

**COMMITTEE ON PUBLIC UNDERTAKINGS**

**(2003 – 2004)**

**(THIRTEENTH LOK SABHA)**

**FORTY NINTH  
STUDY TOUR REPORT**

**ON**

**rites limited**

**Laid in Lok Sabha on 19.12.2003**

**LOK SABHA SECRETARIAT**

**NEW DELHI**

**December, 2003 / Agrahayana 1925 (S)**

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS

( 2003 – 2004 )

CHAIRMAN

**Prof. Vijay Kumar Malhotra**

**MEMBERS**

**LOK SABHA**

2. Shri Mani Shankar Aiyar
3. Shri Ram Tahal Chaudhary
4. Smt. Reena Choudhary
5. Smt. Sangeeta Kumari Singh Deo
6. Shri C. K. Jaffer Sharief
7. Shri K. E. Krishnamurthy
8. Dr. Ramkrishna Kusmaria
9. Shri Vilas Muttemwar
10. Shri Shrinivas Patil
11. Shri Prabhat Samantray
12. Shri Tarit Baran Topdar
13. Prof. Rita Verma
14. Shri A.K.S. Vijayan
15. Shri Dinesh Chandra Yadav

**RAJYA SABHA**

16. Shri Suresh Kalmadi
17. Shri Lalitbhai Mehta
18. Shri Kalraj Mishra
19. Shri Satish Pradhan
20. Shri K. Kalavenkata Rao
21. Shri Jibon Roy
22. Smt. Ambika Soni

**SECRETARIAT**

- |                       |                      |
|-----------------------|----------------------|
| 1. Shri John Joseph,  | Additional Secretary |
| 2. Shri S.Bal Shekar, | Director             |
| 3. Shri C.S.Joon,     | Deputy Secretary     |
| 4. Shri Raj Kumar,    | Under Secretary      |

## **INTRODUCTION**

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Forty Ninth Study Tour Reports on the Tables of both the Houses of Parliament, I, the Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Forty Ninth Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of RITES Limited.

2. The Committee held discussions with the officials at Hyderabad on 12.4.2003. A copy of the tour programme is annexed (Annexure-II).

3. The Committee considered and approved the Report at their sitting held on 17 December, 2003.

4. The Committee wish to express their thanks to. RITES Limited for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi  
17 December, 2003  
26 Agrahayana, 1925(S)

**PROF. VIJAY KUMAR MALHOTRA**  
**CHAIRMAN**  
**COMMITTEE ON PUBLIC UNDERTAKINGS**

**STUDY TOUR NOTES**  
**OF THE COMMITTEE ON PUBLIC UNDERTAKINGS**

**DISCUSSION WITH THE REPRESENTATIVES OF RITES LIMITED**  
**AT HYDERABAD ON 12<sup>TH</sup> APRIL, 2003**

At the outset, the Chairman, Committee on Public Undertakings (COPU) made opening remarks and then requested the Managing Director, RITES Ltd. to introduce himself and his colleagues to the Committee. The Chairman, COPU also requested him to give a brief account of the working of Company.

2. Following the introduction of officials of the Company, the Managing Director, RITES informed the Committee that the RITES, a Government of India Enterprise was established in 1974, under the aegis of Indian Railways. It provides comprehensive consultancy services in Transport Sector under a single roof and believes in transfer of technology of client organizations. Since its inception in 1974, the Company has emerged as a leading international consultancy and project management organisation not only in railway engineering but also in all modes of transport infrastructure. In overseas projects, RITES actively pursues and develops cooperation with local Consultants ./ firms both as a means of maximum utilization of local expertise and as an effective instrument of sharing its expertise and experience.

