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**STANDING COMMITTEE
ON RAILWAYS
(1999-2000)**

THIRTEENTH LOK SABHA

**MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

PROCUREMENT OF WAGONS BY RAILWAYS

*[Action Taken by the Government on the Recommendations/Observations
contained in the Twelfth Report of the Standing Committee on Railways
(1997-98) on 'Procurement of Wagons by Railways']*

FIFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 2000/Kartika, 1922 (Saka)

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Presented to Lok Sabha on.....

30 NOV '00

Laid in Rajya Sabha on.....

30 NOV '00



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NEW DELHI

November, 2000/Kartika, 1922 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE
ON RAILWAYS (1999-2000)

Shri K. Yerranaidu — *Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Anita Arya
3. Shri Avtar Singh Bhadana
4. Shri M. Chinnasamy
5. Shrimati Santosh Choudhary
6. Shri Priya Ranjan Dasmunsi
7. Shri P.D. Elangovan
8. Shri Manikrao Hodlya Gavit
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11. Dr. Madan Prasad Jaiswal
12. Shrimati Abha Mahato
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14. Shri Subodh Mohite
15. Shri Salkhan Murmu
16. Shri Jaibhan Singh Pawaiya
17. Shri Sohan Potai
18. Shri Naval Kishore Rai
19. Shri Gunipati Ramaiah
20. Shri Prabhat Kumar Samantaray
21. Shrimati Sushila Saroj
22. Dr. Nitish Sengupta
23. Shri Bahadur Singh
24. Shri Brij Bhushan Sharan Singh
25. Capt. (Retd.) Inder Singh

(iv)

26. Shri Jai Bhadra Singh
27. Shri Rajo Singh
28. Shri Bhupendra Sinh Solanki
29. Shri A.K.S. Vijayan
30. Shri Jagdambi Prasad Yadav

Rajya Sabha

- ***31. Shri Bhagatram Manhar
32. Shri Jhumuk Lal Bhendia
33. Shri Banarsi Das Gupta
- ****34. Shri Raju Parmar
35. Shri Gopalsinh G. Solanki
36. Chaudhary Chunni Lal
37. Dr. (Smt.) Chandra Kala Pandey
38. Shri Maulana Obaidullah Khan Azmi
39. Shri S. Niraikulathan
40. Shri G.K. Moopnar
41. Shri Anil Sharma
42. Shri Barjinder Singh Hamdard
43. Shri Abani Roy
- *44. Dr. D. Venkateshwar Rao
- **45. Shri Ramachandraiah Rumandla

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri M. Rajgopalan Nair — *Joint Secretary*
3. Shri R.C. Gupta — *Deputy Secretary*
4. Shri S.N. Dargan — *Under Secretary*
5. Shri O.P. Shokeen — *Committee Officer*

* Nominated *vide* RSS Bulletin Part-II dated 18.01.2000.

** Nominated *vide* RSS Bulletin Part-II dated 29.2.2000.

*** Nominated w.e.f. 5.5.2000 vice Shri Radhakishan Malaviya *vide* RSS Bulletin Part-II dated 5.5.2000.

**** Re-nominated w.e.f 5.5.2000 *vide* RSS Bulletin Part-II dated 5.5.2000.

INTRODUCTION

I, the Chairman of the Standing Committee on Railways (1999-2000) having been authorized by the Committee to present the Report on their behalf, do present this Fifth Report on Action Taken by the Government on the recommendations/observations contained in the Twelfth Report of the Standing Committee on Railways (1997-98) (Eleventh Lok Sabha) on 'Procurement of Wagons by Railways'.

2. The Twelfth Report was presented to Lok Sabha on 20th November, 1997 and contained six recommendations/observations. The Ministry of Railways furnished their Action Taken Notes on all the recommendations on 13th January, 1998. The Committee also sought comments of the Ministry of Heavy Industry on Action Taken Notes furnished by the Ministry of Railways on recommendations contained in paragraph Nos. 51, 52 and 53 of the Report. They furnished their comments on 6th May, 1998. As divergent views were expressed by the Ministries of Railways and Heavy Industry in the matter, the then Chairman of the Standing Committee on Railways (1998-99) decided to take evidence of the representatives of both the Ministries. However, due to early dissolution of Twelfth Lok Sabha on 26th April, 1999, the evidence could not be taken. After constitution of new Standing Committee on Railways (1999-2000) on 31st December, 1999, the Chairman of the Committee also decided to call the representatives of both the Ministries to appear before the Committee and place factual position before them. Thereafter, the Committee took evidence of the representatives of the Ministries of Railways and Heavy Industry & Public Enterprises on 3rd October, 2000.

3. The Report was considered and adopted by the Committee at their sitting held on 24th October, 2000.

4. The Committee wish to express their thanks to the representatives of the Ministry of Railways (Railway Board) and the Ministry of Heavy Industry & Public Enterprises for appearing before the Committee and placing the facts before them.

5. An analysis of the action taken by the Government on recommendations/observations contained in Twelfth Report of the Standing Committee on Railways (1997-98) is given in Appendix-III.

NEW DELHI,
4 November, 2000
13 Kartika, 1922 (Saka)

K. YERRANNAIDU,
Chairman,
Standing Committee on Railways.

CHAPTER I

REPORT

The Report of the Committee deals with the Action Taken by the Government on the recommendations/observations in the 12th Report of the Standing Committee on Railways (1997-98) on 'Procurement of Wagons by Railways' which was presented to Lok Sabha on 20 November, 1997.

Action Taken Notes have been received from the Government in respect of all the six recommendations/observations contained in the Report. These have been broadly categorized as follows:-

- (i) Recommendations/Observations which have been accepted by the Government—NIL
- (ii) Recommendation/Observation which the Committee do not desire to pursue in view of the Government's replies:
Para No. 50.
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:
Para Nos. 49, 51, 52, 53 & 54.
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:—NIL

2. The Committee will now deal with the Action Taken by Government on some of their recommendations/observations.

3. The Committee had, in paragraph No. 49 of the Report observed that during early 1970s, due to general recession in Industry, there was sharp decline in the procurement of Wagons by the Railways. The reduction in off-take of wagons by the Railways led to cut-throat competition amongst the wagon manufacturers, making the wagon Industry sick. The Wagon India Limited, a Public Sector Undertaking, was set up in 1974 primarily to revive the wagon Industry. The functions assigned to it *inter-alia* include equitable distribution of the annual wagon orders amongst the working units so as to keep them

going and negotiate wagons prices with the Ministry of Railways thereby ensuring that the prices paid were fair both to the Industry and the Indian Railways. The Committee had found that the procurement of wagons by Railways through Wagon India Limited had continued satisfactorily till 1993-94. However, in 1993-94, the wagon Industry had again started facing problems of less procurement of wagons by the Railways. The Ministry had also then decided to resort to procurement of wagons through open tender. Thereupon, the Standing Committee on Railways (1995-96) had thoroughly examined the Railways wagons procurement policy and presented their 16th Report to the Parliament on 04.08.1995 emphasizing therein the need to procure wagons through Wagon India Limited only. This recommendation was again reiterated by the Committee, in their Action Taken Report. Thereafter, the Ministry of Railways had, in their Action Taken Notes, assured the Committee that to provide the stable level of order, it had been decided to restrict procurement through open tender to 25% of their annual demand from 1997-98 onwards against procurement of 50%. Later, the Ministry of Railways had unilaterally decided to procure 50% of wagons through open tender and 100% from 1998-1999 onwards contrary to the assurance given to the Committee. The Standing Committee on Railways (1997-98) had taken the move of the Ministry for resorting to open tendering as contempt of the Committee and strongly recommended that the assurance of procurement of wagons (75% through Wagon Indian Limited and 25% through open tender) given by the Ministry to the Committee should be implemented in letter and spirit.

4. In Paragraph No. 51 of the Report, the contention of the Ministry that the procurement of wagon through open tender system was cheaper, was also challenged by the Representatives of the Wagon India Limited by stating before the Committee that the wagon industry had got only 15% as the conversion charges of the total price of wagon whereas the remaining 85% was the cost of material supplied by the Railways. The Secretary, Ministry of Heavy Industry had also stated before the Committee that in some cases the delivered price of wagons supplied on the basis of open tenders was higher than the price paid for these wagons procured through Wagon India Limited. In these circumstances the Committee could not agree with the plea of Ministry of Railways that they have saved about 5% of the cost of wagon through open tender system.

5. In their Action Taken Reply, the Ministry of Railways have stated:—

“This Ministry never decided to call for 50% procurement of wagon through open tender for the year 1997-98. As already witnessed by this Ministry before the Committee, it was the intention of the Railway Board to procure wagons during 1997-98 as per the decision intimated to the Committee *i.e.* 25% through tenders. With an initial procurement target of 35,000 FWs (including 5000 from OYWS/BOLT and 2000 from Railway Workshops), 25% *i.e.* 7025 FWs were ordered against tenders by the time the orders for balance quantity of 75% were processed for placing orders directly (without tenders) on Members of Wagon India Ltd., funds crunch forced this Ministry to curtail the targets of procurement to 26000 FWs (including 5000 against the OYWS/BOLT and 2000 from Railway workshops). By this time, figures of performance of the Industry during the preceding year in 1996-97 also became available and it was seen that there was a large throw-forward of uncompleted orders to 1997-98 with the Wagon Industry. Therefore, procurement of only 5202.5 FWs wagons directly (without tenders) from members of Wagon India Ltd. were found to be sufficient to ‘load’ all the wagon builders upto March ‘98. Over and above, 2000 wagons were kept as reserve, to be ordered further directly (without tenders) from members of Wagon India Ltd. on firms who perform at a faster pace. This additional order has been released recently. Therefore, finally fresh ordering during 1997-98 would lead to slightly over 50% procurement directly (without tenders) from members of Wagon India Ltd. It is clear that this has happened on account of curtailment of Wagon procurement due to paucity of funds and despite the intention of the Railway to implement the decisions conveyed to the Committee.

As far as procurement during 1998-99 is concerned, a separate decision was taken by the Government to resort to 100% procurement through tender in the light of present Government’s avowed objectives of transparency, increased competition and efficiency in procurement and in view of savings in procurement through tenders to bring cost-effectiveness due to constraints of funds. Further, the bulk orders for wagons are placed on the members of Wagon India Limited whether these are ordered through tenders or directly (without tenders). However, the

method of placement of orders by two separate methods on the members of Wagon India Limited, same firms (including Private sector firms) get orders at two different rates. This situation of procurement of the same item, from the same firm, during the same period at two different rates is not in public interest.

As soon as the above decision was taken, it was immediately sought to apprise the House through the Chairman, Rajya Sabha on 22.07.1997 and later on 14.8.1997 on the floor of the House during discussions on this Ministry's supplementary demands for grants. In parallel, a letter was also sent on 22.07.1997, explaining the position to Shri Basudeb Acharia, although inadvertently this was not addressed as 'Chairman of the Standing Committee'. Thus due and diligent efforts were made to keep the House and the Committee informed of changes in the decision.

The release of order for balance quantity directly (without tenders) on members of WIL for 1997-98 and floating the tender for 1998-99 as per above decisions could not brook any postponement so as to avoid disruption in production of wagons. Delaying actions would have harmed both Railways and Wagon Industry, and therefore, Railways could not have acted otherwise. Yet, Railways have already apologised for its inability to hold back such actions till Committee and House could take formal cognizance of the changes, which were under communication to them.

Casualness and callousness in treating recommendations of the Parliament Committee is, therefore, most humbly denied. The Ministry of Railways would like to assure the Committee that its recommendations are treated with utmost sincerity and earnestness, and no contempt of the Committee or the Parliament was either committed or intended.

As already pointed out in Action Taken Replies to 21st report (para 18) of the Standing Committee, procurement made directly and without tenders from members of Wagon India Ltd. might have functioned satisfactorily upto 1993-94 for the wagon industry, but it has to be kept in mind that Railways need to control cost of acquisition of wagons which can only come through on a competitive basis and not through direct procurement (without tenders) from members of Wagon India Ltd., which is based on 'cost-plus-profit' basis'.

Procurement of wagons through tenders is only a means for arriving at competitive pricing. It would not lead to uneven distribution of orders among various sections of the wagon industry. As explained in reply to para 51 subsequently, even in handling lowest price in the tenders, Railways have shown a far more enlightened approach than is acknowledged.

There is therefore, no question of either price or the quantity of orders through tenders threatening the existence of wagon industry. There is thus no case for reversal of a decision which is a cost-effective procedure to the Railways".

