railways) relating to "Infructuous expenditure on purchase of water coolers and filters".

1.2 The 23rd Report, presented to Lok Sabha on 20.11.1997, contained 14 recommendations/observations. The Action Taken Notes have been received in respect of all recommendations/observations and these have been categorised as follows:

- (i) Recommendations and observations that have been accepted by the Government:  
Sl. Nos. 1, 2, 5, 9, 10, 11 and 12
- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from the Government:  
Sl. Nos. 6 and 7
- (iii) Recommendations and observations replies which have not been accepted by the Committee and which requires reiteration:  
Sl. Nos. 3, 4, 8, 13 and 14
- (iv) Recommendations and observations in respect of which the Government furnished interim replies:  
NIL

#### **Infructuous expenditure on purchase of water coolers and filters**

1.3 The Railway Board decided in August, 1987 on the recommendation of Passenger Amenities Committee that water coolers should be provided at least in AC coaches of super fast trains having halts at several hours' interval. Accordingly, the Railway Board asked Integral Coach Factory (ICF) Perambur on 12 August, 1987 to develop a suitable system for providing water coolers for AC coaches. After several experiments, ICF turned out one AC two tier coach on 2 June, 1998 fitted with 4 litre capacity water cooler and another was fitted with an inverter developed by ICF on 22 July, 1998. The progress of fitment of water coolers was reviewed a year later by the Railway Board and the Research Design and Standards Organisation (RDSO) was asked to coordinate with Production Units and Zonal Railways on specific issues so outlined in the original report. The target of March 1989 was set up for resolving all technical

problems so that all new coaches and existing rakes could be fitted with water coolers. In the light of the Audit findings, the Committee had examined various aspects such as acceptance of an offer for Split Unit Design Water Cooler (SUDWC) without trial from a private firm Greysham and Company of New Delhi and the non-production SUDWC at the time when request was made to put it on trial. Nevertheless Railway Board did not evaluate the comparative performance of SUDWC and Integral Coach Factory (ICF) fitted Water Coolers, price break up was not furnished and the order was enhanced before any conclusion was drawn from the trials. Railway Board did carry out inspection of water coolers by DG/RDSO or his authorised representatives, as trials of first lot of SUDWC were inadequate and had certain design and operational problems. RDSO advised that the scheme for provision of water coolers be discontinued till these were satisfactory resolved. Further, the task of inspection of SUDWC was assigned to Chief Mechanical Engineer of Northern Railway—the same authority which had also been assigned the task of subsequently judging the performance of the equipment under development in disregard to the recommendation of the Tender Committee who assigned the task to RDSO.

1.4 The Committee's examination of the scheme evolved by the Ministry of Railways to provide water coolers in coaches and its eventual abandonment had revealed serious shortcomings/irregularities. There were clear instances where Railway Board not only displayed lack of coordination and concerted approach but also functioned in an unbridled manner ignoring the findings of their own agency on the deficiencies in the design and operation of SUDWC. There were also occasions when indulgence was shown to a private firm at various stages. Above all, the Railways had miserably failed to detect the criminal act whereby the contents of a specific letter were forged to change the course of action for procurement of a particular design of a water cooler. The Committee deplored this unsatisfactory conduct and desired that the facts brought out in their Report should be thoroughly looked into by the Ministry of Railways with a view to streamlining their systems and procedures as well as taking adequate action against persons found responsible for the glaring acts of omissions and commissions.

1.5 The various observations/recommendations made by the Committee and the action taken notes furnished by the Government thereon have been reproduced in the subsequent chapters of this Report.

1.6 The Committee will, however, deal with the action taken by Government on some of their recommendations and observations.

**Failure to enforce contractual obligation and indulgence shown to a private firm**

**(Sl. No. 9, Paragraph No. 80)**

1.7 The Committee had observed that undoubtedly, the trials of the initial lot of 60 water coolers had not taken place for the stipulated period which was indicative of the fact that the Railway Administration had a soft corner for a particular firm and that the authorities had shown undue haste by placing additional order on the same firm. The Committee had further observed that such a grave irregularity in enforcing contractual obligation went unnoticed at different levels. The Committee had also expressed surprise over the fact that the Railways preferred to rely on the performance report of coolers relating to the month of November not appropriate for judging the performance of water coolers in the northern part of India.

1.8 The Railways in their action taken reply have stated "noted for compliance". The Committee, while appreciating the candid admission by the Railways of the various lapses, hope that the Ministry would also initiate suitable measures against the officials responsible for the lapses.