3. The Company is internationally recognized as a leading consultant with operational experience over 55 countries in Africa, South East Asia,

Middle East and Latin America. Most of RITES foreign assignments are for National Governments and other apex organizations. In India, the clients range from State Governments, Public Sector Undertakings and Corporations to industrial establishments and private enterprises. The Company is registered with international funding organizations such as :-

- World Bank
- Asian Development Bank
- African Development Bank
- United Nations Industrial Development Organization
- United Nations Development Programme
- Kuwait Fund for Arab Economic Development

4. The Committee have been further informed that the Company is providing following services in all modes of infrastructure development including, Railways, Highways, Airports, Urban Transport, Inland Waterways, Ports and Harbours, Bridge and Tunnels, Ropeways & Pipelines, Urban Infrastructure, Environmental Engineering, Procurement and Export of rolling stock and spares :-

- Pre-Project planning involving project identification, feasibility studies and project appraisal
- Project support activities comprising surveys, environmental impact assessment, geotechnical and other investigations
- Project preparation activities of detailed engineering, design, tender documentation, bid evaluation
- Project implementation / management covering contract administration, field engineering and construction

supervision, procurement services, product certification, and quality assurance.

- Commissioning, operation, maintenance and training.

5. The service spectrum of RITES includes Multi modal Transport Studies; Design and Detailed Engineering; Project Management and Construction Supervision; Quality Management / ISO 9000 / ISO 14000; Material Procurement; Workshop Management; Operation and Maintenance; System Engineering; Management Information Systems; Economic and Financial Evaluation; and Privatisation and Concessions.

The Company is giving special emphasis on Urban Transport Planning; Self financing and economic proposals; Prioritisation of schemes; Investment Planning; and On-time and within budget.

The support services of RITES are Architecture; Survey; Finance and Accounts; Environmental Engineering; Hydrography; Structural Engineering; Geo-technology; Photogrammetry; Industrial Engineering; Town Planning; and Marine Engineering.

6. When asked to state who are the main competitors of RITES in India and abroad, the Committee have been informed that since the Company was operating in all the areas of transport infrastructure, there are quite a few competitors both in private and public sectors in India and abroad. The competition in railway sector is faced from the small firms set up by the retired railway officers while in Highway sector, it is from big consulting firms of comparable size, both Indian and foreign. However, the

Company is geared up to face this competition and feels that the competition is healthy for its growth. The Company forms strategic alliances and joins hands with other consulting engineering firms both in public and private sector, wherever required, to meet the clients' aspirations and market needs.

7. The Committee have also been informed that the Company was accorded Mini Ratna status in January, 2002 but the Company has been able to exercise the enhanced powers now as the Non official Directors were appointed in the month of December 2002 and the Audit Committee was set up in February 2003. Award of 'Mini Ratna' status has increased self-pride and has also enhanced the motivation level. In addition, the Company will also be able to derive the benefit of the knowledge and enrich experience of the non-official Directors also.

8. As per the information furnished to the Committee, the break-up of the domestic and overseas contracts secured by the Company during the years from 1997-98 to 2002-03 (till Feb., 2003) is given below :-

(Rs. in lakh)			
<b>YEAR</b>	<b>DOMESTIC PROJECTS</b>	<b>OVERSEAS PROJECTS</b>	<b>TOTAL</b>
1997-98	7118	4653	11771
1998-99	17570	3503	21073
1999-00	11901	13122	25023
2000-01	8893	9501	18394
2001-02	14694	8647	23341
2002-03 (Till Feb'03)	16409	25627	42036



When asked to state the reasons which generally delay the completion of projects, the Committee have been intimated that most of the RITES contracts pertain to consultancy and project management assignments. Generally the nature of delay in such contracts are due to non-approval of reports by clients, non-availability of land and shortage — non-availability of client funds. Generally there are non-significant projects delayed on account of RITES alone. Some of the projects whose completion is covered as per the MoU are regularly reviewed with the Ministry of Railways where the reasons for the delay are analysed and effective action is taken to avoid any delay. RITES have recently entered into EPC contracts wherein some project delays could occur due to the fault of the Contractors. Such contractors are suitably penalised for these delays.