6. The Ministry of Railways also stated in this connection:

"Further, it may be mentioned that Wagon India Ltd., is not a Public Sector Undertaking. Wagon India Ltd. is not a wagon manufacturing unit but is only a coordinating and servicing agency for wagon manufacturing units including PSUs as well as Private Sector Units. It is also clarified that orders are never placed through Wagon India Ltd. But are placed directly on the Wagon Builders. The payment against supplies were/are made directly to the wagon manufacturing units. However, the prices were earlier based on recommendations of various Pricing Committees, which did not take into account the competitiveness and efficiency of certain units. Only consultation with WIL was limited with reference to ordering of quantities on various wagon manufacturing units, both for Public and Private sectors depending upon their performance of supply. Wagon India Limited also played a role for coordination with Railway and various wagon manufacturing units for supply of free supply items so as to have equitable distribution.

It may also be stressed that whether wagons are ordered through tenders or directly (without tenders) on members of Wagon India Ltd., orders in both cases eventually go to members of Wagon India Ltd., except for a small quantity. It has been the experience of Ministry of Railways that the prices of wagons through tenders have been competitive and cost effective compared to the prices otherwise fixed based on the cost studies mentioned earlier."

7. The Ministry have further informed the Committee:—

“It can be established from facts and figures that there has been a saving of Rs. 3 crore, Rs. 11 crore and Rs. 8 crore during 1994-95, 1995-96 and 1996-97 respectively by following the procedure of competitive bidding through open tender. The 5% saving has been on the cost actually paid to the wagon manufacturer other than free supply items as per existing procedures. Savings of 5% on this price is not only possible but has actually been achieved as shown in Appendix-I.

It is pertinent to note that price difference during 1996-97 between direct orders (without tenders) on members of Wagon India Ltd. and orders through tender, is different for different firms. It is the minimum (Rs. 1487/-) for M/s Jessops for BOSN wagon and is much higher for private sector firms—the highest being Rs. 40,626/- for BCNA wagon for M/s Binny. A total saving of Rs. 8 crore (*i.e.* an average saving of Rs. 16,154/- per wagon) has been achieved, as per annexure placed below. Singling out of the case of only one particular firm (M/s Jessops, a Public Sector Undertaking) it has been stated *vide* Para 30 of the report that the prices of wagons paid against this tender (for only 78 wagons out of total 4932 wagons) was higher by about Rs. 200 than that given against orders placed directly (without tenders) on members of Wagon India Ltd. Unfortunately, the calculations on which the Secretary/Ministry of Industry has relied upon to make this statement are neither correct nor fair as explained later. Larger savings in case of other firms for 4854 wagons are not mentioned. Hence it is wrong to conclude from the solitary example of M/s Jessops that savings are not possible in tenders.

In any case, even if the contention of the Secretary, Ministry of Industry had been correct about prices in case of M/s Jessops through tender being marginally (Rs. 200 higher than against orders directly (without tenders) on members of Wagon India Ltd., it would not have taken away the fact (and the justification for tendering), that Railways have made substantial savings in procurement through tenders as compared to procurement directly (without tenders) from members of Wagon India Ltd. Only 78 wagons out of 4932 wagons were ordered on M/s Jessops and for rest of orders margin of savings is much larger as discussed above and in total a saving of Rs. 8 crore has been achieved.

It has been held back from the Committee by the Secretary/ Ministry of Industry that in the comparisons the prices shown by him against orders directly placed (without tenders on members of Wagon India Ltd., are not final and include only a provisional and lower element of cost of shot blasting and finally a higher element of this cost (higher by approx. Rs. 1200/- as per a study instituted by Railway Board) is expected to be paid subsequently. On the other hand, prices through tender include full cost of this element. Hence the comparison of such incomplete price of Wagon India Ltd. orders with final prices in Tender was incorrect and wrong. This fact should not have been hidden from the Committee. Correct calculations are shown in the Appendix-I.

Secretary, Ministry of Industry has compared prices of orders for BOXN wagon in 1996-97 Tender on M/s Jessops with prices in orders placed directly (without tenders) on members of Wagon India Ltd. in 1997-98. This is an invalid comparison since M/s Jessops have not received any order directly (without tenders) as a Member of Wagon India Ltd. for 1997-98. Moreover, comparison should be made between orders released in the same year not between orders in different years. If prices in 1996-97 Tender is compared with the prices in orders placed directly (without tenders) on members of Wagon India Ltd. in 1996-97, we would get a picture of savings by ordering such wagons through tenders instead of ordering them directly (without tenders) from members of Wagon India Ltd. This is shown in Appendix-I.

It may also be incidentally mentioned that M/s Jessops, a Public Sector Company, in whose case saving is lowest, has not been able to make even a single wagon, despite having taken large advances. At the request of M/s BBUNL, the holding company of M/s Jessops, bulk of this order is being transferred to M/s Burn Standard/Burnpur. Therefore, in case of M/s Jessops only a small quantity order against tender exists now and there is no possibility of their being able to manufacture even these in the near future. Hence price comparison is not relevant.

The correct calculated prices are given in Appendix-I for earlier tenders (where a common rate was enforced on all the wagon builders) and for 1996-97 tenders (where there are different rates for different wagon builders). It may please be seen that prices

in the tender in each and every case are lower than those in direct orders (without tenders) from members of Wagon India Ltd. Even despite that enlightened approach adopted by Ministry of Railways in 1996-97 tender saving of about Rs. 8 crores has been made.

It is worthwhile mentioning that the confusion caused by factually incorrect pronouncements of representatives of Ministry of Industry and Wagon India Ltd. could have been easily avoided, if Ministry of Railways was given an opportunity to examine these statements for giving appropriate comment and for furnishing the correct factual position before finalisation of the report. This was not done."

8. While furnishing their comments on the action taken reply of the Ministry of Railways relating to paragraph No. 51 of the Report the Ministry of Industry (Department of Heavy Industry) have stated as under:—

"During the oral evidence, Secretary HI provided one instance where tender price was higher than the direct order price which happened to be that of Jessop. There are other instances. Price of BOXN orders on Burnpur Works during 1996-97, when computed on like to like basis, shows that the wagon price as per tender was higher than the direct order as shown below:—

Direct order (Supplied after 1.8.96)		Tender Wagons	
	Rs.		Rs.
Base Price	4,46,788	Base Price 1.5.95	4,89,918
Escalation upto 31.03.1997	91,494	Escalation to 31.03.1997	56,203
Short Blasting	4,903		
	<u>5,43,145</u>		<u>5,46,121</u>
In case of distant located units			
Freight charges to be added	1,830		
	<u>5,44,975</u>		

Ref: Contract No. 1186 dt. 22.8.95 Ref: Contract No. 1149 dt. 11.03.97

(N.B: This is besides the case of JSP admitted by the Railway Ministry.)

It is also submitted that Secretary, Heavy Industry did not hide any fact. The allegation that certain facts held back from the Committee is baseless and refuted. Price comparisons were based on facts known to this department and were illustrative rather than exhaustive. Whatever the information on cost of shot blasting element was available at that point of time was included in the price estimates. Railway Board's contention of raising the shot blasting charges by Rs. 1200 was known to them and this information was not available with wagon builders. There are other items of variability of cost elements which have not been brought out by the Railway Board.

Claim of the Railway Ministry that "Prices through tender include full and final cost" is disputable. Though tendered Wagon prices are supposed to be absolute (subject to escalation clause), yet in 1998-99 lot of variables *viz.* freight, excise duty reimbursement on inputs for Bougie and Coupler etc. were introduced to be finalised based on actuals. Similarly, as per original terms and conditions of tender, in respect of offers opened on 20.03.1995, no escalation was payable on the value of steel and also no advance payment was admissible. However, PSUs, after receipt of counter offer, negotiated with Railway Board and were allowed to draw escalation on 50% value of steel and were also permitted 50% of contract value as advance. M/s. Hindustan Development Corporation did not ask for the above variation but was also extended the same benefits.

The comparison of prices of wagon in respect of order on Jessop in the year 1996-97 based on tender and 1997-98 direct order on other WIL members was made by the rationalising the prices to a cut off date. In making this comparison the two prices have been compared on a particular date by applying escalation formula provided by the Railways. This is necessary since tender orders and direct orders have not been issued on the same dates. Thus, there is no question of assuming that the comparison is invalid.

It is a fact that Jessop could not meet with the delivery commitments, in respect of Railway Wagons mainly on account of cash crunch arising out of long spell of their sickness. It is however not true that Jessop had drawn large advances and not made a single wagon. In fact Jessop supplied wagons year after

year. The Company supplied 525 FWUs during 1995-96, 152.5 in 1996-97 and 157.5 during 1997-98. Thus the allegation of Railway Board that Jessop has taken large advance and not supplied single wagon is not correct; besides Jessop is not the only wagon building units which has delayed supply of wagons after taking advances."

9. However, keeping in view the different views expressed by the Ministries of Railways and Heavy Industry on wagon procurement policy, the Committee called the representatives of both the Ministries to place the facts before them. During evidence, the Secretary, Ministry of heavy Industry elaborated upon different views taken by them on the issue as under:—

"The point on which the difference came for which we are before you here is that we claimed that wagons obtained through direct procurement can be cheaper. We have since reconciled these figures. This is a question of facts. We gave certain facts before the Committee at that stage as it occurred to us and as we started compiling things the Railways gave certain other facts. Both the facts were correct, but they have got to be reduced to a common datum. If I quote a certain price, that price must be with reference to a certain date. It must tally with the same baseline as the Railways have adopted. The contract numbers must also tally. The type of wagons must also tally. The escalation clauses and certain other charges which are mentioned such as for short-lasting and other things have got to be verified. One can never really know what are the actual baselines figures till both discussed. Happly we are before the Committee today after we had discussed it and come to an understanding. We have since reconciled our figures and come to common figures on what really caused the dispute."

He further stated:—

"Now the purchase of wagons through tenders is a Government decision duly approved by the Cabinet and that has come to stay. Of course there could be points of view on that. But those have already been expressed in the minutes of the Committee and within this system between Ministry of Industry and the Railways. I am happy to tell you that we have so organized ourselves to work and promote the interest of the public sector units that whatever difficulties are experienced previously are likely to disappear."

10. In this regard Member Mechanical, Ministry of Railways also clarified the position as under:—

“As my colleague from the Heavy Industry mentioned, there was some dispute which the Heavy Industry Ministry thought that the direct order was cheaper than the price that we would be getting through open tender. As we pointed out, there was apparently some mix-up in the figures which the Heavy Industry had adopted and what we had done with regard to the actual quantum of money that was paid for short-blasting and the basic period from which we had to work out the escalation clause and all that. This has since been reconciled as we thought that before coming to the meeting of this Standing Committee this should be reconciled and that a correct picture should be presented to the Committee so that there need not be any confrontation here before the Committee. So, it has since been reconciled. We have been able to establish that the price we have been able to get through tendering system is certainly cheaper though marginally and that has helped the Indian Railways to economize in their procurement”.

11. The Ministry of Railways also submitted their supplementary Action Taken Notes on the recommendations contained in paragraph Nos. 51 to 53. The supplementary action taken note in respect of para 51 is as under:—

“In the Action Taken Note earlier submitted in January 1998, the prices shown against direct orders (without tenders) on members of Wagon India Ltd. were not final and included only a provisional element of cost of shot-blasting. Similarly, the element of cost of freight reimbursement was also provisional. The cost of shot-blasting charges has been finalised as Rs. 5845 for BOXN wagons and Rs. 7429 for BCNA wagons and has been paid to the firms in 1996-97 contracts as against the provisional figure of Rs. 4905 for BOXN wagons and Rs. 6234 for BCNA wagons initially allowed (RITES has recommended a compensation of Rs. 6103 for BOXN and 7757 for BCNA) which was adopted in the computations in the ATN.

The cost of wagons against direct order (without tender) has accordingly been re-worked and revised calculations are based on actual shot-blasting charges paid to the firms and freight reimbursement claimed by them against 1996-97 contracts. It is

seen that there has been a saving of Rs. 7.59 crores (3.1% on the cost actually paid to the wagon manufacturer other than free supply items) in 96-97 by following the procedure of competitive bidding through open tenders. The corresponding figure for 94-95 & 95-96 was Rs. 2.5 crores (4.49%) & Rs. 11.45 crores (5.25%) as mentioned in the ATN. The details of factual position are furnished in the statements enclosed. It would be seen that prices in the tender in each and every case are lower than those in direct orders (without tenders) from members of Wagon India Ltd.

The above calculations are based on the computed price as applicable for direct contracts for 96-97 as updated upto 1.5.95, which was the base date for the contract price placed through tender. The wagons against the direct orders (without calling for tenders on members of Wagon India Ltd.) as well as through tender against 96-97 contracts were manufactured much later and if the comparison of wagon prices as per tender and that ordered directly be made by taking into consideration escalations upto 31.3.97 (the computations have been reconciled with Department of Heavy Industry), which would be more relevant, the savings would be still higher as shown below for two wagon builders as a representative figure.