**Procurement of SUDWC without any technical evaluation and appraisal (Sl. No. 3, Paragraph No. 74)**

1.9 In their earlier report, the Committee had noted that the first service trials of SUDWC conducted on 3 May, 1989 on a Northern Railway Coach were unsuccessful and had to be abandoned and in the opinion of the Chief Mechanical Engineer, Northern Railway the arrangement did not have the potential for success. However, the subsequent field trials undertaken by Northern Railway on the same coach between 25th May and 1 June, 1989 were considered successful and a decision was taken in the Railway Board to procure 60 units of SUDWC for extended trials. In the absence of any technical evaluation and appraisal of SUDWC by a specialised agency, the Committee were unable to comprehend as to how the Railway Board could consider the field trials of only one SUDWC for a week as successful enough to conclude that as many as 60 units of that water coolers could be procured in the first instance for extended field trials. The Committee had observed that the whole matter was dealt with in a perfunctory manner and called for plausible explanation for the Railway Board.

1.10 In their Action Taken Notes, the Railway Board has stated that the progress of a suitable water cooler for self-generating coaches (from June, 1988—when ICF turned out first water cooler to January, 1989) was very slow and a suitable inverter has still not been developed. Therefore, as a parallel action, 1 No. SUDWC type of water cooler was put under trial. Though the immediate requirement was estimated to be 320 nos. Railway Board decided to procure 60 SUDWC in June, 1989 for only two trains with a view to gaining some more experience before going in for full quantity. These had shown promising results during field trials on Northern Railway.

1.11 The reply of the Board is far from tenable in view of the fact that the subsequent field trials of the impugned SUDWC were appraised without proper technical evaluation by a specialised agency. The Committee, therefore, reiterate that the entire exercise was conducted in a perfunctory manner and the explanation given is far from plausible. The Committee hope that the Railway Board would draw suitable lesson from the water cooler fiasco and taken adequate care to apply proper procedure in future to avoid such infructuous expenditure.

**Super-scripted of signature by two officials**

(Sl. No. 4, Paragraph No. 75)

1.12 The Committee's examination had revealed that the approval for inviting tenders was accorded by the Adviser (Finance) on 3 July, 1989 and Executive Director (DEV) had issued directions to Junior Officials on 4 July, 1989 that the tender inquiry might be floated. Accordingly, a note "inviting quotations for supply of 60 numbers of water coolers indicating last date of receipt of tender 14.30 hrs. on 6.7.1989" was submitted by two officials having their signature affixed on 6 July, 1989. Curiously enough, the date of signatures of both the officials on that note was subsequently superscribed as 4 July, 1989. The Committee had observed that these two Junior Officials were not aware of the implication of the date when they submitted the note to the Executive Director (Dev.) who while signing the note had put that date as 4 July, 1989. Considering the fact that the supply of SUDWC was to be obtained from a single source, the Committee could not understand as to what prompted the Railway authorities to process and finalise the tender inquiry in a hurried and suspicious manner by resorting to even superscribing the dates on the note. The Committee had therefore desired that this matter should be thoroughly looked into with a view to ascertaining whether any extraneous consideration guided the course of action in the instant case.

1.13 In their Action Taken Notes, the Railway Board has mentioned that the Board (CRB) ordered investigations into the case (Board's File No. 88/DEV, CELL/IGRI/20) with regard to alleged superscription of date by two officials of Railway Board on a note involving quotations. This was examined by Vigilance Directorate of Railway Board who have recorded after scrutinising "The TC minutes placed at PP-15 to 18/n ante thereof the date 10th of July 1989 and not 4/6th July. The recommendation of TC has been accepted by T.A.A. on 12.7.1989. Thus there is no substance in the allegation that change in the date of the minutes of TC was made".

Taking an overall view of the matter, Board's Vigilance has come to the conclusion that the case is devoid of any Vigilance angle. CVC has also concurred in Board's view *vide* their UO No. 9807 Rly dt. 5.3.98.