9. The information furnished by the Company to the Committee about the major on-going projects in India and abroad are given below :-

MAJOR PROJECTS : INTERNATIONAL (ONGOING – FEBRUARY, 03)		
BANGLADESH	-	Supply and maintenance of locomotives
	-	Provision of AC passenger coaches on BOT basis
	-	Construction supervision of Shikarpura road bridge
	-	Regional rail traffic enhancement study (ADB funded)
COLOMBIA	-	Maintenance management services for rolling stock for Atlantic railway
ETHIOPIA	-	Consultancy services for Makenajo–Nego-Mendi road
	-	Consultancy services for P Nazareth Asela-Dodola and Sheshmane road

IRAN	-	Engineering supervision services for Karadj rail workshop
IRAQ	-	Supply of various railway equipment (UN oil for food programme)
MALAWI	-	Technical & Management Support services to Central East African Railway
MALAYSIA	-	Design Engineering services to Malaysian railway consultants
MOZAMBIQUE	-	Financial management services for CFM Mozambique Railway
MYANMAR	-	Feasibility study for establishing waterways / road link between India and Myanmar
SRI LANKA	-	Feasibility study for Concessioning of Sri Lanka Railways
	-	Supply of class-8m locomotive spares
	-	Upgradation and maintenance of diesel electric locomotives shed
TANZANIA	-	Leasing of 10 YDM4 locomotives
	-	Rehabilitation of wagons on BOT basis (Phase – II)
UAE	-	Design support services for railway electrification and S&T project in UK
UNITED KINGDOM	-	Design support services for railway electrification and S&T project in UK
UGANDA	-	Kampala traffic improvement – Consultancy services
DOMINICAN REPUBLIC	-	Preliminary study for construction of a railway system connecting port of Haina and Santiago

MAJOR PROJECTS - INDIA (RECENT)		
HIGHWAYS & ROADS	-	Design engineering & construction supervision services for National Highways and State road in – Chattisgarh, Haryana, Rajasthan, Bihar, Tamil Nadu, Punjab, Delhi, Maharashtra, Goa, Gujarat
AIRPORTS	-	Construction Supervision of Runways at three airports in Northern India
PORTS & WATER RESOURCES	-	Consultancy services for Kakinada Port – Andhra Pradesh
	-	Planning survey and design engineering of Narmada Main Canal, Kutch Branch Canal – Gujarat

RAIL BRIDGES	-	Engineering services for Patna, Monghyr, Jubilee and Bogibil rail bridges
SURVEY	-	Detailed survey and Geotech investigations for Quazigund-Baramullah new BG line and Myanaguri to Jogighopa rail line
URBAN TRANSPORT	-	General consultancy services – Delhi Metro
	-	Engineering services for Tollyganj Ghariya metro extension – Kolkata
	-	Detailed project reports for metros at Bangalore, Hyderabad and Delhi Phase II.
	-	High capacity bus system for Delhi
URBAN INFRASTRUCTURE	-	Consultancy services for new industrial area Delhi – DSIDC
	-	Engineering services for ICD at Dadri
MATERIAL MANAGEMENT SYSTEM	-	Procurement management services for world bank funded projects – <ul style="list-style-type: none"> <li>• Indian Agriculture Research Institute</li> <li>• Ministry of Health &amp; Family Welfare</li> <li>• State Health Services, West Bengal</li> </ul>
PROJECT MANAGEMENT AND CONSTRUCTION SUPERVISION	-	C-DoT campus at Chhatarpur – Delhi
	-	Residential colony at Dwarka for Delhi Police
	-	Merry-go-round railway system – Tenughat
	-	Staff quarters for EPF Organization
	-	Captive rail line at Nagpur – MSEB
	-	Construction supervision of group housing for Ministry of Defence
	-	Navodaya Vidyalayas
PROPERTY DEVELOPMENT	-	Re-development of :- <ul style="list-style-type: none"> <li>• New Delhi railway station</li> <li>• Howrah railway station</li> </ul>
INFORMATION TECHNOLOGY	-	Software development for :- <ul style="list-style-type: none"> <li>• ITPO</li> </ul>

		<ul style="list-style-type: none"> <li>• Forestry management information system – Kerala Government</li> </ul>
SIGNALLING & TELECOMMUNICATION	-	Maintenance of S&T facilities at Haldia dock complex – Kolkata
MECHANICAL DESIGN	-	Designing of container flat wagons
	-	Designing of lighter frameless tank wagon
OPERATION & MAINTENANCE SERVICES	-	O&M of merry-go-round system for various NTPC coal delivery system at Farakka, Khelgaon, Talchar, Tatanagar, Dadri, Badarpur, Kothaguodam, etc.