M/s Jessops

Direct orders (96-97)		Through tender (96-97)	
Base Price (base date 1.4.94)	4,46,748	Base Price (base date 1.5.95)	4,89,918
Escalation upto 31.3.9	91,640	Escalation upto 31.3.97	52,406
Shot-blasting	5,845	Shot-blasting	Inclusive
	5,44,233		5,42,324
Savings Rs. 1909/- per wagon			

M/s Burn Standard/Bumpur

Direct orders (96-97)		Through tender (96-97)	
Base Price (base date 1.4.94)	4,46,748	Base Price (base date 1.5.95)	4,89,918
Escalation upto 31.3.97	91,640	Escalation upto 31.3.97	52,406
Shot-blasting	5,845	Shot-blasting	Inclusive
	5,44,233		5,42,329
Freight	1,830	Freight	Inclusive
Total Price	5,46,063	Total Price	5,42,329
Savings Rs. 3734/- per wagon			

The above computations have been reconciled with Department of Heavy Industry.

It would be seen that saving per wagon in case of M/s Jessops and Burn/Burnpur by making comparison as on the base date of the contract, *i.e.* 1.5.95 works out to only Rs. 1229/- and 3059/- respectively. However, if the prices are escalated upto 31.3.97, the savings in respect of these wagon manufacturers works out to Rs. 1909/- and Rs. 3734/- per wagon. Thus the overall savings against 96-97 contract would be still higher than Rs. 7.59 crores estimated as on the base date of 1.5.95.

It may also be incidentally mentioned that against contract No. 97/RS(1)954/5/1250 dated 11.3.97 for 78 BOXN wagons M/s Jessop, a Public Sector company, in whose case saving is lowest, could not supply even a single wagon within original delivery period upto 31.12.97, despite having taken advances for 30 wagons. At the request of M/s BBUNL, the holding company of M/s Jessops, order for 48 nos. was transferred to M/s Burn Standard/Burnpur. M/s Jessops manufactured the remaining 30 wagons later for which they had drawn advance much earlier.

It is also pointed out that a saving of Rs. 25.6 crores, Rs. 20.5 crores & Rs. 55 crores has been achieved in subsequent tenders of 1998-99, 1999-2000 & 2000-2001 respectively as well and thus savings in procurement of wagons through tenders are a matter of fact."

Estimated Savings through tender system

(Rates in Rs. excluding wheel sets & CTRBs)

	BOXN	BCNA	
1994-95			
Computed price as Applicable for Wagon India contracts for the corresponding period (per VU)	6,34,822	6,61,885	
Contract Price placed through tender (per VU)	5,97,564	6,38,795 6,43,795	(HDC) (SSL)
Difference/Savings (per VU)	37,258	23,090 18,090	(HDC) (SSL)
Quantity ordered (VU)	360	389 144	(HDC) (SSL)
Total savings (In Rs. crores)	1.3	0.9 0.3	(HDC) (SSL)
Contract Value	21.5	24.8 9.3	(HDC) (SSL)
Total Savings			2.5
Total Contract Value (In Rs. Crores)			55.6
% Savings			4.49%

	BOXN	BCNA	BOBRN	BTPN
1995-96				
Computed price as applicable for Wagon India contracts for the corresponding period (per VU)	7,11,870	7,49,913	10,00,513	8,57,750
Contract price placed through tender (per VU)	6,71,579	7,03,666	9,90,084	8,14,352
Difference/Savings (per VU)	40,291	46,247	10,429	43,398
Quantity ordered (VU)	1201	1153	400	200
Total Savings (In Rs. crores)	4.8	5.3	0.4	0.9
Contract Value (In Rs. crores)	80.7	81.1	39.6	16.3
Total Savings (In Rs. Crores)				11.4
Total Contracts Value (In Rs. Crores)				217.7
% Savings				5.25%

VU = Vehicle Unit = 2.5 Four Wheeler Unit—for an eight wheeler wagon

WIL = Wagon India Ltd.

1996-97 Tender

(Rates are excluding Steel, Airbrakes, w/sets & CTRBs)

(Figs. in Rs.)

Wagon builder	BSCL BPR BOXN	BSCL HWH BCNA	BWEL MKA BOXN	BWEL MFP BOXN	BWT BCNA	Jessops BOXN
Computed price as applicable for WIL contract for 1996-97 per VU up-dated 15.95	492977	533615	494607	496487	533615	481147
Contract price placed through tender base date 15.95 per VU	489918	511751	489918	489918	528109	489918
Difference/Savings (Per VU i.e. per wagon)	3059	21864	4689	5569	5506	1229
Quantity Ordered (VU)	78	78	78	363	78	78
Savings (in crs.)	0.02	0.17	0.04	0.20	0.04	0.01
Contract value (in crs.)	3.82	3.99	3.82	17.78	4.12	3.82

1996-97 Tender

(Rates are excluding Steel, Airbrakes, w/sets & CTRBs)

Wagon builder	Cimmco		Modem	HGI	HDC		Texamco		Binny
	BOXN	BCNA	BCNA	BOXN	BOXN	BCNA	BOXN	BCNA	BCNA
Computed price as applicable for WIL contract for 1996-97 per VU up-dated 1.5.95	498347	540815	540915	488447	491147	533615	491147	533615	538615
Contract price placed through tender base date 1.5.95 per VU	489918	528109	528109	489918	467123	501717	483400	521600	501717
Difference/Savings (Per VU i.e. per wagon)	8429	12706	12806	8529	24024	31898	7747	12015	36898
Quantity Ordered (VU)	780	287	425	30	745	750	593	491	78
Saving (in crs.)	0.66	0.36	0.54	0.03	1.79	2.39	0.46	0.59	0.29
Contract value (in crs.)	38.21	15.16	22.45	1.47	34.8	37.63	28.67	25.61	3.91
Total Savings	7.59 Crs.								
Total Contract Value	245.26 Crs.								
Percentage Savings	31.0%								

(Rates are excluding Steel, air brakes, wheelsets and CTRBs)

	96-97 contracts through Wagon India Ltd.		Prices of contracts placed through tender (Base date 1.5.95)	
	BOXN	BCNA	BOXN	BCNA
	1	2	3	4
Burn Std. Bumpur				
Quantity ordered	130	0	78	0
Price updated to 1.5.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	1830	0	0	0
Total	492977	0	489918	0
Burn Std., Howrah				
Quantity ordered	0	0	0	78
Price updated to 1.5.95	0	526186	0	511751
Shot blasting	0	7429	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	0	533615	0	511751
BWEL, Mokameh				
Quantity ordered	340	0	78	0
Price updated to 1.5.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	3460	0	0	0
Total	494607	0	489918	0
BWEL, Muzaffarpur				
Quantity ordered	82	0	363	0
Price updated to 1.5.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	4340	0	0	0
Total	495487	0	489918	0

	1	2	3	4
Braithwaite, Calcutta				
Quantity ordered	0	290	0	78
Price updated to 1.5.95	0	526186	0	528109
Shot blasting	0	7429	0	0
Reimbursement of freight no bogies and couplers	0	0	0	0
Total	0	533615	0	528109
Jessops				
Quantity ordered	0	0	78	0
Price updated to 1.5.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	491147	0	489918	0
HDC, Calcutta				
Quantity ordered	193	196	745	750
Price updated to 1.5.95	485302	526186	467123	501717
Shot blasting	5845	7429	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	491147	533615	467123	501717
Texmaco Ltd., Calcutta				
Quantity ordered	182	200	593	491
Price updated to 1.5.95	485302	526186	483400	521600
Shot blasting	5845	7429	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	491147	533615	483400	521600

	1	2	3	4
Binny/Chennai				
Quantity ordered	0	0	0	78
Price updated to 1.5.95	0	526186	0	501717
Shot blasting	0	7429	0	0
Reimbursement of freight on bogies and couplers	0	5000	0	0
Total	0	538615	0	501717
Cimmco Birla Ltd.				
Quantity ordered	110	107	780	287
Price updated to 1.5.95	485302	526186	489918	528109
Shot blasting	5845	7429	0	0
Reimbursement of freight on bogies and couplers	7200	7200	0	0
Total	498347	540815	489918	528109
Modern Industries				
Quantity ordered	0	272	0	425
Price updated to 1.5.95	0	526186	0	528109
Shot blasting	0	7429	0	0
Reimbursement of freight on bogies and couplers	0	7300	0	0
Total	0	540915	0	528109
HGL, Nangloi				
Quantity ordered	0	0	30	0
Price updated to 1.5.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	7300	0	0	0
Total	498447	0	489918	0

Typical Break-up of Prices of 96-97 Contracts through WIL

	BOXN		BCNA	
	Contract Prices as on 1.4.94	Prices updated to 1.5.95	Contract Prices as on 1.4.94	Prices Updated on 1.5.95
Bogies & Couplers	237735	258251	237735	258251
Other Bought-outs	57428	62384	63661	69155
Total Bought-outs	295163	320635	301396	327406
Fabrication costs (labour, overheads, interest, profit etc.)	151585	164667	182988	198780
Total	446748	485302	484384	526186
Shot blasting charges extra				
Freight on bogies & couplers extra				

12. The Committee had in Paragraph No. 52 of the Report found that prior to 1994, procurement of wagons through open tender had led to cut-throat competition among wagon manufacturing units. As a result, number of wagon units were forced to close down their shutters and later taken over by the Government to avoid adverse socio-economic affects due to their closure. The Committee had, therefore, expressed their strong apprehensions that resorting to open tendering would again create the similar circumstances which would prove to be disastrous to the labour oriented wagon industry as well as the Railways.

13. The Ministry of Railways in their Action Taken Reply, have stated:

“During the early 70s, when the country as a whole was undergoing a serious recession, the wagon industry became sick along with many other sectors of the industry. At that time difficult labour situation prevailing in Eastern region also led to flight, nationalisation and closure of industries in that region. Country was also facing a shortage of steel. Therefore, it would not be appropriate to single out competition among wagon builders are the contributing reason of their closure/ nationalisation during that period.

However, sickness of wagon industry is present even today and to large extent on account of factors like poor productivity and mismanagement of the units. It is well known that wagon industry, public sector in particular, are over staffed to the point of unredeemable inefficiency. Ministry of Railways has apprehensions that the wagon industry, which is already sick, may fall further sick due to factors cited above and the blame is being directed to the Ministry of Railways and to the mode of procurement of wagon which is not correct. This Ministry would like to urge that concerned authorities should be asked to pay attention to reduction in wasteful expenditure, improve efficiency, ensure accountability and financial discipline in the management of wagon building units in particular those in the public sector.

As has been already clarified earlier in reply to paras 49 and 51, the tender system is merely to obtain a competitive price. Subject to the competitiveness, it is the intention to continue placement of adequate orders on all the wagon manufacturing units. Even today the wagon industry is fully loaded with orders till March 98 despite part quantity of wagons having been ordered through the tenders.

Therefore, there is no question of either price or the quantity of orders through tenders threatening the existence of wagon industry. Ministry of Railways would like to submit that the financial interest of the Railways are also equally important."

14. The Ministry of Industry (Department of Heavy Industry) have, while furnishing their comments on the above action taken reply of the Ministry of Railways, stated as under:—

"All four central public sector wagon manufacturing units were taken over as sick companies. The purpose of setting up of WIL was to centrally negotiate the prices and quantity with the Railway Board and to distribute the orders among the wagon builders. These CPSU are mainly dependent on Railways for orders. Whenever they got adequate orders from Railways, they have shown excellent performance. BCL and BWEL produced more wagon than their installed capacities. In case of BWEL, the Company manufactured 3150 FWUs during 91-92 as against the installed capacity of 2500 FWUs. Similarly, BCL manufactured

3707.5 FWUs during 92-93 as against the installed capacity of 2600 FWUs. It shows that these CPSUs have the capability to manufacture more than their installed capacities. The performance of the public sector wagon manufacturing units suffered during 94-95 and 95-96 due to drastic reduction in wagon orders by Ministry of Railways. Their performance also suffered during 95-96 due to late release of wagon orders, discontinuation of certain free supply items and shortage of working capital due to accumulation of heavy cash losses of the previous two years. With the adequate wagon orders, BWEL and BCL earned profit during 96-97 and 97-98. Performance of public sector wagon manufacturing units are critically dependent on wagon orders. It may also be noted that only CPSUs accepted orders during 94-95 and 95-96 when private sector wagon builders, excepting HDC, refused to accept orders."