1.14 The Committee are not satisfied with the action taken reply given by the Railway Board. While scrutinising the quotation note, the Committee had observed that the first two signatures on the note were initially dated as



6.7.1989. The dates were subsequently superscribed as 4.7.1989 at both the places. Considering the fact that the tenders in the instant case were to be obtained and opened on 6.7.1989 itself, the Committee had enquired whether the dates of recording the note by the official were deliberately changed. In his deposition the Chairman, Railway Board had stated that "Board can inquire into this aspect as he had not seen it from this angle". In reply to a related question as to what inference could be drawn from this change of date the Chairman, Railway Board had stated that the officials might have seen the dates by mistake as 6.7.1989 and when he was asked whether the two persons could commit the same mistake his reply was in the affirmative. The Committee are perturbed to make the disinclination of the Railway Board to pin down individual responsibility even in such a concrete case like this. The Committee must caution that a vast dispensation like the Railways cannot be run efficiently and effectively without observing scrupulously the principles of probity, transparency and accountability. The Committee hope that suitable measures would be put in place by the Railways to forestall the recurrence of such incidents.

**Failure of Railways to entrust the enquiry to  
independent investigative agency**

(Sl. No. 8, Recommendation No. 79)

1.15 On the question of forged documents, the Committee had pressed for holding an inquiry by an independent investigative agency. In their action taken reply, the Railway have *inter-alia* stated:—

"The Board (CRB) ordered investigation into varying version.... The vigilance opines that the case is devoid of any vigilance angle. This view was upheld by CVC".

1.16 The Committee are constrained to note that the reluctance of the Railways to hand over the case to an independent investigative agency, as recommended by them in their earlier report, only reinforces the conclusion that the whole deal of procurement of water coolers was devoid of transparency. The Committee are, therefore, of the view that had the Railways handed over the case to an independent investigative agency, it would have only removed public misgivings in the matter. To the contrary, had the investigative agency pinpointed any malafide or fraudulent deal, it would have assisted the Railways in cleansing its administration.

**Maintenance fiasco, discontinuation of fitment of water coolers and indulgence shown to a private firm at various stages**  
(Sl. No. 13 & 14, Recommendation Nos. 84 and 85)

1.17 The Committee had held the Railway Board responsible for the fiasco leading to abrupt abandonment of the passenger amenity as the water coolers were found unsatisfactory on many counts including the problems of maintenance. The Committee had indicated the Board for rendering the entire expenditure of over Rs. 1.90 crore infructuous. The

Committee had pointed out many specific shortcomings/irregularities in the design and operation of SUDWC failure to detect the forgery in letters leading to procurement of a particular type of water cooler.

1.18 In their reply the Ministry have stated:

“Normally, only after careful study of various alternatives available development of an item is undertaken. Because of careful scrutiny at various stages of development, it has been possible to achieve successful results. However, there has been cases where the development did not succeed but such cases are generally few and far between.

Development basically being akin to applied research, the results thereof can be known after trials/experiments. Hence considering the overall situation, the expenditure incurred in unsuccessful development of water-coolers may not be treated as infructuous but an equipment that failed.”

1.19 The Committee are unable to accept the reasons advanced by the Railways particularly the plea that the unsuccessful development of water-cooler may not be treated as infructuous but an equipment that failed. The argument is far from sustainable in view of the shortcomings and irregularities noticed in the procurement of water cooler of a particular design, indulgence shown to a private firm and conspicuous omission to have technical appraisal before placing the order for procurement of water coolers. The Committee reiterate their earlier finding that the entire expenditure was infructuous and avoidable.

**CHAPTER II**  
**RECOMMENDATIONS/OBSERVATIONS WHICH HAVE**  
**BEEN ACCEPTED BY GOVERNMENT**

**Recommendation**

The Committee note that in pursuance of the recommendation made by the Passenger Amenities Committee in its report of 1985, the Railway Board decided in August 1987 that water coolers should be provided at least in Air Conditioned (AC) Coaches of superfast trains having halts after several hours interval. Accordingly, Railway Board asked Integral Coach Factory (ICF) Perambur on 12 August 1987 to develop a suitable system for providing water coolers in AC coaches. Subsequently, ICF turned out two AC-two tier coaches with water coolers in June and July 1988 with the first coach having open compressor driven by DC motor and the other having sealed compressor fitted with an inverter developed by ICF. The progress of fitment of water coolers in coaches was reviewed by the Railway Board at the highest level in August 1988 when the Research Design and Standards Organisation (RDSO) was also asked to coordinate with Production Units and Zonal Railways on the issues of (a) development of a suitable inverter; (b) development of suitable water filter; (c) resolve all outstanding technical problems; and (d) development of 3KW alternator for MG coaches. According to the information made available to the committee, the work of fitment of water coolers in coaches was assigned top priority by the Railways Board which also set a target of March 1989 for resolving all technical problems so as to fit water coolers in all new coaches and existing rakes.