10. When enquired about the involvement of the Company in various Highway Projects and Prime Minister's Golden Quadilateral Project, the Committee have been informed that RITES is actively participating in various projects undertaken by National Highway Authority of India (NHAI) under the Prime Minister's Golden Quadilateral Project. It has secured many important contracts under this scheme. The growth of highway sector has significantly contributed to RITES growth profile and RITES is today recognised as one of the foremost consulting firms in Roads and Highway Sector. In addition, RITES was also involved in implementing the Pradhan Mantri Gramin Sadak Yogna in Chhatisgarh. The Highway projects undertaken by RITES in various States including Orissa and Andhra Pradesh are given below :-

1.	<p>Construction supervision of National Highways for NHAI :-</p> <ul style="list-style-type: none"> <li>a) Karur ROB in Tamil Nadu</li> <li>b) NH 1 in Punjab</li> <li>c) Km 8 to Km 16 on NH 1 in Delhi</li> <li>d) Km 156/0 to 163/4 as NH 7 in Tamil Nadu</li> <li>e) Surat Manor (Lead Consultant BCEOM, France)</li> <li>f) 4 laning of NH 6 in Andhra Pradesh</li> <li>g) 8/6 laning of Km 16 to 29.3 and Km 44 to Km 66 in Delhi and Haryana</li> </ul>
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	<ul style="list-style-type: none"> <li>h) NH 2 Km 240-250 in Bihar and 250-320 in Jharkhand</li> <li>i) Delhi – Gurgaon expressway – Km 14.3 to 42 of NH 8</li> <li>j) 4 laning and strengthening of existing 2 lane stretches from Krishnagiri – Ranipet of NH 46, Easterly Bypass and Walajhpeta Bypass on Nh 46 and NH 7 in the State of Tamil Nadu (Contract packages KR/1, KR/2 &amp; KR/3)</li> </ul>
2.	Proof checking and construction supervision of Pune bypass
3.	Quality check for road and bridge work – PWD, Goa
4.	Consultancy services for construction supervision for 6/4 laning of NH 5 in AP – NHAI
5.	Construction supervision and total quality control of rural roads sanctioned under Pradhan Mantri Gram Sadak Yojna in Chattisgarh – Government of Chattisgarh
6.	Consultancy services for supervision of improvement and Routine Maintenance Contract of National Highways for NHAI :- <ul style="list-style-type: none"> <li>a) Section of NH – 1 (Package 1)</li> <li>b) Section of NH – 2 (Package II)</li> <li>c) Section of NH – 8 (Package III)</li> <li>d) Section of NH – 4 &amp; 8 (Package IV)</li> </ul>

11. To a query about foreign clients' satisfaction, it has been informed to the Committee that the RITES track record in client satisfaction for its overseas projects is quite good. The fact is also supported by the repeat orders from many clients such as Sri Lanka, Bangladesh, Tanzania, Vietnam, etc.

12. When enquired as to why Japanese and Korean Technology is being used in Delhi Metro Project, the Committee have been informed that Delhi Metro Project has substantially been funded by Japanese Government. Japanese and Koreans have also the latest state-of-art technology in the various spheres of Metro constructions, rolling stock, etc. All the contracts have been awarded by DMRC through international competitive bidding. In order to avail and absorb the latest technology in the Metro transport field, RITES had tied up with Japanese consultants

who are transferring know-how to RITES team where almost 80% of the Consultant's manpower is from RITES. Technology for manufacture of metro coaches is also being transferred to BEML, Bangalore from Japan and Korea which will help in meeting future requirements indigenously.