15. Submitting supplementary reply in respect of paragraph 52 the Ministry of Railways have stated:—

"As has already been clarified in the ATN submitted in January, 1998, the tender system is merely to obtain a competitive price. However, Ministry of Railways are following a very enlightened policy of placing bulk of the orders on all the wagon manufacturing units with certain purchase preference to PSUs and only balance quantity is ordered on competitive basis. This enlightened approach ensures a more equitable distribution of wagon orders amongst the wagon building units and at the same time helps India Railways to obtain competitive rates which has brought about substantial savings to the Railways.

It is further pointed out that Cabinet has recently taken a decision to wind up Wagon India Ltd. on the recommendations of Ministry of Heavy Industry."

16. The Committee had, in paragraph No. 53 of the Report, found that absolute adhocism in placing orders for procurement of wagons by the Ministry with the wagon industry had resulted in under-utilisation of capacity available both in public and private sectors. Apart from creating labour problems, that policy had adversely affected timely and adequate availability of wagons, thereby causing great loss of revenue to the Railways. The Committee had, therefore, strongly recommended that the ad-hocism in the procurement of wagons must

be stopped and orders for 75 percent of the wagons requirement of the railways should be placed with the wagon industry through Wagon India Limited. They had also desired that 70 to 80 per cent of Railway's firm order for procurement of wagons should be placed with the wagon industry well in advance, say atleast three years, so that industry might make necessary arrangements/planning for fabrication of wagons. The Committee had observed if that procedure had been followed by the Railways which would have led to full assets utilisation with proper planning by the Ministry of Industry and the Wagon India Limited, prices of wagons would have been much less.

17. The Ministry of Railways have, in their Action Taken Reply, stated:—

“This Ministry denies that there is adhocism in regard to placement of orders of wagons on the wagon industry, as orders on wagon manufacturing units have continued to be placed all along. Even after placement of sufficient orders some of the wagon units could not manufacture the wagons timely and within the time frame. This Ministry also denies that there has been under utilisation of the capacity due to the procedure of placement of orders. In fact it is the wagon industry which was not able to manufacture all the ordered 25,000 wagons in 1996-97, despite availability of orders. M/s Jessops are not able to manufacture wagons despite availability of orders and despite having drawn large advances. It needs to be clarified that orders are placed keeping in view the availability of funds and also in accordance with requirement of the transport. It is also clarified that the procedure and policy of placement of orders through competitive bidding has not resulted in non-availability of wagons. The question of revenue loss to the Railway on this account, therefore, does not arise.

As clarified in earlier paras, continuation of placement of orders of 75% of wagon requirement without following the procedure of tendering, is creating an anomaly as the Railways would be required to pay a higher price even to the private manufacturing unit in comparison to the price finalised through the tendering process. Whether such a policy can be adopted by the Government is a matter of serious doubt and cannot be accepted.

It is also denied that Railways are not in a position to place orders for wagons well in advance, say three years, as suggested by the Committee, as the same is not permitted due to the policy of yearly Railway budgeting, which is dependent on availability of funds on year to year basis."

18. The Ministry of Industry (Department of Heavy Industry) have, while furnishing their comments on the above action taken reply of the Ministry of Railways, stated as under:—

"As per the recommendation of the Planning Commission, 80% of the wagon requirement for a period for three years should be placed on Wagon Industry in advance. However, Ministry of Railways used to allocate wagon orders on half-yearly basis till 92-93. Thereafter, Ministry of Railways released wagon orders at irregular intervals. As a result, wagon production, which has a long lead time, suffered. There have been considerable delays in placing orders after receiving bids. The tender for wagon orders for 94-95 was opened on 18.8.94 but orders could be placed only on 23.3.95. Similarly, the bids for 95-96 was opened on 20.3.95 but orders could be placed only in August, 1995. For 96-97, the tender was opened on 3.11.95. Delivery was to commence from 1.4.96 and was to be completed by 31.3.97. However, processing of this tender took long time and Railway Board could release contracts only in March, 1997 *i.e.* 16 months after opening of the tender. For procurement of wagon orders for 98-99, Ministry of Railways opened tender on 10.3.98. The case of Jessop has been referred a number of time. This company manufactures rather insignificant quantity as compared to other PSUs. As regard advance given by Ministry of Railways, these are utilised for procurement of bogies, couplers, air brakes etc. which are required for wagon manufacturing. The facility of advance was given not only to Jessop but to all the wagon manufacturing units, including private sector. It may be noted that some other wagon manufacturers have also not supplied wagons in time after availing of advances."

19. Submitting supplementary reply in respect of paragraph 53 the Ministry of Railways have stated:—

"It has been the endeavour of Ministry of Railways to place adequate orders on the Wagon Industry as per the Railways traffic needs. For the last two decades, Railways have been

acquiring Air-braked bogie wagon stock, which has much higher productivity due to which the turn round of wagons has vastly improved. Average annual acquisition of Railways during the last 10 (ten) years has been about 21,800 FWs. With this level of acquisition, Railways have been able to meet full traffic requirement and the availability is adequate to meet the present level of traffic offerings. In this scenario, Wagon Industry has also to adjust their capacities by way of diversification etc. in becoming efficient and competitive”.

Ministry of Railways are making efforts to place orders as much in advance as possible subject to assessment of wagon requirement and availability of funds as finalised in Railway Budget with a view to help the wagon industry in making necessary arrangement/planning for fabrication of wagons.”

20. The Committee had, in paragraph No. 54 of the Report observed that during the process of open tendering in the years 1994-95 to 1996-97, every time a particular firm had remained beneficiary. Even the terms of contract were revised in its favour by supplying steel and other inputs, free of cost by the Railways. The Committee had expressed their surprise and recommended a through probe of the whole process of tendering during that period by the Railways Vigilance/CBI. The Committee had also strongly recommended that before resorting to 100% procurement of wagons by the Railways should be settled through mutual consultations amongst the Ministry of Railways, the Wagon India Limited, the Planning Commission and the Ministry of Industry and the whole process of open tender, which was opened on 03.9.97, for the year 1998-99, must be kept in abeyance till the whole issue was mutually settled.

21. In their Action Taken Reply, the Ministry of Railways have stated:—

“The Ministry would like to clarify that process of open tendering is a system of complete openness along with competitiveness. This aspect cannot be denied. Therefore, the question of any particular firm having remained beneficiary does not arise as all the manufacturing units have been given freedom to give competitive bidding. If any of the wagon manufacturing unit has given competitive bidding, the same cannot be considered

as a beneficiary in the context of saving of cost to the Government Exchequer. Railways have saved Rs. 3 crores, Rs. 11 crores and Rs. 8 crores respectively in the three years tenders pertaining to 94-95, 95-96 and 96-97.

The Ministry denies the allegations in regard to supply of steel and other inputs free of cost to any particular firm contrary to terms of the contract. It is further clarified that supply of steel to a particular firm was only given on payment of full cost in exigencies of faster manufacture of wagons. Therefore, the Ministry would like to humbly submit that there appears to be no cause for either anguish or a probe to examine the process of tendering through vigilance/CBI as observed by the Committee. Perhaps their anguish has been due to lack of information on the issue.

As brought out in earlier paragraphs, the Ministry of Railways have intended to bring in openness, competitiveness and transparency in its procurement policy thereby saving cost to the Railways, at the same time it is intended to furnish sufficient and adequate ordering to all the established wagon manufacturing units subject to the availability of funds, transport requirement and capability of the wagon manufacturing unit to supply. With these objectives, there appears to be no objections which could be expected either from the Planning Commission or the Ministry of Industry. The Ministry is also unable to keep the process of procurement in abeyance as it will jeopardise the interest of the Railways as well as the Industry due to obvious reasons of either non-availability of wagons or keeping the capacity of wagon manufacturing units idle".

Recommendations

22. The Committee are not at all convinced with the replies of the Ministry of Railways. They are of the firm view that the procurement of wagons through open tender system would lead to cut-throat competition amongst wagon manufactures and accelerate the process of making wagon industry sick again. The Committee, therefore, desire to know the steps taken/to be taken by the Ministry of Railways to check this phenomena.

23. The Committee take serious note of the unilateral decision of the Ministry for procurement of wagons through open tender system contrary to the assurance given to the Committee without taking them in confidence.

24. After going into details and facts submitted by the Ministry of Railways and the Ministry of Heavy Industry about the prices of wagons procured through Wagon India Limited and open tender system, the Committee are apprehensive about the contention of the Ministry of Railways that the procurement of wagons through open tender system would be cheaper especially keeping in view the fact that the prices of wagons quoted in earlier tenders were slightly higher by a few hundred rupees everytime and in most of the cases, tenders went only to M/s. Hindustan Development Corporation. The Committee also find that in March, 1995 though M/s. Hindustan Development Corporation did not ask for the benefits of escalation of 50% value of steel and 50% of contract value as advance yet these were extended to them. The Committee, are therefore, of the view that a thorough probe of the whole process of tendering during the years 1994-95 to 1996-97 should be undertaken by the appropriate authorities under intimation to them.

25. The Committee take serious note of the allegations made by the Ministry of Railways and counter allegations by Ministry of Heavy Industry about the capacity utilisation of wagon manufacturing units especially in Public Sector. The Committee desire that the Railways should not take undue advantage of being the sole buyer of wagons and are of the view that both the Ministries should ensure optimum utilisation of the capacity of these Public Sector Units.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN
ACCEPTED BY THE GOVERNMENT

—NIL—

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Para No. 50)

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

Reply of the Government

The observations of the Standing Committee in this para are based on two different statements from this Ministry on two different issues being incorrectly interpreted out of their context.

Firstly, as already explained in reply to para 49, for the year 1997-98, despite this Ministry's intention to implement the decision conveyed to the Committee, it was only due to circumstances beyond Railway's control which led to the ratio of procurement directly (without tenders) from members of Wagon India Ltd. ultimately coming to about 50% during 1997-98. It is, therefore, true that for the year 1997-98, it was not the intention of the Railway to go for open tendering beyond 25% and renege on the decision conveyed to the Committee.

On the other hand, for the year 1998-99, a separate but conscious decision was taken for 100% procurement through open tender, in view of the present Government's avowed policy of bringing

transparency, increased competition and efficiency of procurement. This change of policy of the Ministry of Railways was duly advised to Shri Basudeb Acharia of 22.07.97 and also to Chairman Rajya Sabha on the same date. In context of this decision relating to 1998-99, it was also mentioned that the open tender system is cheaper.

The two statements above pertain to separate unlinked decisions for two different years. Read in their proper context, there is no confusion in regard to decision making in the Ministry of Railways. Railway Ministry humbly disagrees that there is any mismanagement of lack of transparency in the working of this Ministry.

(M/o Rlys. O.M. No. 97/BC-II/SCR/XI/15(W), dated 13.1.1998]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation (Para No. 49)

During early 1970s, due to general recession in industry, there was sharp decline in wagons procurement by the Railways. The reduction in off-take of wagons by the Railways led to cut-throat competition amongst the wagon manufacturers, making the wagon Industry sick. The Wagon India Limited, a Public Sector Undertaking, was set up in 1974 primarily to revive the wagon industry. The functions assigned to it *inter-alia* include equitable distribution of the Annual wagon orders amongst the working units so as to keep them going and negotiate centrally the wagon price with Ministry of Railways thereby ensuring that the prices paid were fair both to the industry and the buyer, namely the Indian Railways. The Committee find that the procurement of wagons by Railways through Wagon India Limited continued satisfactorily till 1993-94. However, in 1993-94, the wagon industry again started facing problems of less procurement of wagons by the Railways. At the same time, the Ministry also decided to resort to procurement of wagons through open tender. Consequently, the Standing Committee on Railways (1995-96) conducted a thorough examination of the procurement policy of the Railways and presented their Sixteenth Report on 04.8.95 to the Parliament. The Committee in their Report emphasised the need to procure wagons through Wagon India Limited. Thereafter, the Ministry of Railways revised their orders for procurement of wagons from 12000 to 19000 FWUs for the year 1995-96. In their Action Report (21st), the Committee reiterated their stand and again stressed the imperative need for procurement of wagons through Wagon India Limited only. The Ministry of Railways, in their action taken note submitted to the Committee assured that "In view of Standing Committee's recommendation and to provide a stable level of order, it has been decided to restrict procurement through tender to 25% of annual demand from 97-98 onwards, instead of 50% hitherto". The Committee are, however, shocked to find that the Ministry of Railways had unilaterally decided to call for 50% procurement of

wagons through open tender for the year 1996-97 and 100% for 1998-99 onwards contrary to their assurance given to the Committee. Now only this, the Ministry of Railways did not think it proper to inform the Committee about this change in policy. The Committee take a very serious view of the brazen move made by the Ministry for resorting to open tendering system without seeking the permission of the Committee or taking the Committee into confidence. This shows the extent of casualness and callousness on the part of the Ministry of Railways in treating the recommendation of a Parliamentary Committee. The Committee are of the view that it is nothing less than the contempt of the Committee and of course of the House. The Ministry of Railways owes an explanation to this major lapse on their part. Since, the decision of the Ministry of Railways threatens existence of labour oriented and capital intensive wagon industry the Committee strongly recommend that the assurance given by the Ministry to the Committee, be implemented in letter and spirit.