[Sl. No. 1 (Para No. 72) of Appendix V to 23rd report of PAC  
(11th Lok Sabha)]

**Action Taken by Ministry of Railways**

Noted for compliance.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

**Recommendation**

From the information made available to them, the Committee find that while efforts were being made by ICF and RDSO to develop and test water coolers and its components and to resolve all technical problems relating thereto, the Railways Board had separately taken up for consideration in October-November 1989 the design of a electric motor type water coolers for Broad Gauge AC-2 tier coaches which are being developed by a private firm M/s. Greysam & Company, Delhi. Since the Member—Mechanical and Electrical in the Railway Board had decided to

try that type of water cooler, a written directive was issued on 4 January 1989 by the Railway Board to the General Manager of Western Railway to place a trial order on the private firm for one such water cooler and send monitoring reports within three months of the operation of the trial. Strangely enough, the Chairman, Railway Board deposed during evidence that this particular water cooler was "never tried". On the other hand, the Ministry of Railways informed the committee that since a suitable inverter had not been developed for that type of water cooler, the same firm developed a split unit design water cooler (SUDWC) without the electric motor and again approached the Railway Board on 20 January 1989 for permission to carry out its trial on one of the coaches at Northern Railway. Incidentally, this request of the private firm was addressed to the then Member (Mechanical) in the Railway Board. The committee are distressed to observe that instead of initiating steps to undertake a comprehensive technical examination of SUDWC and capability of the firm claiming to have successfully developed the new concept, the Member (Mechanical) in a rather unusual manner considered the proposal from the private firm and entrusted the matter to the Northern Railway authorities to pursue with the party. Astonishingly, he did not make any attempt to associate RDSO with the proposed trials of SUDWC at that stage in spite of that organisation being a specialised agency already involved in similar development efforts of Railways for fitment of water coolers in coaches. In the absence of any plausible explanation, the committee are not convinced with the argument now advanced by the Ministry of Railways that this work was entrusted to Northern Railway with close monitoring by Railways Board only to cut coordination delays. In the light of the facts enumerated above, the committee are of the strong view that the then Member (Mechanical) displayed an unwarranted hurry in the matter without paying due regard to the coordinated approach expected in this case. At this stage, the committee can only express their unhappiness over the manner in which the Member (Mechanical) proceeded with the proposal of the private firm for trial of SUDWC which was not even actually produced when the offer was made to the Railway Board.

[Sl. No. 2 (Para No. 73) of Appendix V to 23rd Report of PAC (11th Lok Sabha)]

#### **Action Taken by Ministry of Railways**

Noted for compliance.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

#### **Recommendation**

Another disquieting aspect observed by the committee relates to the manner in which the reasonability of the price of SUDWC was assessed by the Railway Board. Although it is an accepted practice to obtain price break-up from the suppliers, the Railway Board did not insist on the same in this case and arrived at the reasonableness of the quoted rates of

mechanical type SUDWC by comparing the same with different types of electrical water coolers procured by ICF. During the course of examination, the Ministry of Railways tried to justify the rates paid by them for SUDWC by comparing its various components *vis-a-vis* those used in the electric motor type coolers. In the absence of any specific details of rates of various components of SUDWC, the committee are not inclined to accept the plea made by the Ministry in this regard. They are of the firm view that price break-up in such cases should have been insisted upon particularly when the items were being procured for the first time with a view to protecting the interests of Government. The committee hope that the matter would at least now be examined in depth to lay down proper guidelines for the future.

[Sl. No. 5 (Para No. 76) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

#### **Action Taken by Ministry of Railways**

Action plan for creating costing and marketing Research cell on Railways/Production Units has been initiated one the objectives of the cell is to arrive at the correct procurement price.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

#### **Recommendation**

Yet another disquieting aspect observed by the committee relates to the manner in which the Railway Board dealt with their own contractual stipulation according to which Railways were to procure additional 260 units of SUDWC from the private firm only after the successful trial of initial lot of 60 units for a period of six to eight weeks. The committee's examination, however, revealed that while a number of water coolers continued to be installed till the end of October 1989, the then Executive Director (Dev.) in a rather inexplicable manner considered the two performance reports for the period ending 31 October and 1 to 10 November 1989 furnished by the Northern Railways to imply that the water coolers had been "in service for an average cycle of about 7 weeks" which was patently incorrect and recommended that the firm be permitted to supply additional 260 units, Undoubtedly, the trials of the initial lot of 60 water coolers had not taken place for the stipulated period. In the opinion of the committee, this fact amply proves that the Railways Administration had a soft corner for this particular firm and the authorities were in undue haste to place orders for the additional quantity of 260 water coolers. The committee consider it unfortunate that such a grave irregularity in enforcing contractual obligation went unnoticed at different levels in the Railway Board. What is still more surprising is that the Railway Administration preferred to rely on the performance report relating to the month of November which by no stretch of imagination can be called an appropriate period in the northern part of the country for

judging the performance of water coolers which were still in a developmental stage.

