P.A.C. No. 415

PUBLIC ACCOUNTS COMMITTEE (1973-74)

(FIFTH LOK SABHA)

HUNDRED AND TWENTIETH REPORT

[Paragraphs relating to Financial Results and Earnings of the Railways included in the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

LOK SABHA SECRETARIAT
NEW DELHI

March, 1974/Chaitra, 1896(S)

Price : R. 2.20

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Corrigenda to the Hundred and Twentieth Report of the Public Accounts Committee (Fifth Lok Sabha) presented to Lok Sabha on 23.4.74

Page	Para	Line	For	Read
36	1.65	1	"while	while
	1.66	13	alll	all
38	1.69	6	there said	there is said
40	1.72	1	singla	signal
79	2.39	17	fixing responsibility	fixing responsibility although it is fairly evident on the face of it that the major responsibility was that of the then Divisional Operating Superintendent.
	2.40	11-12	regard... superintendent	regard.
90	S.No.5	5-6	in future carefully	in future proposals for new lines should be very carefully
101	S.No.28	3	worked but	worked out
102	S.No.29	18	that the then	that of the then

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..20.4.74..

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3710 L.S.—1.

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(1973-74)

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*Elected on 29-11-73 *vice* Shri D. S. Afzalpurkar died.

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Hundred and Twentieth Report of the Committee (Fifth Lok Sabha) on paragraphs relating to Financial Results and Earnings of the Railways included in the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).

2. The Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways) was laid on the Table on the 6th March, 1973. The Committee examined the paragraphs relating to Financial Results and Earnings included in the Report of the Comptroller and Auditor General of India for the year 1971-72 on the 15th and 17th October, 1973. Written information in regard to these paragraphs was also obtained from the Ministry of Railways (Railway Board).

3. The Committee considered and finalised this Report at their sitting held on the 27th March, 1974. Minutes of the sittings of the Committee form Part II* of the Report.

4. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix VI). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the examination of the various paragraphs by the Comptroller and Auditor General of India.

6. The Committee would also like to express their thanks to the Chairman and officers of the Railway Board for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
March 27, 1974.
Chaitra 6, 1896 (*S*).

JYOTIRMOY BOSU,
Chairman,
Public Accounts Committee.

*Not printed (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament library).

CHAPTER I

FINANCIAL RESULTS

Audit Paragraph

1.1. After a period of 5 years of deficits aggregating Rs. 87.33 crores, the working of the Railways showed a net surplus of Rs. 17.84 crores in 1971-72. This surplus was credited to the Development Fund (Rs. 9.21 crores) and Revenue Reserve Fund (Rs. 8.63 crores).

1.2. The table below gives the gross receipts and expenditure during the year 1971-72 *vis-a-vis* budget:—

(Amount in crores of Rupees)

	Actuals 1970-71	Budget 1971-72	Actuals 1971-72	Variation over Budget
1. Gross Revenue Receipts	1006·96	1070.45	1096·97	+26·52
2. *Deduct*—				
(a) Revenue expenditure	862·22	903·55	927·89	+24·34
(b) Payment to General Revenues	164·58	173·77	151·24	—22·53
3. Surplus (+) Defici (—)	—19·84	—6·87	+17·84	+24·71
The payment to General Revenues was made up of—				
1. Interest on loan capital at the average borrowing rate of Central Government applicable to Commercial Undertakings				131.46
2. Payments in lieu of Passenger fare tax and assistance to States for financing safety works				18·11
3. Balance treated as contribution				1·67
				151·24

1.3. The Budget estimates envisaged a net deficit of Rs. 6.87 crores. While both the gross revenue receipts and revenue expenditure registered an increase over the budget, leaving a marginal increase of Rs. 2.18 crores only in net revenue, the payments to General Revenues decreased by as much as Rs. 22.53 crores. This reduction in the payment of dividend to General Revenues (both compared to last year and also budget) was mainly due to certain concessions and exemptions totalling Rs. 22.06 crores obtained on the basis of recommendations of the Railway Convention Committee, 1971 in their Interim Report*.