13. It has come to the notice of the Committee that the purchase preferential policy for products made and services rendered by PSUs is not being adhered to by some of the Governmental organisations.

14. The financial performance of the Company during the years from 1991-92 to 2001-02 is as under :-

(Rs. in Crore)

YEAR	TURNOVER		NET PROFIT (AFTER TAX)	
	TARGET	ACTUAL	TARGET	ACTUAL
1992-93	60	59	4	8
1993-94	61	65	5	8
1994-95	62	81	4	12
1995-96	80	110	10	16
1996-97	105	135	15	18
1997-98	115	133	14	15
1998-99	125	142	12	10
1999-00	130	172	6	16
2000-01	165	181	9	15
2001-02	182	283	7	39

15. It was pointed out by the Committee that the actuals turnover and profit in the last three years is quite higher than the budgeted ones. When asked the reasons for the same, the Committee have been informed that the budgeted turnover and profit is an estimate based on orders in hand and other market conditions at the time of budget preparation to fix the achievable targets. However, during the course of year the actual market conditions change and in the case of RITES these have turned out to be

favourable resulting in better results than those targeted. In some cases, the better results could be achieved through expeditious deliveries of export orders than the scheduled time of deliveries and though RITES continuously makes efforts to seek a higher rate of growth. During the last four years, RITES has been able to achieve higher profit due to spurt in overseas business from countries like Sri Lanka, Bangladesh & UK for export of services and rolling stock which gave high peaks in such profits.

16. When asked to state the reasons for the decline in the profits during the years from 1997-98 to 2000-01 as compared to 1996-97, it has been informed to the Committee that decline in profits can be attributed to the following :-

- i) Shrinking of margins due to overall recession and stiff competition both in domestic and overseas market.
- ii) Due to implementation of 5<sup>th</sup> Pay Commission, there has been considerable increase in the employee's remuneration and benefits which has resulted in increased expenditure. The recommendations of 5<sup>th</sup> Pay Commission were effective from 1.1.1996. Provision of employee's remuneration based on the recommendations was made for a period of three months in the year 1996-97 as against provision for the full year from the financial year 1997-98 onwards.
- iii) Company was awarded a contract from Iraq on deferred payment basis. To meet the working capital requirement,

Company secured loan from bankers / financial institution. Payments due under the contract were certified by the client and were remitted to the Central Bank in Iraq but due to imposition of UN sanctions on Iraq, amount could not be repatriated out of Iraq. This has resulted in non-servicing of interest liability which has increased from year to year resulting decline in profits.

- iv) In the year 1996-97, Company executed a high value contract for export of rolling stock. Repeat orders for such high value contracts cannot be secured on regular basis as a result of which, the margins and the quantum of the turnover keeps on changing from year to year.

17. When enquired about the break-up of profit from domestic and overseas business, the information furnished by the Company to the Committee is given below :-

(Rs. in Crore)

Year	Profit before tax – Overseas Projects	Profit before tax Domestic Projects	Iraq implication Profit (Loss)	Total profit before tax	Tax	Net profit after tax
1996-97	9	25	(8)	26	8	18
1997-98	7	21	(8)	20	5	15
1998-99	9	13	(8)	14	4	10
1999-00	10	23	(9)	24	8	16
2000-01	16	19	(11)	24	9	15
2001-02	61	14	(19)	56	17	39



18. The details of foreign exchange earned and spent by the Company during the years from 1997-98 to 2001-02 are as under :-

(Rs. in Lakh)

YEAR	FOREIGN EXCHANGE	
	EARNED	SPENT
1997-98	4764	1498
1998-99	4139	1751
1999-00	5215	2029
2000-01	6144	2845
2001-02	15087	3196

19. When enquired about the reasons that the Foreign Exchange earned and spent by the Company remain relatively health, it has been explained to the Committee that in case of export of rolling stocks, the ratio of foreign exchange earning is higher than in case of foreign consultancy assignments. In case of exports, manufacturing is carried out in India involving least foreign exchange and the expenditure in foreign exchange relates to elements of commissioning, training and after-sale servicing only whereas consultancy assignments involve higher foreign expenditure due to experts being posted abroad whose salaries and other expenditures have to be paid in foreign exchange. In the year 2001-02, the share of export of rolling stock was much higher and, therefore, the ratio of foreign exchange earning improved at a higher rate.