[Sl. No. 9 (Para No. 80) of Appendix V to 23rd Report of PAC (11th Lok Sabha)]

**Action Taken by Ministry of Railways**

Noted for compliance.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

**Recommendation**

What is still more disturbing is the fact that while the Chief Electrical Services Engineer in the Northern Railway has endorsed the view point expressed by RDSO on the adverse impact on the train lighting system due to provision of mechanical water cooler in coaches and apprised the Secretary (Elec.) in the Railway Board of the same on 4 October 1989, the Railway Board did not appear to have taken cognisance of these findings before placing order for additional 260 units of SUDWC. On the other hand, the then Executive Director (Dev.) in a rather unusual manner took into account only the two performance reports furnished by the Chief Rolling Stock Engineer in Northern Railway and concluded in his note recorded on 17 November 1989 that the results of the detailed analysis of the performance reports prepared by the Northern Railway did not predict any nature of defects as projected by RDSO. Evidently, there was complete and deliberate lack of co-ordinated approach in the Railways Board which failed to give credence to the defects in mechanical water coolers as pointed out by RDSO and the Electrical wing of the Northern Railway. The committee express their unhappiness over this state of affairs and they desire Railway Board to deal with such matters in a rational manner in future.

[Sl. No. 10 (Para No. 81) of Appendix V to 23rd Report of PAC (11th Lok Sabha)]

**Action Taken by Ministry of Railways**

Noted for compliance.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

**Recommendation**

The committee note that the Railway Board placed another order for 300 SUDWC in April 1991 despite the RDSO pointing out certain defects in the performance of SUDWC in their reports of March and November 1990. According to the Ministry of Railways, it was decided to extend the order of the private firm by 300 numbers because the public response to fitment of those water coolers was very encouraging. The committee find it difficult to accept this plea of the Ministry in the absence of any justifiable evidence.

[Sl. No. 11 (Para No. 82) of Appendix V to 23rd Report of PAC (11th Lok Sabha)]

**Action Taken by Ministry of Railways**

Noted for compliance.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

**Recommendation**

What has further perturbed the Committee is the fact that the Railway Board did not also pursue RDSO's another recommendation contained in its Techno-economic Report of November 1990 to conduct extended field trials of 200 numbers of electrical water coolers with open type compressor as an alternative to mechanical type of water coolers. Although this matter was stated to have been considered by the Railway Board and not accepted by them, the Committee were informed during evidence that no record on this aspect was available any where in the Board. The only conclusion that can be drawn from this fact is that the findings and the technical opinions expressed by RDSO from time to time were not given any consideration by the concerned wing of the Railway Board nor any efforts made to promote development of other types of water coolers under experiment with ICF.

[Sl. No. 12 (Para No. 83) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

**Action Taken by Ministry of Railways**

Noted for compliance.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

**CHAPTER III**  
**RECOMMENDATIONS/OBSERVATIONS WHICH THE**  
**COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF**  
**THE REPLIES RECEIVED FROM GOVERNMENT**

**Recommendation**

What has further disquieted the Committee is the manner in which the Railway Board enhanced the orders for procurement of SUDWC from 60 units to 320 units within 13 days from the date of placement of initial order. The Committee have been informed during the course of examination of the subject that the then Minister of State (Railways) in a note to Chairman, Railway Board and Member (Mechanical) had desired to know the reasons for ordering only 60 water coolers against his instructions of 400 units and ordered that the additional quantity to cover 80 prominent trains should be issued within seven days. Accordingly, the Board had increased the quantity to 320 units on the basis of specified trains operating from Delhi with the proviso that the enhanced quantity of 260 numbers would be supplied after six to eight weeks of satisfactory service experience of the first lot of 60 units of SUDWC. The Committees's scrutiny of the relevant records of the Railway Board, however, revealed that the Member (Mechanical) in his note to the Minister of State (Railways) did not bring to his notice that the particular type of water coolers had not been fully tested and that the order for even first lot of 60 units was based on inadequate trials without any technical appraisal of the equipment offered by the private firm. In view of foregoing, the Committee are of the firm opinion that the Railway Board failed to advise the Minister of State (Railways) in the right perspective and they cannot absolve themselves of this responsibility.