*Please see pages 46-47

1.4. The Railways also reduced the appropriation to the Pension Fund to Rs. 11.50 crores as compared to the Budget estimate of Rs. 15.00 crores. They also imposed an *ad hoc* economy cut of Rs. 1.80 crores on expenditure on minor works chargeable to Revenue.

1.5. But for the concessions and exemptions in the payment of dividend to General Revenues, the reduction in the appropriation to the Pension Fund and *ad hoc* cut on Revenue works expenditure, the financial results of working of the Railways would have shown a net deficit of Rs. 9.52 crores, against Rs. 6.87 crores anticipated in the Budget. On the other hand, excluding the element of additional expenditure *(Rs. 14.63 crores) covered by post-budgetary developments which could not be provided for, the result would be a net surplus of Rs. 5.11 crores.

[Paragraph 1(a) of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways)]

Financial Results

1.6. It is seen from the Audit paragraph that against the Budget estimates for 1971-72, the actuals of Gross Revenue Receipts and revenue expenditure for the year recorded an increase of Rs. 26.52 crores and Rs. 24.34 crores respectively. Asked about the reasons for these variations, the Financial Commissioner for Railways stated during evidence: "I would submit that compared with the total amount the variation is not so wide. We prepare the budget in January or February the previous year. At that time we expect a certain amount of traffic, but it may not materialise. The variation is 26 crores out of 1096 crores, *i.e.*, 2.6 per cent. It is our endeavour to be more accurate, but I do not think we could reach a higher degree of accuracy."

1.7. On being pointed out by the Committee that the Railways had a tendency to produce a deficit budget in order to impose more taxes, the Financial Commissioner for Railways deposed: "We do

*NOTE :— (1) Payment of additional Interim Relief . .	Rs. 6·32 crores
(2) Increase in rates of Running, Travelling, Night Duty and House Rent Allowances etc. . .	Rs. 5·91 crores
(3) Expenditure on restoration of damages to track on account of flood and cyclones in Orissa and Assam regions	Rs. 2·40 crores
	(Rs. 14.63 Crores)

not consciously try to prepare a deficit budget. But we cannot anticipate many things. For instance, in 1971-72 there was a big upsurge of military movement. The trouble started in March, 1971. We could not have anticipated all these things when we prepared the budget in February, 1971. For instance, in January, 1973 the budget estimates for the current year were prepared. We are already having a shortfall in receipts of Rs. 40 crores by the end of September. That itself would show that we do not deliberately underestimate the receipts."

1.8. In reply to a question the witness stated: "When we prepare the Budget either for the next year or for the Plan period as a whole, we assume prices will be constant. That is the Government's basic directive. We cannot assume that prices will rise and D.A. will be paid. We could not anticipate nor will Parliament allow us to assume that the Interim Relief next year will be of the order of Rs. 14 crores nor could we assume that price level will be higher. All these things cannot be anticipated. Sir, you see price level is going up, cost of living is going up and D.A. is being given. Between the time of preparation of the Budget estimate and the time of Actuals, there is bound to be difference in this kind of economy."

1.9. The witness further added: "The uncontrollable thing is the level of prices. When we prepare the budget, and when we prepare the plan, we assume that prices will remain constant. This is the basic feature in budgeting. When the prices go up and the cost of living goes up, we have to pay more Dearness Allowance to the staff. The staff cost forms 60 per cent of the working expenses for the Railways. If the Government decides to give more dearness allowance to the staff, we have to pay it. Because there has been an increase in the level of prices, the Government have given two increases in the dearness allowance only this year. I could not anticipate it in February last, when I prepared the budget. Likewise Government have in other years given interim relief to the staff. These are additional costs which we could not anticipate.

Further, we also could not anticipate that there will be floods of this magnitude or there will be power shortage of this order. Because of the power cut, not only the Railways have suffered but also the industries. Cement industry, the coal industry and even the refineries suffered. That has affected the production itself of commodities like fertiliser, cement, coal, P.O.L. products etc. We could not anticipate these things."