Reply of the Government

This Ministry never decided to call for 50% procurement of wagon through open tender for the year 97-98. As already witnessed by this Ministry before the Committee, it was the intention of the Railway Board to procure wagons during 1997-98 as per the decision intimated to the committee, i.e. 25% through tenders. With an initial procurement target of 35,000 FWs (including 5000 from OYWS/BOLT and 2000 from Railway Workshops), 25% i.e. 7025 FWs were ordered against tenders. By the time the orders for balance quantity of 75% were processed for placing orders directly (without tenders) on members of Wagon India Ltd., funds crunch forced this Ministry to curtail the targets of procurement to 26000 FWs (including 5000 against the OYWS/BOLT and 2000 from Railway workshops). By this time, figures of performance of the Industry during the preceding year in 1996-97 also became available and it was seen that there was a large throw-forward of uncompleted orders to 1997-98 with the wagon industry. Therefore, procurement of only 5202.5 FWs wagons directly (without tenders) from members of Wagon India Ltd. were found to be sufficient to 'load' all the wagon builders upto March '98. Over and above, 2000 wagons were kept as reserve, to be ordered further directly (without tenders) from members of Wagon India Ltd. on firms who perform at a faster pace. This additional order has been released recently. Therefore, finally fresh ordering during 1997-98 would lead to slightly over 50% procurement directly (without tenders) from members of Wagon India Ltd., It is clear that this has happened on account of curtailment of wagon procurement due to paucity of funds and despite the intention of the Railway to implement the decision conveyed to the Committee.

As far as procurement during 1998-99 is concerned, a separate decision was taken by the Government to resort to 100% procurement through tender in the light of present Government's avowed objectives of transparency, increased competition and efficiency in procurement and in view of savings in procurement through tenders to bring cost-effectiveness due to constraints of funds. Further, the bulk orders for wagons are placed on the members of Wagon India Limited whether these are ordered through tenders or directly (without tenders). However, the method of placement of orders by two separate methods on the members of Wagon India Ltd., same firms (including Private sector firms) get orders at two different rates. This situation of procurement of the same item, from the same firm, during the same period at two different rates, is not in public interest.

As soon as the above decision was taken, it was immediately sought to apprise the House through the Chairman, Rajya Sabha on 22.07.97 and later on 14.08.97 on the floor of the House during discussions on this Ministry's supplementary demand for grants. In parallel, a letter was also sent on 22.07.97, explaining the position to Shri Basudeb Acharia, although inadvertently this was not addressed as "Chairman of the Standing Committee". Thus due and diligent efforts were made to keep the House and the Committee informed of changes in the decision.

The release of order for balance quantity directly (without tenders) on member of WIL for 1997-98 and for floating the tender for 98-99 as per above decisions could not brook any postponement so as to avoid disruption in production of wagons. Delaying actions would have harmed both Railway and Wagon Industry, and therefore, Railways could not have acted otherwise. Yet Railways have already apologised for its inability to hold back such actions till Committee and House could take formal cognizance of the changes, which were under communication to them.

Casualness and callousness in treating recommendations of the Parliament Committee is, therefore, most humbly denied. The Ministry of Railways would like to assure the committee that its recommendations are treated with utmost sincerity and earnestness, and no contempt of the Committee or the Parliament was either committed for intended.

As already pointed out in ATR to 21st report (para 18) of the Standing Committee, procurement made directly and without tenders from members of Wagon India Ltd. might have functioned satisfactorily upto 1993-94 for the wagon industry, but it has to be kept in mind that Railways need to control cost of acquisition of wagons which can only come through on a competitive basis and not through direct procurement (without tenders) from members of Wagon India Ltd., which is based on 'cost-plus-profit' basis.

Procurement of wagons through tenders is only a means for arriving at a competitive pricing. It would not lead to uneven distribution of orders among various sections of the wagon industry. As explained in reply to para 51 subsequently, even in handling lowest price in the tenders, Railways have shown a far more enlightened approach than is acknowledged.

There is, therefore, no question of either price or the quantity of orders through tenders threatening the existence of wagon industry. There is thus no case for reversal of a decision which is a cost-effective procedure to the Railway.

Further, it may be mentioned that Wagon India Ltd. is not a Public Sector Undertaking. Wagon India Ltd. is not a wagon manufacturing unit but is only a coordinating and servicing agency for wagon manufacturing units including PSUs as well as Private Sector units. It is also clarified that orders are never placed through Wagon India Ltd but are placed directly on the Wagon Builders. The payment against supplies were/are made directly to the wagon manufacturing units. However, the prices were earlier based on recommendations of various Pricing Committees, which did not take into account the competitiveness and efficiency of certain units. Only consolation with WIL was limited with reference to ordering of quantities on various wagon manufacturing units, both for Public and Private sectors depending upon their performance of supply. Wagon India Ltd also played a role for coordination with Railway and various wagon manufacturing units for supply of free items, so as to have equitable distribution.

It may also be stressed that whether wagons are ordered through Tenders or directly (without tenders) on members of Wagon India Ltd., orders in both cases eventually go to members of Wagon India Ltd. except for a small quantity. It has been the experience of Ministry

of Railways that the prices of wagon through tenders have been competitive and cost effective compared to the prices otherwise fixed based on the cost studies mentioned earlier.

[M/o Rlys. O.M. No. 97/BC-II/SCR/XI/15 (W) dated 13.1.1998]

Comments of the Committee

(Please see paragraph 22 & 23 of Chapter-I of the Report)

Recommendation (Para No. 51)

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

Reply of the Government

It can be established from facts and figures that there has been a saving of Rs. 3 crores Rs. 11 crores and Rs. 8 crores during 94-95, 95-96 and 96-97 respectively by following the procedure of competitive bidding through open tenders. Details are furnished in the statement annexed. The 5% saving has been on the cost actually paid to the wagon manufacturer other than free supply items as per existing procedures. Savings of 5% on this price is not only possible but has actually been achieved as shown in the Appendix-I.

It is pertinent to note that price differential during 96-97 between direct orders (without tenders) on members of Wagon India Ltd. and orders through tender, is different for different firms. It is the minimum (Rs. 1487/- for M/s Jessops for BOXN wagon and is much higher for

Pvt. sector firms-the highest being Rs. 40,626/- for BCNA wagon for M/s Binny. A total saving of Rs. 8 crores (i.e. an average saving of Rs. 16,154/- per wagon) has been achieved, as per annexure placed below. Singling out the case of only one particular firm (M/s Jessops, a Public Sector Undertaking) it has been stated vide para 30 of the report that the prices of wagons paid against this tender (for only 78 wagons out to total 4932 wagons) was higher by about Rs. 200 than that given against orders placed directly (without tenders) on members of Wagon India Ltd. Unfortunately, the calculations on which the Secretary/Ministry of Industry has relied upon to make this statement are neither correct nor fair as explained later. Larger savings in case of other firms for 4854 wagons are not mentioned. Hence it is wrong to conclude from the solitary example of M/s Jessop that savings are not possible in tenders.

In any case, even if the contention of Secretary, Ministry of Industry had been correct about prices in case of M/s Jessops through tender being marginally (Rs. 200) higher than against orders directly (without tenders) on members of Wagon India Ltd., it would not have taken away the fact (and the justification for tendering), that Railways have made substantial savings in procurement through tenders as compared to procurement directly (without tenders) from members of Wagon India Ltd. as brought out in para 2.0 above. Only 78 wagons out of 4932 wagons were ordered on M/s Jessop and for rest of orders margin of savings is much larger as discussed above and in total a saving of Rs. 8 crore has been achieved.

It has been held back from the Committee by the Secretary/Ministry of Industry that in the comparisons the prices shown by him against orders directly placed (without tenders) on members of Wagon India Ltd., are not final and include only a provisional and lower element of cost of shot blasting and finally a higher element of this cost (higher by approx. Rs. 1200/- as per a study instituted by Railway Board) is expected to be paid subsequently. On the other hand prices through tender include full and final cost of this element. Hence the comparison of such incomplete price of Wagon India Ltd. orders with final prices in Tender was incorrect and wrong. This fact should not have been hidden from the Committee. Correct calculations are shown in the Appendix-I.

Secretary, Ministry of Industry has compared prices of orders for BOXN wagon in 1996-97 Tender on Jessop with prices in orders placed directly (without tenders) on members of Wagon India Ltd. in 1997-98. This is an invalid comparison since M/s Jessop have not received any order directly (without tenders) as a members of Wagon India Ltd. for 1997-98. Moreover, comparison should be made between orders released in the same year not between orders in different years. If prices in 96-97 Tender is compared with the prices in orders placed directly (without tenders) on members of Wagon India Ltd. in 96-97, we would get a picture of savings by ordering such wagons through tenders instead of ordering them directly (without tenders) from members of Wagon India Ltd. This is shown in the Appendix-I.

It may also be incidentally mentioned that M/s Jessop, a Public Sector company, in whose case saving is lowest, has not been able to make even a single wagon, despite having taken large advances. At the request of M/s BBUNL, the holding company of M/s Jessop, bulk of this order is being transferred to M/s Burn Standard/Burnpur. Therefore, in case of M/s Jessops only a small quantity order against tender exists now and there is no possibility of their being able to manufacture even these in the near future. Hence price comparison is not relevant.

The correct calculated prices are given in Appendix-I for earlier tenders (where a common rate was enforced on all the wagon builders) and for 1996-97 tender (where there are different rates for different wagon builders). It may please be seen that prices in the tender in each and every case are lower than those in direct orders (without tenders) from members of Wagon India Ltd. Even despite the enlightened approach adopted by Ministry of Railways in 1996-97 tender saving of about Rs. 8 crores has been made.

Thus savings in procurement of wagon through tenders are a matter of fact as brought out in the Annexure.

It is worthwhile mentioning that the confusion caused by factually incorrect pronouncements of representatives, of Ministry of Industry and Wagon India Ltd. could have been easily avoided, if Ministry of Railway was given an opportunity to examine these statements for giving appropriate comment and for furnishing the correct factual position before finalisation of the report. This was not done.

[M/o Rlys. O.M. No. 97/BC-II/SCR/XI/15 (W) dated 13.1.1998]

Supplementary Reply of the Government

In the Action Taken Note earlier submitted in January 1998, the prices shown against direct orders (without tenders) on members of Wagon India Ltd. were not final and included only a provisional element of cost of shot-blasting. Similarly, the element of cost of freight reimbursement was also provisional. The cost of shot-blasting charges has been finalised as Rs. 5845 for BOXN wagons and Rs. 7429 for BCNA wagons and has been paid to the firms in 1996-97 contracts as against the provisional figure of Rs. 4905 for BOXN wagons and Rs. 6234 for BCNA wagons initially allowed (RITES had recommended a compensation of Rs. 6103 for BOXN and 7757 for BCNA) which was adopted in the computations in the ATN.

The cost of wagons against direct order (without tender) has accordingly been re-worked and revised calculations are based on actual shot-blasting charges paid to the firms and freight reimbursement claimed by them against 1996-97 contracts. It is seen that there has been a saving of Rs. 7.59 crores (3.1% on the cost actually paid to the wagon manufacturer other than free supply items) in 1996-97 by following the procedure of competitive bidding through open tenders. The corresponding figure for 1994-95 & 1995-96 was Rs. 2.5 crores (4.49%) & Rs. 11.45 crores (5.25%) as mentioned in the ATN. The details of factual position are furnished in the statements enclosed. It would be seen that prices in the tender in each and every case are lower than those in direct order (without tenders) from members of Wagon India Ltd.

The above calculations are based on the computed price as applicable for direct contract for 1996-97 as updated upto 1.5.95, which was the base date for the contract price placed through tender. The wagons against the direct orders (without calling for tenders on members of Wagon India Ltd.) as well as through tender against 1996-97 contracts were manufactured much later and if the comparison of wagon prices as per tender and that ordered directly be made by taking into consideration escalations upto 31.3.97 (the computations

have been reconciled with Department of Heavy Industry), which would be more relevant, the savings would be still higher as shown below for two wagon builders as a representative figure.