[Sl. No. 6 (Para No.77) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

**Action taken by Ministry of Railways**

The matter had been discussed by the Board with Minister of State for Railways (MOSR) from time to time regarding fitment of water coolers as an item of passenger amenity. While apprising the position to MOSR, *vide* Note of 21/7/89, Board (MM) had brought out "keeping in consideration the developmental nature, which may require close monitoring and perhaps occasional adjustments as necessary, it would be prudent to contain the initial application..." Further, care was taken to accept the enhanced quantity after knowing the results of trials as brought out in the above note. "It is intended that developmental order for this number (320) be placed on the firm with the proviso that the bulk delivery



will follow successful operation on the Shan-e-Punjab and Malwa Express rakes over a period of a few weeks.”

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

#### **Recommendation**

While the tender committee had recommended that the inspection of first lot of 60 units of SUDWC be carried out by Director General (RDS) or his authorised representatives, the then Executive Director (Dev.) had modified the recommendation and assigned this task to Chief Mechanical Engineer of Northern Railway. Considering the fact that the tender committee in their wisdom had specifically assigned the task of inspection of SUDWC to RDSO which is a specialised agency for standardising the specification of equipments in use in Railways, the Committee are unable to comprehend as to what specific considerations weighed with the then Executive Director (Dev.) in modifying that recommendation of the tender committee to entrust the task to the same authority which had also been assigned the task of subsequently judging the performance of the equipment under development.

[Sl. No. 7 (Para No.78) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

#### **Action taken by Ministry of Railways**

All Purchase Orders issued by Indian Railways carry an inspection clause and depending upon the nature of the commodity, the type of the order and location of the supplier, the inspecting authority can be Indian Railway's representative posted abroad, agencies like RITES, DG/RDSO or the consignee of the user Railway/Production Unit. Therefore assigning the inspection to Mechanical Department of Northern Railway was in accordance with the laid down procedure.

Comprehensive instructions to monitor the performance of Water Coolers were issued by Northern Railways. The train accompanying staff such as conductors, TTEs and coach attendants were requested to check the functioning of water-coolers and report any defect at the terminating station. The actual trials were conducted according to the guidelines and Northern Railway co-ordinated the field trials.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

**CHAPTER IV**  
**RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH**  
**HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH**  
**REQUIRE REITERATION**

**Recommendation**

The Committee note that the first service trials of SUDWC conducted on 3 May 1989 on a Northern Railway coach were unsuccessful and had to be abandoned and the Chief Mechanical Engineer of Northern Railway had opined that the arrangement did not have the potential for success. However, the subsequent field trials undertaken by Northern Railway on the same coach between 25 May and 1 June 1989 were considered successful and a decision was taken in the Railway Board to procure 60 units of SUDWC for extended trials. In the absence of any technical evaluation and appraisal of SUDWC by a specialised agency, the Committee are unable to comprehend as to how the Railway Board could consider the field trials of only one SUDWC for a week as successful enough to conclude that as many as 60 units of that water cooler could be procured in the first instance for extended field trials. Obviously, the whole matter was dealt with in a perfunctory manner in the Railway Board and it calls for a plausible explanation.

[Sl. No. 3 (Para No.74) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

**Action taken by Ministry of Railways**

The progress of development of a suitable water cooler for self generating coaches (from June 88—when ICF turn out first water cooler—January 89) was very slow and a suitable inverter had still not been developed. Therefore, as parallel action, 1 No. SUDWC type of water cooler was put under trial. Though the immediate requirement was estimated to be 320 Nos. Railway Board decided to procure 60 SUDWC in June 89 for only 2 trains with a view to gain some more experience before going in for full quantity. These had shown promising results during field trials on Northern Railway.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

**Recommendation**

What has perturbed the Committee more is the manner in which the tender inquiry addressed to the private firm for procurement of 60 SUDWC's was floated by the officials in the Railway Board. The Committee examination has revealed that the approval for inviting tenders was accorded by the Adviser (Finance) on 3 July 1989 and Executive