1.10. According to the Audit Paragraph an additional revenue of Rs. 66.25 crores was anticipated during 1971-72 over the revised estimates of 1970-71.

The following table brings out the anticipations:

(Amount in crores of Rupees)

Particulars	Revised Estimate 1970-71	Anticipated increase in volume of traffic	Additional earnings on account of			Budget estimates for 1971-72
			Increase in traffic	Fares and freight	Total	
Passenger earnings .	300·30	3 per cent	8·70	9·75	18·45	318·75
Other coaching earnings	58·00	2 per cent	1·50	—	1·50	59·50
Goods earnings	612·50	9 million tonnes	30·00	16·50	46·50	659·00
Sundry earnings	36·00	—	—	—	—	36·00
Suspense .	(—)2·80		(—)0·20	..	(—)0·20	(—)3·00
Total gross traffic receipts	1004·00		40·00	26·25	66·25	1070·25

1.11. Against the anticipations, the actual earnings during 1971-72 were Rs. 1096.59 crores *i.e.* Rs. 89.90 crores more than the actuals of 1970-71 and Rs. 26.34 crores more than the budget estimates. The Committee desired to know the reasons for increase in the actuals as compared to the anticipations in regard to earnings. In a note, the Railway Board have stated:

"A comparative statement is given below, showing the actuals for 1970-71 and 1971-72 and Revised Estimates for 1971-72 under the various heads:—

(Figures in crores of Rupees)

Particulars	Actuals 1970-71	Revised Estimates 1971-72	Actuals 1971-72	Variation of actuals 1971-72	
				As compared to 1970-71	Revised Estimates
1	2	3	4	5	6
Passenger Earnings . . .	295·49	316·00	320·13	+24·64	+4·13
Other Coaching Earnings	62·11	66·00	69·43	+7·32	+3·43
Goods Earnings	618·23	665·00	675·30	+57·07	+10·30
Sundry Earnings . . .	33·40	34·60	36·83	+3·43	+2·23

1	2	3	4	5	6
Suspense	—2·54	—3·60	—5·10	—2·56	—1·50
Misc. receipts . .	0·27	0·22	0·38	+0·11	+0·16
Gross Revenue Receipts . .	1006·96	1078·22	1096·97	+90·01	+18·75

Thus, the increase of Rs. 90 crores in the receipts during 1971-72 as compared to the previous year was due to the following:—

(Rs. in crores)

Passenger Earnings . . .	24·64
Other Coaching Earnings .	7·32
Goods Earnings . .	57·07
Sundry Earnings	3·43

Similarly, the break-up of Rs. 18.75 crores, *viz.*, the increase in the actual receipts during 1971-72 as compared to the Revised Estimates was as follows:—

(Rs. in crores)

Passenger Earnings .	4·13
Other Coaching Earnings .	3·43
Goods Earnings .	10·30
Sundries	2·3

Passenger traffic.—The increase in passenger earnings in 1971-72 as compared to the previous year is Rs. 24.64 crores. Detailed analysis was made to find out how much of this increase was due to an increase in the quantum of traffic, increase in the fares effected and in the lead and the results are as follows:—

(Rs. in crores)

Impact on passenger earnings due to increase in—	
(i) fares	11·16
(ii) traffic . . .	10·62
(iii) lead	2·85
Total .	24·63
(Difference of Rs. 0·01 crores due to rounding off)	

It may be mentioned in this regard that the actual passenger earnings of Rs. 320.13 crores are very near the Budget estimates of Rs. 318.75 crores, representing a variation of only 0.4 per cent.

The increase in the actual passenger earnings as compared to the Revised Estimates was Rs. 4.13 crores. The circumstances that led to this variation are discussed below:

At the time of framing the Budget for 1971-72, it was anticipated that the passenger traffic would increase by about 3 per cent over the actuals of the previous year, *viz.*, 1970-71. However, at the time of framing the Revised Estimates in early January, it was found that the additional traffic so far materialised was only 1.7 per cent because of the following reasons:—

(i) Widespread floods and cyclones causing breaches and temporary suspension of train services.