M/s Jessops

Direct orders (1996-97)		Through tender (1996-97)	
Base Price (base date 1.4.94)	4,46,748	Base Price (base date 1.5.95)	4,89,918
Escalation upto 31.3.97	91,640	Escalation upto 31.3.97	52,406
Shot-blasting	5,845	Shot-blasting	Inclusive
	<u>5,44,233</u>		<u>5,42,324</u>
		Savings Rs. 1909/- per wagon	

M/s Burn Standard/Burnpur

Direct orders (1996-97)		Through tender (1996-97)	
Base Price (base date 1.4.94)	4,46,748	Base Price (base date 1.5.95)	4,89,918
Escalation upto 31.3.97	91,640	Escalation upto 31.3.97	52,406
Shot-blasting	5,845	Shot-blasting	Inclusive
	<u>5,44,233</u>		<u>5,42,329</u>
Freight	1,830	Freight	Inclusive
Total Price	5,46,063	Total Price	<u>5,42,329</u>
		Savings Rs. 3734/- per wagon	

The above computations have been reconciled with Department of Heavy Industry.

It would be seen that saving per wagon in case of M/s Jessops and Burn/Burnpur by making comparison as on the base date of the contract, i.e. 1.5.95 works out to only Rs. 1229 and 3059 respectively.

However, if the prices are escalated upto 31.3.97, the savings in respect of these wagon manufacturers works out to Rs. 1909 and Rs. 3734 per wagon. Thus the overall savings against 1996-97 contract would be still higher than Rs. 7.59 crores estimated as on the base date of 1.5.95.

It may also be incidentally mentioned that against contract No. 97/RS(I)/954/5/1250 dated 11.3.97 for 78 BOXN wagons M/s Jessops, a Public Sector company, in whose case saving is lowest, could not supply even a single wagon within original delivery period upto 31.12.97, despite having taken advances for 30 wagons. At the request of M/s BBUNL, the holding company of M/s Jessops, order for 48 Nos. was transferred to M/s Burn Standard/Burnpur. M/s Jessops manufactured the remaining 30 wagons later for which they had drawn advance much earlier.

It is also pointed out that a saving of Rs. 25.6 crores Rs. 20.5 crores & Rs. 55 crores has been achieved in subsequent tenders of 1998-99, 1999-2000 & 2000-2001 respectively as well and thus savings in procurement of wagons through tenders are a matter of fact.

Estimated Savings through tender system

(Rates in Rs. excluding wheel sets & CTRBs)

	BOXN	BCNA	
1994-95			
Computed price as Applicable for Wagon India contracts for the corresponding period (per VU)	6,34,822	6,61,885	
Contract Price placed through tender (per VU)	5,97,564	6,38,795 6,43,795	(HDC) (SSL)
Difference/Savings (per VU)	37,258	23,090 18,090	(HDC) (SSL)
Quantity ordered (VU)	360	389 144	(HDC) (SSL)
Total savings (In Rs. crores)	1.3	0.9 0.3	(HDC) (SSL)
Contract Value	21.5	24.8 9.3	(HDC) (SSL)
Total Savings			2.5
Total Contract Value (In Rs. Crores)			55.6
% Savings			4.49%

	BOXN	BCNA	BOBRN	BTPN
1995-96				
Computed price as applicable for Wagon India contracts for the corresponding period (per VU)	7,11,870	7,49,913	10,00,513	8,57,750
Contract price placed through tender (per VU)	6,71,579	7,03,666	9,90,084	8,14,352
Difference/Savings (per VU)	40,291	46,247	10,429	43,398
Quantity ordered (VU)	1201	1153	400	200
Total Savings (In Rs. crores)	4.8	5.3	0.4	0.9
Contract Value (In Rs. crores)	80.7	81.1	39.6	16.3
Total Savings (In Rs. Crores)				11.4
Total Contracts Value (In Rs. Crores)				217.7
% Savings				5.25%

VU = Vehicle Unit = 2.5 Four Wheeler Unit—for an eight wheeler wagon
WIL = Wagon India Ltd.

1996-97 Tender

(Rates are excluding Steel, Airbrakes, w/sets & CTRBs)

(Figs in Rs.)

Wagon builder	BSCL BPR BOXN	BSCL HWH BCNA	BWEL MKA BOXN	BWEL MFP BOXN	BWT BCNA	Jessops BOXN
Computed price as applicable for WIL contract for 1996-97 per VU up-dated 1.5.95	492977	533615	494607	496487	533615	481147
Contract price placed through tender base date 1.5.95 per VU	489918	511751	489918	489918	528109	489918
Difference/Savings (Per VU i.e. per wagon)	3059	21864	4689	5569	5506	1229
Quantity Ordered (VU)	78	78	78	363	78	78
Savings (in crs.)	0.02	0.17	0.04	0.20	0.04	0.01
Contract value (in crs)	3.82	3.99	3.82	17.78	4.12	3.82

1996-97 Tender

(Rates are excluding Steel, Airbrakes, w/sets & CTRBs)

(Fig. in Rs.)

Wagon builder	Cimmco		Modern	HGI	HDC		Texamco		Binny
	BOXN	BCNA	BCNA	BOXN	BOXN	BCNA	BOXN	BCNA	BCNA
Computed price as applicable for WIL contract for 1996-97 per VU up-dated 1.5.95	498347	540815	540915	488447	491147	533615	491147	533615	538615
Contract price placed through tender base date 1.5.95 per VU	489918	528109	528109	489918	467123	501717	483400	521600	501717
Difference/Savings (Per VU i.e. per wagon)	8429	12706	12806	8529	24024	31898	7747	12015	36898
Quantity Ordered (VU)	780	287	425	30	745	750	593	491	78
Saving (in crs.)	0.66	0.36	0.54	0.03	1.79	2.39	0.46	0.59	0.29
Contract value (in crs.)	38.21	15.16	22.45	1.47	34.8	37.63	28.67	25.61	3.91
Total Savings	7.59 Crs.								
Total Contract Value	245.26 Crs.								
Percentage Savings	31.0%								

(Rates are excluding Steel, air brakes, wheelsets and CTRBs)

	96-97 contracts through Wagon India Ltd.		Prices of contracts placed through tender (Base date 15.95)	
	BOXN	BCNA	BOX N	BCNA
	1	2	3	4
Bum Std. Bumpur				
Quantity ordered	130	0	78	0
Price updated to 15.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	1830	0	0	0
Total	492977	0	489918	0
Bum Std., Howrah				
Quantity ordered	0	0	0	78
Price updated to 15.95	0	526186	0	511751
Shot blasting	0	7429	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	0	533615	0	511751
BWEL, Mokameh				
Quantity ordered	340	0	78	0
Price updated to 15.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	3460	0	0	0
Total	494607	0	489918	0
BWEL, Muzaffarpur				
Quantity ordered	82	0	363	0
Price updated to 15.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	4340	0	0	0
Total	495487	0	489918	0

	1	2	3	4
Braithwaite, Calcutta				
Quantity ordered	0	290	0	78
Price updated to 1.5.95	0	526186	0	528109
Shot blasting	0	7429	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	0	533615	0	528109
Jessops				
Quantity ordered	0	0	78	0
Price updated to 1.5.95	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	491147	0	489918	0
HDC, Calcutta				
Quantity ordered	193	196	745	750
Price updated to 1.5.95	485302	526186	467123	501717
Shot blasting	5845	7429	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	491147	533615	467123	501717
Texmaco Ltd., Calcutta				
Quantity ordered	182	200	593	491
Price updated to 1.5.95	485302	526186	483400	521600
Shot blasting	5845	7429	0	0
Reimbursement of freight on bogies and couplers	0	0	0	0
Total	491147	533615	483400	521600

	1	2	3	4
Binny/Chennai				
Quantity ordered	0	0	0	78
Price updated to 1.595	0	526186	0	501717
Shot blasting	0	7429	0	0
Reimbursement of freight on bogies and couplers	0	5000	0	0
Total	0	538615	0	501717
Cimmco Birla Ltd.				
Quantity ordered	110	107	780	287
Price updated to 1.595	485302	526186	489918	528109
Shot blasting	5845	7429	0	0
Reimbursement of freight on bogies and couplers	7200	7200	0	0
Total	498347	540815	489918	528109
Modern Industries				
Quantity ordered	0	272	0	425
Price updated to 1.595	0	526186	0	528109
Shot blasting	0	7429	0	0
Reimbursement of freight on bogies and couplers	0	7300	0	0
Total	0	540915	0	528109
HGI, Nangloi				
Quantity ordered	0	0	30	0
Price updated to 1.595	485302	0	489918	0
Shot blasting	5845	0	0	0
Reimbursement of freight on bogies and couplers	7300	0	0	0
Total	498447	0	489918	0

Typical Break-up of Prices of 96-97 Contracts through WIL

	BOXN		BCNA	
	Contract Prices as on 1.4.94	Prices updated to 1.5.95	Contract Prices as on 1.4.94	Prices Updated 1.5.95
Bogies & Couplers	237735	258251	237735	258251
Other Bought-outs	57428	62384	63661	69155
Total Bought-outs	295163	320635	301396	327406
Fabrication costs (labour, overheads, interest, profit etc.)	151585	164667	182988	198780
Total	446748	485302	484384	526186
Shot blasting charges extra				
Freight on bogies & couplers extra				

{M/o Rlys. O.M. No. 2000/BE-II/XIII/200/7 dated 29.9.2000}

Reply of Department of Heavy Industry on action taken note by the Ministry of Railways on the Twelfth Report of the Standing Committee on Railways on "Procurement of wagons by Railways"

Recommendation (Para No. 51)

During the oral evidence, Secretary HI provided one instance where tender price was higher than the direct order price which happened to be that of Jessop. There are other instances. Price of BOXN orders on Burnpur Works during 1996-97, when computed on like to like basis, shows that the wagon price as per tender was higher than the direct order as shown below:

	Direct orders (Supplied after 1.8.96) Rs.		Tender Wagons Rs.
Base Price	4,46,788	Base price 1.5.95	4,89,918
Escalation upto 31.3.97	91,494	Escalation to 31.3.97	56,203
Shot Blasting	4,903		
	<u>5,43,145</u>		<u>5,46,121</u>
In case of distant located units freight charge to be added	1,830		
	<u>5,44,975</u>		

Ref: Contract No. 1186 dt. 22.8.95 Ref: Contract No. 1149 dt. 11.3.97

(N.B.: This is besides the case of JSP admitted by the Railway Ministry)

As regards para 2.2 it is submitted that SHI did not hide any fact. The allegation that certain facts were held back from the Committee is baseless and refuted. Price comparisons were based on facts known to this Department and were illustrative rather than exhaustive. Whatever the information on cost of shot blasting was available at that point of time was included in the price estimates. Railway Board's contention of raising the shot blasting charges by Rs. 1200 was known to them and this information was not available with wagon builders. There are other items of variability of cost elements which have not been brought out by the Railway Board.

Claim of the Railway Ministry that "Prices through tender include full and final cost" is disputable. Though tendered Wagon prices are supposed to be absolute (subject to escalation clause), yet in 1998-99 lot of variables *viz*; freight, excise duty reimbursement on inputs for Bogie and Coupler etc. were introduced to be finalised based on actuals. Similarly as per original terms and conditions of tender, in respect of offers opened on 20.03.1995, no escalation was payable on the value of steel and also no advance payment was admissible. However, PSUs, after receipt of counter offer, negotiated with Railway Board and were allowed to draw escalation on 50% value of steel and were also permitted 50% of contract value as advance. M/s HDC did not ask for the above variation but was also extended the same benefits.

The comparison of prices of wagon in respect of order on Jessop in the year 1996-97 based on tender and 1997-98 direct order on other WIL members was made by rationalising the prices to a cut-off date. In making this comparison the two prices have been compared on a particular date by applying escalation formula provided by the Railways. This is necessary since tender orders and direct orders have not been issued on the same dates. Thus, there is no question of assuming that the comparison is invalid.

It is a fact that Jessop could not meet with the delivery commitments in respect of Railway wagons mainly on account of cash crunch arising out of long spell of their sickness. It is however not true that Jessop had drawn large advances and not made a single wagon. In fact Jessop supplied wagons year after year. The Company supplied 525 FWUs during 1995-96, 152.5 in 1996-97 and 157.5 during 1997-98. Thus the allegation of Railway Board that Jessop has taken large advance and not supplied a single wagon is not correct; besides Jessop is not the only wagon building units which has delayed supply of wagons after taking advances.

[Deptt. of Heavy Industry O.M. No. 14 (2)/97/PE-III dated 6.5.1998]

Comments of the Committee

(Please see paragraphs 24 & 25 of Chapter-I of the Report)

Recommendation (Para No. 52)

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

Reply of the Government

During the early 70s, when the country as a whole was undergoing a serious recession, the wagon industry became sick along with many other sectors of the industry. At that time difficult labour situation prevailing in Eastern region also led to flight, nationalisation and closure of Industries in that region. Country was also facing a shortage of steel. Therefore, it would not be appropriate to single out competition among wagon builders as the contributing reason of their closure/nationalisation during that period.