Director (Dev.) had issued direction to junior officials on 4 July 1989 that the tender inquiry might be floated. Accordingly, a note "inviting quotations for supply of 60 numbers of water coolers indicating last date of receipt of tender 1430 hrs. on 6.7.89" was submitted by two officials having their signatures affixed on 6 July 1989. Curiously enough, the date of signature of both these officials on that note was subsequently superscribed as 4 July 1989. Obviously, these two junior officials were not aware of the implication of the date when they submitted the note to the Executive Director (Dev.) who while signing that note had put the date as 4 July 1989. Considering the fact that the supply of SUDWC was to be obtained from a single source, the Committee fail to understand as to what prompted the Railway authorities to process and finalise the tender inquiry in a hurried and suspicious manner by resorting to even superscribing the dates on the note. They, accordingly, desire that this matter should be thoroughly looked into with a view to ascertaining whether any extraneous considerations guided the course of action in the instant case.

[Sl. No. 4 (Para No. 75) Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

#### **Action taken by Ministry of Railways**

As desired by PAC, Board (CRB) ordered investigations into the case (Board's File No. 88/Dev. Cel/IGRI/20) with regard to alleged superscription of date by two officials of Railway Board on a note inviting quotations. This was examined by Vigilance Directorate of Railway Board who have recorded after scrutinising "The TC minutes place at PP-15 to 18/n *ante* thereof the date 10th of July 1989 and note 46th July. The recommendation of TC has been accepted by T.A.A. on 12.07.1989. Thus there is no substance in the allegation that change in the date of the minutes of TC was made."

Taking an overall view of the matter, Board's Vigilance has come to the conclusion that the case is devoid of any Vigilance angle, CVC has also concurred in Board's view *vide* their UO No. 9807. Rly. 6 dt. 5.3.98.

[Ministry of Railways O.M. No. 97-BC-PAC/XI/23 dated 12.04.1999]

#### **Recommendation**

The Committee note that the Ministry of Railways had forwarded a proposal to RDSO in August 1989 to study SUDWC and evaluate its performance. The Audit paragraph however, brings out that while RDSO had made available their findings in September 1989 to Northern Railway and the Railway Board pointing out certain design and operational problems in SUDWC and advised discontinuance of further procurements

till these problems were satisfactorily resolved, the Railway Board went ahead with procurement of additional 260 units in November 1989. During his deposition before the Committee, the Chairman, Railway Board initially maintained that "the RDSO had at no point of time told the Railway Board that the trials should be discontinued". He also placed before the Committee a copy of the letter of RDSO dated 14-15 September 1989 according to which RDSO had advised that "the provision of the mechanical water cooler should be watched and feedback sent to RDSO so that a satisfactory solution is found to the problems...". Amazingly, the Committee's further scrutiny-during the course of oral examination of the subject revealed that the very same copy of this letter available in the files of Northern Railway Headquarters contained a contradictory version whereby the RDSO had advised that "the provision of the mechanical water cooler should be discontinued till a satisfactory solution is found to the problems..." During evidence, the Chairman, Railway Board subsequently admitted that it was a very serious matter and that the Railways were ordering an inquiry into the same. Yet the fact remains that the advise of RDSO as contained in the copy of the relevant letter available in the files of RDSO and the Railway Board is at variance with that available in the files of Northern Railway Headquarters. Undoubtedly, unscrupulous elements had forged the contents of the RDSO letter with ulterior motives. In the opinion of the Committee, this fraud could be perpetrated only with the active collusion of Railway authorities. What is still more distressing is the fact that this gross irregularity had either remained undetected in the Railway Board or the Railway authorities deliberately chose to keep the Committee in the dark about this fraudulent action till the Committee themselves pointed out the same during the course of oral evidence on the subject. While deprecating this outrageous conduct by the Ministry of Railways, the Committee strongly recommend that an inquiry into the whole episode relating to forged documents may be conducted expeditiously by an independent investigative agency with a view to identifying the persons responsible for this criminal act and initiating appropriate legal action against them. The Committee would like to be apprised of the finding of such enquiry and action taken thereon within a period of three months.

[Sl. No. 9 (Para No. 80) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

#### **Action Taken by Ministry of Railways**

Board (CRB) ordered investigation into varying versions noted into RDSO's letter No. EL/7.1.6/J-7 dated 14/15-9-89 addressed to General Manager (Electrical) N. Rly. and copy thereof endorsed to Board which reveals:

(i) The concerned officials of RDSO after inspection of water-coolers gave his observations on water-coolers performance to the office in a letter, duly signed. He had observed therein that the trial of water-coolers be discontinued immediately.