20. The Committee have also been informed that as per the current provision in the Union budget, Companies including public sector undertakings, are required to pay 8% Service Tax on the services provided by them vis-à-vis no Service Tax payable by the Government

Departments like DGS&D for the similar services provided by them to their clients. (Quality Assurance Services). This causes a major price differential of 8% and extra price burden on public sector organisations like RITES, when their prices are compared with the Government Department for bid evaluation.

21. In the Annual Report, it has been stated that the globalisation has ushered in competition in all spheres of business at an unprecedented scale. The Company is stated to have geared itself to meet the challenges thrown by such changes. When asked about the impact on business of the Company, it has been intimated to the Committee that the key impact of this globalisation process is obviously the increased competition not only from domestic firms but from foreign firms for the Company operations in India and abroad. To meet the new challenges, the Company has adopted some of the following key strategies :-

- Increased networking with large international firms in India and abroad for expansion of business base.
- Focus on core competence building and technology upgradation in transport engineering sector.
- Focus on participating in selective bankable privatisation and concessioning projects in transport infrastructure sector
- Pro-active marketing efforts meeting the client's needs
- Continuous technological upgrading of the human resources and support infrastructure.

22. Based on these strategies, the Company has been successful to spread its business in different parts of the world. During the last 29 years of Company's international and domestic operations, the Company remains one of the few Indian proud companies who have the operational experience in more than 55 countries worldwide.

23. To a query about R&D efforts made by the Company, it has been informed to the Committee that being a design engineering firm it has a regular design engineering wing focused on design for rolling stocks and civil engineering design to meet its present and future requirements. It also actively collaborates with leading R&D Departments like RDSO of Indian Railways and IITs to meet its requirements.

24. As per information furnished to the Committee, the composition of the Board of Directors of RITES consists of a part-time Chairman, four (4) Functional Directors including one full time Managing Director, one (1) Government Director and three (3) Non-official part-time Directors. About the vacancies on the Board of Directors, it has been informed to the Committee that one post of Director is lying vacant since July, 2002. Proposal for appointment of Director against this post is under consideration with the Ministry of Railways.

25. The present strength of staff is 2144 which includes 368 deputationists from various Government Departments / PSUs. The requirement vary from time to time depending on the business related to international and domestic projects.

26. When asked whether any study has been conducted to find out the adequacy or otherwise of manpower requirements in the Company, the Committee have been informed that the Company is continuously monitoring and assessing its core strength requirements for various levels of engineers and other staff. It has been carefully studied and evaluated that a core strength of about 1700 engineers and staff would be required to meet its current business requirements. This excludes requirement for overseas manpower projects which vary from time to time due to fluctuating needs of clients. RITES makes continuous efforts to train and upgrade the skills of its employees and introduce suitable schemes so that it remains competitive with respect to the competitors. Being an international consultancy organisation having diverse projects in India and abroad, RITES has to review regularly its staff strength in different disciplines and engage relevant skill based engineers to meet its contractual obligations for ongoing projects for short-term and long-term needs.

27. When enquired how RITES is utilising its manpower in view of the market competitiveness and its need, the Committee have been informed that the manpower strength of the Company was assessed after a thorough study in the year 2001. The cadre has been bifurcated in two segments, core and floating cadres. In view of the fluctuating volumes of business due to varying market scenario, RITES continuously reviews its manpower requirement and whenever required, it adjusts the manpower

by hiring skilled experts for short term through contracts and through deputation from the Government. The recruitment for specific skills is also made every year through campus recruitment, open market and by absorbing the deputationists. The surplus manpower in non-technical categories is being reduced through schemes like VRS and re-deployment of staff after training.