(ii) Indo-Pak War

Hence, in the Revised Estimates, the passenger earnings were pruned down by Rs. 2.75 crores. There was, however, a sudden spurt in the movement of passenger traffic in the last quarter of the year, *viz.*, January—March, 1972 due to the following reasons:—

(i) Mass movement of refugees from the refugee camps in India to Bangladesh.

(ii) A sharp increase in the passenger traffic in February and March, 1972. Due to very uncertain conditions at the time of framing the revised estimates in January, 1972, as the Indo-Pak War had just ended, more accurate forecasts could not be made of the passenger traffic for the period January to March, 1972. In fact, at the time of framing the Revised Estimates, the additional passenger traffic so far was only 1.7 per cent as compared to the previous year, but at the close of the year this rose steeply to 4.3 per cent and the increase in the passenger kilometrage was 6.1 per cent.

Other Coaching Earnings.—Under this item, the increase in the earnings in 1971-72 as compared to the previous year was Rs. 7.32 crores as compared to the Revised Estimates of Rs. 3.43 crores. This was mainly due to large-scale movement of military traffic; firstly, at the beginning of the War with Pakistan and again at the time of withdrawal of the forces from the fronts to their camps.

Goods traffic—The increase in goods earnings for 1971-72 as compared to the previous year was Rs. 57.07 crores. A detailed analysis was made to examine how much of this was due to the increase in rates, in the quantum of traffic and in the lead. The results are as follows:—

(Rs. in Crores)

Impact on goods earnings due to :—	
(*i*) increase in traffic . .	14·29
(*ii*) increase in rates . .	21·15
(*iii*) increase in lead . .	19·58
(*iv*) increase under demurrage and wahrfage charges, siding charges etc. . . .	2·05
TOTAL	57·07

The Budget estimate for goods earnings was Rs. 659 crores and the Revised Estimates was Rs. 665 crores; whereas the actual earnings were Rs. 675.30 crores. Thus, the Revised Estimate was actually a better forecast than the Budget estimate as it should be and the variation between the R.E. and the actuals is negligible, *i.e.*, only 1.5 per cent. The reasons for increase in goods earnings as compared to the revised estimate were as follows:—

(i) Owing to the unsettled conditions at the time of framing Revised Estimates in January, 1972, as the Indo-Pak War had just ended, a more accurate forecast could not be made.

(ii) The actual traffic materialised up to the end of December, 1971 was much less than the forecast due to widespread floods and cyclones and also due to curtailment of train services because of the Indo-Pak War and R.E. was, therefore, framed a little conservatively, also because of the unsettled conditions then existing.

(iii) With the conditions returning to normal in February, 1972, special efforts were made to load maximum goods traffic. In fact, as against only 0.75 million tonnes additional traffic loaded for 10 months from April, 1971 to January, 1972, in the two months of February and March, 1972 alone, we loaded extra 1.48 million tonnes, making a total of 2.23 million tonnes for the whole year. Thus, the increase in earnings as compared to R.E. was due to special efforts made in February and March, 1972 to load the maximum goods traffic, which could not be anticipated in January, 1972, due to unsettled conditions existing at that time."

1.12. The working of Railways showed a surplus of Rs. 17.84 crores in 1971-72. The Committee, however, find that the surplus was more apparent than real, for it was not as a result of any improvement in the Railways working. The concessions and exemptions in the payment of dividend to General Revenues obtained on the basis of recommendations of the Railway Convention Committee, 1971 and the reduction in the appropriation to the Pension Fund besides an ad hoc **cut on revenue works expenditure had the effect of converting a deficit budget into a surplus one. But for these factors, the financial results of working of Railways would have shown a net deficit of Rs. 9.52 crores against Rs. 6.87 crores anticipated in the Budget. The Railway Board must, without delay draw up a plan designed (a) to improve the overall efficiency of the Railways and (b) to economise on expenditure to the maximum extent possible.**