However, sickness of wagon industry is present even today and to large extent on account of factors like poor productivity and mismanagement of the units. It is well known that the wagon industry, public sector in particular, are over staffed to the point of unredeamable inefficiency. Ministry of Railways has apprehensions that the wagon industry, which is already sick, may fall further sick due to factors cited above and the blame is being diverted to the Ministry of Railways and to the mode of procurement of wagon which is not correct. This Ministry would like to urge that concerned authorities should be asked to pay attention to reduction in wasteful expenditure, improve efficiency, ensure accountability and financial discipline in the management of wagon building units in particular those in the public sector.

As has been already clarified earlier in reply to para 49 and 51, the tender system is merely to obtain a competitive price. Subject to the competitiveness, it is the intention to continue placement of adequate orders on all the wagon manufacturing units. Even today the wagon industry is fully loaded with orders till March 1998 despite part quantity of wagons having been ordered through the tenders.

Therefore, there is no question of either price or the quantity of orders through tenders threatening the existence of wagon industry. Ministry of Railways would like to submit that the financial interest of the Railways are also equally important.

[M/o Rlys. O.M. No. 97/BC-II/SCR/XI/15 (W) dated 13.1.1998]

Supplementary Reply of the Government

As has already been clarified in the ATN submitted in January, 1998, the tender system is merely to obtain a competitive price. However, Ministry of Railways are following a very enlightened policy of placing bulk of the orders on all the wagon manufacturing units with certain purchase preference to PSUs and only balance quantity is ordered on competitive basis. This enlightened approach ensures a more equitable distribution of wagon orders amongst the wagon building units and at the same time helps Indian Railways to obtain competitive rates which has brought about substantial savings to the Railways.

It is further pointed out that Cabinet has recently taken a decision to wind up Wagon India Ltd. on the recommendations of Ministry of Heavy Industry.

[M/o Rlys. O.M. No. 2000/BC-II/XIII/200/7 dated 29.9.2000]

Reply of Department of Heavy Industry on action taken note by the Ministry of Railways on the Twelfth Report of the Standing Committee on Railways on "Procurement of wagons by Railways"

Recommendation (Para No. 52)

All four central public sector wagon manufacturing units were taken over as sick companies. The purpose of setting up of WIL was to centrally negotiate the prices and quantity with the Railway Board

and to distribute the orders among the wagon builders. These CPSUs are mainly dependent on Railways for orders. Whenever they got adequate orders from Railways, they have shown excellent performance. BCL and BWEL produced more wagons than their installed capacities. In case of BWEL, the Company manufactured 3150 FWUs during 1991-92 as against the installed capacity of 2500 FWUs. Similarly, BCL manufactured 3707.5 FWUs during 1992-93 as against the installed capacity of 2600 FWUs. It shows that these CPSUs have the capability to manufacture more than their installed capacities. The performance of the public sector wagon manufacturing units suffered during 1994-95 and 1995-96 due to drastic reduction in wagon orders by Ministry of Railways. Their performance also suffered during 1995-96 due to late release of wagon orders, discontinuation of certain free supply items and shortage of working capital due to accumulation of heavy cash losses of the previous two years. With adequate wagon orders, BWEL and BCL earned profit during 1996-97 and 1997-98. Performance of public sector wagon manufacturing units are critically dependent on wagon orders. It may also be noted that only CPSUs accepted orders during 1994-95 and 1995-96 when private sector wagon builders, excepting HDC, refused to accept orders.

[Deptt. of Heavy Industry O.M. No. 14 (2)/97/PE-III
dated 6.5.1998]

Comments of the Committee

(Please see paragraphs 22 & 25 of Chapter-I of the Report.)

Recommendation (Para No. 53)

The Committee find that absolute adhocism in regard to placing of orders with the wagon industry prevailing in the Ministry has resulted in under-utilisation of capacity available both in public and private sectors. Apart from creating labour problems, this policy has adversely affected timely and adequate availability of wagons, thereby causing great loss of revenue to the Railways. The Committee, therefore, strongly recommend that the adhocism prevailing in the procurement of wagons must be stopped henceforth and orders for 75% of the wagon requirement of the railways should be placed with the wagon industry through Wagon India Limited. They also desire that 70% to 80% of Railway's firm order for procurement of wagons should be placed with the wagon industry well in advance, say at least three

years, so that industry may make necessary arrangement/planning for fabrication of wagons. Had this procedure been followed which would have led to full assets utilisation with proper planning by the Ministry of Industry and Wagon India Limited, the prices of wagons would have been much less.

Reply of the Government

This Ministry denies that there is adhocism in regard to placement of orders of wagons on the wagon industry as orders on wagon manufacturing units have continued to be placed all along. Even after placement of sufficient orders some of the wagon units could not manufacture the wagons timely and within the time-frame. This Ministry also denies that there has been underutilisation of the capacity due to the procedure of placement of orders. In fact it is the wagon Industry which was not able to manufacture all the ordered 25,000 wagons in 1996-97, despite availability of orders. M/s. Jessops are not able to manufacture wagons despite availability of orders and despite having drawn large advances. It needs to be clarified that orders are placed keeping in view the availability of funds and also in accordance with requirement of the transport. It is also clarified that the procedure and policy of placement of orders through competitive building has not resulted in non-availability of wagons. The question of revenue loss to the Railway on this account, therefore, does not arise.

As clarified in earlier paras, continuation of placement of orders of 75% of wagon requirement without following the procedure of tendering, is creating an anomaly as the Railways would be required to pay a higher price even to the private manufacturing unit in comparison to the price finalised through the tendering process. Whether such a policy can be adopted by the Government is a matter of serious doubt and cannot be accepted.

It is also denied that Railways are not in a position to place orders for wagons well in advance, say three years, as suggested by the Committee, as the same is not permitted due to the policy of yearly Railway budgeting, which is dependent on availability of funds on year to year basis.

[Ministry of Railways, O.M. No. 97/BC-II/SCR/XI/15 (W) dated 13.1.1998]

Supplementary Reply of the Government

It has been the endeavour of Ministry of Railways to place adequate orders on the wagon Industry as per the Railways traffic needs. For the last two decades, Railways have been acquiring Air-braked bogie wagon stock, which has much higher productivity due to which the turn round of wagons has vastly improved. Average annual acquisition of Railways during the last 10 (ten) years has been about 21,800 FWs. With this level of acquisition, Railways have been able to meet full traffic requirement and the availability is adequate to meet the present level of traffic offerings. In this scenario, wagon industry has also to adjust their capacities by way of diversification etc. in becoming efficient and competitive.

Ministry of Railways are making efforts to place orders as much in advance as possible subject to assessment of wagon requirement and availability of funds as finalised in Railway Budget with a view to help the wagon industry in making necessary arrangement/planning for fabrication of wagons.

[M/o Rlys. O.M. No. 2000/BC-II/XIII/200/7 dated 29.9. 2000]

Reply of Department of Heavy Industry on action taken note by the Ministry of Railways on the Twelfth Report of the Standing Committee on Railways on "Procurement of wagons by Railways"

Recommendation (Para No. 53)

As per the recommendation of the Planning Commission, 80% of the wagon requirement for a period of three years should be placed on wagon industry in advance. However, Ministry of Railways used to allocate wagon orders on half yearly basis till 1992-93. Thereafter, Ministry of Railways released wagon orders at irregular intervals. As a result, wagon production, which has a long lead time, suffered. There have been considerable delays in placing orders after receiving bids. The tender for wagon orders for 1994-95 was opened on 18.8.94 but orders could be placed only on 23.1.95. Similarly, the bids for 1995-96 was opened on 20.3.95. But orders could be placed only in August, 1995. For 1996-97, the tender was opened on 3.11.95. Delivery was to commence from 1.4.96 and was to be completed by 31.3.97. However, processing of this tender took long time and Railway Board could release contracts only in March, 1997 *i.e.* 16 months after opening of

the tender. For procurement of wagon orders for 1998-99, Ministry of Railways opened tender on 10.3.98. The case of Jessop has been referred a number a time. This company manufactures rather insignificant quantity as compared to other PSUs. As regards advance given by Ministry of Railways, these are utilised for procurement of bogies, couplers, air brakes etc. which are required for wagon manufacturing. The facility of advance was given not only to Jessop but to all the wagon manufacturing units including private sector. It may be noted that some other wagon manufacturers have also not supplied wagons in time after availing of advances.

[Deptt. of Heavy Industry O.M. No. 14 (2)/97/PE-III dated 6.5.1998]

Comments of the Committee

(Please see paragraphs 24 & 25 of Chapter-I of the Report)

Recommendation (Para No. 54)

The Committee note that during the process of open tendering in the years 1994-95 to 1996-97, every time a particular firm had remained beneficiary. Even the terms of contracts were revised in its favour by supplying steel and other inputs, free of cost by the Railways. The Committee express their anguish and recommend a thorough probe of the whole process of tendering during that period by the Railways Vigilance/CBI. The Committee also strongly recommend that before resorting to 100% procurement of wagons from 1998-99 onwards through open tender, the issue of procurement of wagons by Railways should be settled through mutual consultations amongst the Ministry of Railways, the Wagon India Limited, the Planning Commission and the Ministry of Industry. The Committee desire that the whole process of open tender, which was opened on 03.9.1997, for the year 1998-99, should be kept in abeyance till the whole issue is mutually settled.

Reply of the Government

The Ministry of would like to clarify that process of open tendering is a system of complete openness along with competitiveness. This aspect cannot be denied. Therefore, the question of any particular firm having remained beneficiary does not arise as all the manufacturing units have been given freedom to give competitive bidding. If any of the wagon manufacturing unit has given competitive bidding, the same

cannot be considered as a beneficiary in the context of saving of cost to the Government Exchequer. Railways have saved Rs. 3 crores, Rs. 11 crores and Rs. 8 crores respectively in the three year tenders pertaining to 1994-95, 1995-96 and 1996-97.

The Ministry denies the allegations in regard to supply of steel and other inputs free of cost to any particular firm contrary to terms of the contract. It is further clarified that supply of steel to a particular firm was only given on payment of full cost in exigencies of faster manufacture of wagons. Therefore, the Ministry would like to humbly submit that there appears to be no cause for either anguish or a probe to examine the process of tendering through vigilance/CBI as observed by the Committee. Perhaps their anguish has been due to lack of information on the issue.

As brought out in earlier paragraphs, the Ministry of Railways have intended to bring in openness, competitiveness and transparency in its procurement policy thereby saving cost to the Railways, at the same time it is intended to furnish sufficient and adequate ordering to all the established wagon manufacturing units subject to the availability of funds, transport requirement and capability of the wagon manufacturing unit to supply. With these objectives, there appears to be no objections which could be expected either from the Planning Commission or the Ministry of Industry. The Ministry is also unable to keep the process of procurement in abeyance as it will jeopardise the interest of the Railways as well as the Industry due to obvious reasons of either non-availability of wagons or keeping the capacity of wagon manufacturing units idle.

[M/o Rlys. O.M. No. 97/BC-II/SCR/XI/15 (W) 13.1.1998]

Comment of the Committee

(Please see paragraph 24 of Chapter—I of the Report)

CHAPTER V

RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH
REPLY OF THE GOVERNMENT IS STILL AWAITED

—NIL—

NEW DELHI;
4 November, 2000
13 Kartika, 1922 (Saka)

K. YERRANNAIDU,
Chairman,
Standing Committee on Railways.

APPENDIX I

ESTIMATED SAVINGS THROUGH TENDER SYSTEM

Year	Computed Price as Applicable for Wagon India contracts for the corresponding period (per VU)	Contract Price placed through tender (per VU)	Difference/ Savings (per VUs)	Quantity Ordered (VU)	Total Savings	Contract Value
1994-95 (Rates are excluding Wheel-sets & CTRBs)						
BOXN	6,34,022	597564	37258	360	13412880	215123040
BCNA	6,61,885	638795 (HDC) 643795 (SSL)	23090 18090	389 144	8982010 2604960	248491255 92706480
Total					24999850	556320775
Total savings estimated approx. Rs. 3 crores (4.49%)						
1995-96 (Rates are excluding Wheel-sets & CTRBs)						
BOXN	7,11,870	671579	40291	1201	48389491	806566379
BCNA	7,40,913	703666	46247	1153	53322791	811326898
BOBRN	10,00,513	990004	10429	400	4171600	396033600
BIPN	8,57,750	814352	43398	200	8679600	162870400
Total					114563482	2176797277

Total savings about Rs. 11 crores (5.26%)

VU = Vehicle Unit = 2.5 Four wheeler unit—for an Eight wheeler wagon

WIL = Wagon India Limited.

1996-97 Tender Rates are excluding wheelsets, CTRBs Airbrakes & Steel)

(Figures in Rs.)