(ii) Later on he happened to discuss the subject with his Director and came to know that RDSO has to offer a solution, notwithstanding the faults detected. Hence, Northern Railway were asked to watch the performance and send feed back to RDSO, water-cooler being a passenger amenity item. It was further indicated that September (during which the performance of water coolers was watched), being relatively cold, performance could be watched for some more time before taking a final view.

(iii) The concerned official of RDSO, therefore partially modified last two sentences of para 4 of page 2 and gave the revised letter to the office for issue. No change was made in the main body of the letter wherein the deficiencies of mechanical water-coolers have been highlighted.

(iv) There is, therefore, no change in the technical comments given by the concerned official of RDSO in any of the letters to Northern Railway and the Board's office.

(v) The concerned official has merely faulted in not ensuring withdrawal of his earlier letter to Northern Railway.

Taking an overall view of the matter, the vigilance opines that the case is devoid of any vigilance angle. This view was upheld by CVC *vide* their UO No. 9807 Rly., 6 dt. 5.3.98 and hence it did not merit initiating action against any official.

[Ministry of Railways O.M. No. 97 BC-PAC/XI/23 dated 12.04.1999]

#### **Recommendation**

During the course of examination, the committee have been informed that the Railway Board decided to discontinue fitment of water coolers on coaches in May 1992 because Railways went into maintenance problems and could not continue with the trials. An inquiry committee was also constituted on 6 July 1992 to *inter alia* ascertain "the reasons for not monitoring and why due attention could not be paid for repairs." According to the information made available to the committee, the inquiry committee submitted its report on 20 October 1992 and found the working of water coolers unsatisfactory on several counts and recommended that no water coolers of this design be further installed. The committee hold the Railway Board themselves responsible for this fiasco resulting not only in the abrupt abandonment of the passenger amenity but also rendering the entire expenditure of over Rs. 1.90 crores infructuous.

[Sl. No. 13 (Para No. 84) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

#### **Action Taken by Ministry of Railways**

Normally, only after careful study of various alternatives available development of an item is undertaken. Because of careful scrutiny at various stages of development, it has been possible to achieve successful

results. However, there has been cases where the development did not succeed but such cases are generally few and far between.

Development basically being akin to applied research, the results thereof can be known after trials/experiments. Hence considering the overall situation, the expenditure incurred in unsuccessful development of water-coolers may not be treated as infructuous but an equipment that failed.

[Ministry of Railways O.M. No. 97-BC-PAC XI/23 dated 12.04.1999]

### Recommendation

To sum up, the Committee's examination of the scheme evolved by the Ministry of Railways to provide water coolers in coaches and its eventual abandonment has revealed serious shortcomings/irregularities. There were clear instances where Railway Board not only displayed lack of coordination and concerted approach but also functioned in an unbridled manner ignoring the findings of their own agencies on the deficiencies in the design and operation of SUDWC. There were also occasions when indulgence was shown to the private firm at various stages. Above all, the Railways had miserably failed to detect the criminal act whereby the contents of a specific letter were forged to change the course of action for procurement of a particular design of water cooler. The Committee deplore this unsatisfactory conduct and desire that the facts brought out in this report should be thoroughly looked into by the Ministry of Railways with a view to streamlining their systems and procedures as well as taking adequate action against persons found responsible for the glaring acts of omissions and commissions. The Committee would like to be apprised of the precise action taken in the matter.

[Sl. No. 14 (Para No. 85) of Appendix V to 23rd Report of PAC  
(11th Lok Sabha)]

### Action Taken by Ministry of Railways

As pointed out in the remarks against Para 79, there has been no serious shortcomings/irregularities committed nor has there been any criminal act in the efforts made in the development of water-coolers. The vigilance has opined that the case is devoid of any vigilance angle. This view has been upheld by CVC *vide* their U.O. No. 9807 Rly. 6 dated 5/3/98 and hence it does not merit initiating action against any official.

The valuable suggestion made by the Committee is noted.

[Ministry of Railways O.M. No. 97 BC-PAC/XI/23 dated 12.04.1999]

**CHAPTER V**  
**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH**  
**GOVERNMENT HAVE FURNISHED INTERIM REPLIES**

—Nil—

NEW DELHI;  
27 November, 2000  

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6 Agrahayana, 1922 (*Saka*)

NARAYAN DATT TIWARI,  
*Chairman,*  
*Public Accounts Committee.*