28. The Committee have been informed that RITES have a reliable mechanism to deal with vigilance cases. It has a regular vigilance setup consisting of one part time Chief Vigilance Officer and following full time vigilance officials :-

- i) Dy. General Manager (from technical discipline) – 1
- ii) Asstt. Manager (from technical discipline) – 2
- iii) Secretariat Staff – 1

About the complaints received, disposed of and pending during the last three years, the information furnished to the Committee is as under :-

S. No.	Year	No. of Complaints			Disposed	Pending at the end of year *
		Bf	Current	Total		
1.	April 2000 to March 2001	3	17	20	9	11
2,	April 2001 to March 2002	11	12	23	13	10
3.	April 2002 to March 2003	10	21	31	23	8

On date only 3 cases are pending from more than one year out of which one is on CBI account.

It has also been informed to the Committee that management of the Company has taken appropriate action against the officials who were found guilty. The details are indicated below :-

Major DAR Action	Minor DAR Action	Administrative Action	Sanction for Prosecution	System improvement	De-listing of Lab/Firm
10	12	12	2	3	5

29. When asked about the status of disinvestment of RITES, it has been intimated to the Committee that it was being considered for disinvestment as per the current policy norms. However, RITES feel that the advantage of its being a PSU is being effectively used to seek projects in India and abroad as most of the transport infrastructure is Government owned or funded. It as a PSU can also freely draw upon manpower and other resources of Indian Railways and be flexible in its manpower requirements which could meet shrinkage or expansion of its business needs without having any permanent liability on its manpower strength.

30. When asked how RITES is helping in improving the safety of railway system in the Country, the Committee have been informed that although RITES is a public sector undertaking under the Ministry of Railways, it is not directly involved in day to day operations of Indian Railways including safety aspect. However, it is involved in the Quality Assurance – inspection of Railway material and components procured from the vendors (This excludes some of the critical items being inspected by RDSO). Due care is exercised during these inspections to ensure that

the materials meet the desired specification and conform to the required safety standards.

31. When the Committee sought views on formation of a mega consultancy firm by combining the consultancy sector in PSUs into one rather than bidding against each other, the Company submitted that a health competition is always desirable to give maximum value addition to its clients in Central and State Governments for the infrastructure project. However, the various PSU consulting firms are operating in quite different sectors and very rarely they compete with each other such as RITES operates in Transport Sector, EIL in Oil Sector, TCIL in Telecom Sector, EDCIL in Education, HCSIL in health sector and so on. In the opinion of RITES, combining the PSU firms to form a mega consulting firm may not bring out any tangible benefits.

## **RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE**

### **Recommendation No. 1**

#### **PURCHASE PREFERENCE POLICY**

The Committee note that the Union Government have extended the purchase preference policy for products made and services rendered by the central public sector enterprises for another period of two years i.e. from 1 April, 2002 to March, 2004. The Committee are given to understand that the purchase preference policy is not being adhered to by some of the Governmental organisations on one pretext or the other depriving the public sector enterprises including RITES of the advantage. They, therefore, recommend that the Government should issue fresh directives to the Governmental organisations to follow the purchase preference policy scrupulously.



## **Recommendation No. 2**

### **SERVICE TAX**

The Committee note that Government have levied 8% Service Tax on the services provided by the public sector enterprises to their clients. While, on the other hand, no Service Tax is payable by the Government Departments like DGS&D, for the similar services provided by them to their clients. The Committee feel that this causes a major price differential of 8% and extra burden on the public sector enterprises, including RITES, when their prices are compared with the Government Departments for bid evaluation. They are of the view that for a healthy competition, there should not be any differential treatment between the PSEs and Government Departments with respect to payment of Service Tax. The Committee, therefore, recommend that matter should be reconsidered by the Ministry of Finance so that the interest of the public sector undertakings are protected.