Bagon Builder	BSCL BPR	BWEL, MFP&MKA	MI Cimmco, HGI		Jessops BWT		HDC		Taxmaco		Bum HWH	Binni, Chennai	Total Saving
1	2	3	BOXN	BCNA	BOXN	BCNA	BOXN	BCNA	BOXN	BCNA	BCNA	13	14
Computed Price as applicable for WIL contract for 1996-97 (per VU, updated to 1/5/95)	494405	495905	499805	542343	491405	533943	491405	533943	491405	533943	533943	542343	
Contract Price placed through tender base date 1/5/95 (per VU)	489918	489918	489918	528109	489918	528109	467123	501717	483400	521600	511751	501717	
Difference/Savings (Per VU) i.e. per wagon	4487	5987	9887	14234	1487	5834	24282	32226	8005	12343	22192	40626	

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Quantity Ordered (VU)	78	441	810	712	78	78	745	750	593	491	78	78	
Total Savings	349986	2640267	8008470	10134608	115986	455052	18090090	24169500	4746965	6060413	1730976	3168828	79671141
Contract Value	38213604	216053838	396833580	376013608	38213604	41192502	348006635	376287750	286656200	256105600	39916578	39133926	2452627425

Total Savings about Rs. 8 crores (3.25%)

Typical break-up of cost through WIL is enclosed.

BSCCL = Bum Std. Co. Ltd., BWEL = Bharat Wagon Engg. Ltd., MI = Modern Industries

HGI = Hindustan General Industries, BWT = Braithwaite, HDC = Hindustan Development Corpn.

BPR = Bumpur, MFP = Muzaffarpur, MKA = Mokameh, HWH = Howrah

Typical Break-up of Prices of 1996-97 Contracts through WIL

	BOXN		BCNA	
	Contract Prices as on 1/4/94	Prices Updated to 1/5/95	Contract Prices as on 1/4/94	Prices Updated to 1/5/95
Bogies & Couplers	237735	258251	237735	258251
Other Bought-outs	57428	62384	63661	69155
Total Bought-outs	295163	320635	301396	327408
Fabrication Cost (labour overheads, interest, profit, etc.)	151585	164667	182988	198780
Total	446748	485302	484384	526186
Shot blasting charges extra				
Freight on bogies & Couplers extra				

Comparison of 1996-97 Tender Prices with 1996-97 contracts through WIL

(Price in Rs.)

	1996-97 contracts through Wagon India Ltd.		Prices of contracts placed through 1996-97 tender (Base date 1.5.95)	
	BOXN	BCNA	BOXN	BCNA
	1	2	3	4
<i>(Rates are excluding Steel/Air brakes/wheelsets & CTRBs)</i>				
Bharat Wagon/Muzaffarpur				
Quantity ordered	82		363	
Price Updated to 1.5.95	484302		489918	

	1	2	3	4
Shot blasting Extra Provisional Payment	4905			
Estimated Compensation Based on RITES Report to be paid subsequently	6103			
Reimbursement of Freight on Bogies & Couplers	4500*			
Total with Prov. Compensation	494707		489918	
Total with Est. Compensation	495905		489918	
Bharat Wagon/Mokameh Quantity Ordered	310		78	
Price Updated 1.5.95	485302		489918	
Shot blasting Extra Provisional Payment	4905			
Estimated Compensation Based on RITES Report to be paid subsequently	6103			
Reimbursement of Freight on Bogies & Couplers	4500*			
Total with Prov. Compensation	494707		489918	
Total with Est. Compensation	495905		489918	
Braithwaite Quantity Ordered		290		78
Price Updated to 1.5.95		526186		528109
Shot blasting extra Provisional Payment		6234		
Estimated Compensation Based on RITES Report to be paid subsequently		7757		
Reimbursement of Freight on Bogies & Couplers		0		
Total with Prov. Compensation		532420		528109
Total with Est. Compensation		533043		

*Estimated

	1	2	3	4
Burn Standard/Burnpur				
Quantity ordered	139		78	
Price updated to 1/5/95	485302		480918	
Shot blasting Extra				
Provisional Payment	4905			
Estimated compensation based on RITES Report to be paid subsequently Reimbursement of Freight on Bogies & Couplers	6103			
	3000*			
Total with Prov. Compensation	493207		489918	
Total with Est. Compensation	494405		489918	
Burn Standard/Howrah				
Quantity ordered		Nil		78
Price updated to 1/5/95		526185		511751
Shot blasting extra		6234		
Provisional payment				
Estimated compensation Based on RITES Report to be paid subsequently		7757		
Reimbursement of Freight on Bogies & Couplers		0		
Total with Prov. compensation		532420		
Total with Est. compensation		533943		
Jessops				
Quantity ordered	Nil		78	
Price updated to 1/5/95	485302		489918	
Shot Blasting extra				
Provisional Payment	4905			
Estimated compensation Based on RITES Report to be paid subsequently	6103			
*Estimated				

	1	2	3	4
Reimbursement of Freight on Bogies & Couplers	0			
Total with Prov. compensation	490207		489918	
Total with Est. Compensation	491405		489918	
Cimmco Birla Ltd./Bharatpur				
Quantity ordered	110	107	780	287
Price updated to 1/5/95	485302	526186	489918	528109
Shot blasting Extra Provisional Payment	4905	6234		
Estimated Compensation Based on RITES Report to be paid subsequently	6103	7757		
Reimbursement of Freight on Bogies & Couplers	8400	8400		
Total with Prov. Compensation	498607	540820	489918	528109
Total with Est. Compensation	499805	542343	489918	528109
Texmaco Ltd./Calcutta				
Quantity ordered	182	200	593	491
Price updated to 1/5/95	485302	526186	483400	521600
Shot blasting Extra Provisional Payment	4905	6234		
Estimated Compensation Based on RITES Report to be paid subsequently	6103	7757		
Reimbursement of Freight on Bogies & Couplers	0	0		
Total with Prov. Compensation	490207	532420	483400	521600
Total with Est. Compensation	491405	533943	483400	521600

	1	2	3	4
Modern Industries/Ghaziabad				
Quantity ordered		272		425
Price updated to 1/5/95		526186		528109
Shot blasting Extra Provisional payment		6234		
Estimated compensation based on RITES Report to be paid subsequently		7757		
Reimbursement of Freight on Bogies & couplers		8500		
Total with Prov. compensation		540920		
Total with Est. Compensation		542443		
Quantity ordered	193	196	745	750
Price updated to 1.5.95	485302	526186	467123	501717
Shot blasting etc. Provisional Payment	0905	0254		
Estimated compensation based on RITES report to be paid subsequently	6103	7757		
Reimbursement of Freight on bogies & couplers	0	0		
Total with Prov. compensation	490207	532420	467123	501717
Total with Est. Compensation	491405	533943	467123	501717
HGI/Nangloi				
Quantity ordered	Nil		30	
Price updated to 1.5.95	485302		489918	
Shot blasting etc. Prov. payment	4905			
Est. compensation based on RITES Report to be paid subsequently	6103			
Reimbursement of Freight on bogies & couplers	8500			
Total with prov. compensation	498707		489918	
Total with Est. compensation	499905		489918	

APPENDIX II

MINUTES OF THE SIXTEENTH SITTING OF STANDING COMMITTEE ON RAILWAYS (1999-2000)

The Committee sat on Tuesday, the 3rd October, 2000 from 1500 hrs. to 1645 hrs. in 'Main Committee Room', Parliament House Annexe, New Delhi

PRESENT

Shri K. Yerrannaudu - *Chairman*

MEMBERS

Lok Sabha

2. Shri M. Chinnasamy
3. Shri P.D. Elangovan
4. Shri Manikrao Hodlya Gavit
5. Shri Tarun Gogoi
6. Shri Moinul Hassan
7. Shri Salkhan Murmu
8. Shri Naval Kishore Rai
9. Shri Gunipati Ramaiah
10. Shri Prabhat Kumar Samantaray
11. Shrimati Sushila Saroj
12. Dr. Nitish Sengupta
13. Shri Bahadur Singh
14. Shri Brij Bhushan Sharan Singh
15. Capt. (Retd.) Inder Singh
16. Shri Rajo Singh
17. Shri A.K.S. Vijayan
18. Shri Jagdambi Prasad Yadav

Rajya Sabha

19. Shri Bhagatram Manhar
20. Shri Jhumuk Lal Bhendia
21. Shri Banarsi Das Gupta
22. Shri Raju Parmar
23. Shri Gopalsinh G. Solanki
24. Chaudhary Chunni Lal
25. Dr. (Smt.) Chandra Kala Pandey
26. Shri Anil Sharma
27. Shri Abani Roy.
28. Dr. D. Venkateshwar Rao
29. Shri Ramachandraiah Rumandla

SECRETARIAT

1. Shri M. Rajagopalan Nair — *Joint Secretary*
2. Shri R.C. Gupta — *Deputy Secretary*
3. Shri S.N. Dargan — *Under Secretary*
4. Shri O.P. Shokeen — *Committee Officer*

WITNESSES

Representatives of the Ministry of Railways

1. Shri K.B. Sankaran — Member Mechanical & Ex-Officio Secretary to the Govt. of India
2. Shri N.P. Srivastava — Financial Commissioner. (Railways) & Ex-Officio Secretary to the Govt. of India

Representative of Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industry)

- Shri T.S. Vijayaraghavan — Secretary, Deptt. of Heavy Industry

2. At the outset, the Chairman welcomed the Members and the representatives of the Ministries of Railways and Heavy Industry & Public Enterprises to the sitting of the Committee. Thereafter, the Committee sought further clarification from the representatives of the Ministries on some of their Action Taken Notes on the Recommendations/Observations contained in the 12th Report of the Standing Committee on Railways (1997-98) on 'Procurement of Wagons by Railways'. The evidence concluded.

3. The verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SEVENTEENTH SITTING OF STANDING
COMMITTEE ON RAILWAYS (1999-2000)

The Committee sat on Tuesday, the 24th October, 2000 from 1500 hrs. to 1630 hrs., in Committee Room 'C', Parliament House Annexe, New Delhi. In the absence of Chairman, the Committee chose Shri Moinul Hassan, MP to act as Chairman for the sitting of the Committee under Rule 258 (3) of the Rules of Procedures and Conduct of Business in Lok Sabha.

PRESENT

Shri Moinul Hassan—*In the Chair*

MEMBERS

Lok Sabha

2. Shrimati Santosh Choudhary
3. Shri P.D. Elangovan
4. Shri Tarun Gogoi
5. Shrimati Abha Mahato
6. Shri Subodh Mohite
7. Shri Jaibhan Singh Pawaiya
8. Shri Naval Kishore Rai
9. Shri Prabhat Kumar Samantray
10. Shrimati Sushila Saroj
11. Dr. Nitish Sengupta
12. Shri Bahadur Singh
13. Shri Brij Bhushan Sharan Singh
14. Capt. (Retd.) Inder Singh
15. Shri Rajo Singh
16. Shri A.K.S. Vijayan
17. Shri Jagdambi Prasad Yadav

Rajya Sabha

18. Shri Bhagatram Manhar
19. Shri Jhumuk Lal Bhendia
20. Shri Banarsi Das Gupta
21. Shri Raju Parmar
22. Shrimati Chandra Kala Pandey
23. Shri Maulana Obaidullah Khan Azmi
24. Shri Anil Sharma
25. Shri Abani Roy
26. Dr. D. Venkateshwar Rao

SECRETARIAT

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

2. At the outset, the acting Chairman welcomed the Members to the sitting of the Committee. Thereafter, the Committee considered and adopted the following draft Action Taken Reports without any amendment/modification:—

- (i) *
- (ii) *
- (iii) Draft 5th Report on action taken by the Government on recommendations/observations contained in 12th Report of Standing Committee on Railways (1997-98) on 'Procurement of Wagons by Railways'.

3. The Committee also authorized the Chairman to finalize the Reports after making consequential changes, if any, arising out of the factual verification by the Ministry of Railways or otherwise and to present the Reports to both the Houses of Parliament.

The Committee then adjourned.

APPENDIX III

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATION/OBSERVATION CONTAINED IN TWELFTH REPORT OF THE STANDING COMMITTEE ON RAILWAYS (1997-98) ON PROCUREMENT OF WAGONS BY RAILWAYS

	% of Total
Total number of Recommendations/Observations	6
(i) Recommendations/Observations which have been accepted by the Government	Nil
(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies (Vide Recommendation/Observation Para No. 50)	16.67%
(iii) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee and which required reiteration (Vide Recommendations/Observations Para Nos. 49, 51, 52, 53 & 54)	83.33%
(iv) Recommendations/Observations in respect of which final reply of Government is still awaited.	Nil