### **Recommendation No. 3**

#### **APPOINTMENT OF DIRECTOR**

The Committee note that one post of Director on the Board of Directors of RITES Ltd. has been lying vacant since July, 2002. It has been informed to the Committee that the proposal for filling up the vacancy is under the consideration of the Ministry of Railways. The Committee, therefore, urge the Government to take urgent action for filling up the vacant post of Director in the Company. They wish to be informed of the action taken in this regard.

**ANNEXURE-I**

**TOUR PROGRAMME OF THE COMMITTEE ON PUBLIC  
UNDERTAKINGS TO HYDERABAD, VISAKHAPATNAM AND CHENNAI  
FROM 12<sup>TH</sup> TO 15<sup>TH</sup> APRIL, 2003, AS ACTUALLY PERFORMED**

**( MEMBERS ASSEMBLED AT HYDERABAD )**

DATE AND DAY	TIME	VISIT & DISCUSSION
12.04.2003 (SATURDAY)	1600 hrs	Discussion with the officers of RITES Ltd.
	1800 hrs	Discussion with the officers of Mishra Dhatu Nigam Ltd.
<b>( NIGHT HALT AT HYDERABAD )</b>		
13.04.2003 (SUNDAY)	0615 hrs	Departure for Visakhapatnam by CD-7561 (0730 Hrs.)
	0830 hrs	Arrival at Visakhapatnam
	1030 hrs	Discussion with the officers of Rashtriya Ispat Nigam Ltd. (Audit Para Nos. 21.6.1 of C&AG's Report No. 3 of 2002)
	1200 hrs	Discussion with the officers of Bharat Heavy Plates & Vessels Ltd.
<b>( NIGHT HALT AT VISAKHAPATNAM )</b>		
14.04.2003 (MONDAY)	0900 hrs	Discussion with the officers of Hindustan Shipyard Ltd.
	1015 hrs	Discussion with the officers of Dredging Corporation of India Ltd.
	1330 hrs	Departure for Chennai by CD 7477 (1505 hrs)
	1610 hrs	Arrival at Chennai
	1800 hrs	Discussion with the officers of Bharat Petroleum Corporation Ltd. (Audit Para Nos. 16.1.1 & 16.1.2 of C&AG's Report No.3 of 2002)
<b>( NIGHT HALT AT CHENNAI )</b>		
15.04.2003 (TUESDAY)	0900 hrs	Discussion with the officers of Chennai Petroleum Corporation Ltd. (Audit Para No.16.2.1 of C&AG's Report No.3 of 2002)
	1045 hrs	Discussion with the officers of Shipping Corporation of India Ltd.

**DISPERSAL**

## **ANNEXURE – II**

### **COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS WHICH VISITED HYDERABAD, VISAKHAPATNAM AND CHENNAI FROM 12<sup>TH</sup> TO 15<sup>TH</sup> APRIL, 2003**

#### **MEMBERS, LOK SABHA**

1. Prof Vijay Kumar Malhotra, Chairman
2. Shri Ram Tahal Chaudhary
3. Shri K. E. Krishnamurthy
4. Dr. Prasanna Kumar Patasani
5. Shri Tarit Baran Topdar
6. Shri V. Vetriselvan

#### **MEMBERS, RAJYA SABHA**

7. Sh. Kalraj Mishra
8. Shri Satish Pradhan
9. Sh. K.Kalavenkata Rao
10. Sh. Lalitbhai Mehta

#### **SECRETARIAT**

1. Shri S Bal Shekar, Director
2. Shri Raj Kumar, Under Secretary

**ANNEXURE – III**

**LIST OF OFFICIALS OF RITES LTD. WHO WERE PRESENT  
DURING THE DISCUSSION WITH THE COMMITTEE ON PUBLIC  
UNDERTAKINGS AT HYDERABAD ON 12<sup>TH</sup> APRIL, 2003**

<b><u>S.No.</u></b>	<b><u>NAME</u></b>	<b><u>DESIGNATION</u></b>
1.	Shri D C Mishra	Managing Director
2.	Shri B L Bagra	Director Finance
3.	Shri V C Sharma	GM (Mktg. & Client Service)
4.	Shri S A Irfan	Chief Project Manager