1.13. The Committee had in their earlier reports repeatedly emphasised the need for more accurate estimation of the revenue and expenditure at the time of budgeting. It is, however, seen that against the Budget Estimates for 1971-72, the actuals of Gross Revenue Receipts and Revenue Expenditure for the year recorded an increase of Rs. 26.52 crores and Rs. 24.34 crores respectively. Further, in the case of earnings the variation in the actuals for 1971-72 against the revised estimates for 1971-72 was as high as Rs. 18.75 crores. The explanations for these wide variations are not at all convincing and the Committee are left with the impression that the budgetary control on Railways is not what it should be. The Committee feel that there is lot of scope for improvement in the system and they hope that necessary remedial measures will be taken in this direction.

Audit paragraph:

1.14. The balances in the Revenue Reserve Fund and Development Fund at the end of 1971-72 were Rs. 31.45 lakhs and Rs. 8.12 crores respectively. This year also the Railways borrowed an amount of Rs. 21.62 crores from the General Revenues to meet expenditure chargeable to the Development Fund. An amount of Rs. 12.95 crores was withdrawn from the Revenue Reserve Fund for repayment of instalments of loans taken during the earlier years as also interest on the outstanding loans. The total amount outstanding at the end of the year, on the loans taken from General

Revenues, stood at Rs. 106.21 crores, as against Rs. 95.85 crores at the end of the previous year. In addition, the Railways also owe an amount of Rs. 70.28 crores on account of Deferred Dividend payments on new lines, which is in the nature of a contingent liability.

1.15. There were net accretions, during the year to both the Depreciation Reserve Fund and the Pension Fund which had balances of Rs. 167.61 crores and Rs. 100.33 crores respectively at the end of 1971-72.

[Paragraph 1(b) of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways)].

Deferred dividend payments on new lines:

1.16. The Audit paragraph states that at the end of the year 1971-72 the Railways owed an amount of Rs. 70.28 crores on account of deferred dividend payment on new lines, which is in the nature of a contingent liability. The Committee called for a detailed note on the arrear dividend position in respect of the new lines on Indian Railways. The note furnished by the Railway Board states:

"The Convention Committee 1954 recommended that all new lines (whether remunerative or un-remunerative) should be financed from Capital. However, to afford relief to the Railways, it was provided that (a) the dividend on Capital-at-charge of new lines should be computed only on the average borrowing rates charged to Commercial Department, and (b) a moratorium should be granted in respect of dividend payable on Capital invested on the new lines during the period of construction and upto the end of 5th year of their opening for traffic, the amount so deferred being paid from the 6th year onward in addition to the current dividend, out of the net income of each of the new lines.

The Railway Convention Committee 1965 further approved that the account of deferred dividend on new lines may be closed after a period of 20 years from the date of their opening, extinguishing any liability for the deferred dividend not liquidated within that period. The Railway Convention Committee 1971 approved the continuation of the relief granted by the Convention Committee 1954 for the quinquennium 1969—74.

A statement showing the names of new lines which have completed the moratorium period to end of 1971-72, the total amount of deferred dividend due on each of them and the amount of deferred dividend paid in the year 1972-73 is placed at Appendix I, from this statement it would be seen that there are in all 19 new lines, which have completed their moratorium period, on which the total amount of deferred dividend payable was Rs. 33.45 crores. Out of this amount, Rs. 3.19 crores was paid upto the year 1971-72 leaving a balance of Rs. 30.26 crores at the end of the year 1971-72. Out of Rs. 30.26 crores, a sum of Rs. 2.10 crores has further been paid in the year 1972-73 leaving a balance of Rs. 28.16 crores. Of these 19 new lines, 4 branch lines as detailed below are uneconomic:

(1) Barasat—Basirhat.

(2) Baktiarpur—Rajgir.

(3) Bhildi—Reniwara.

(4) Barhan—Etah.

In addition, there are other 16 new lines, which have not yet completed their period of moratorium upto the end of 1971-72. A statement showing their names and the amount of deferred dividend worked out as for each of them is placed at Appendix II. The total amount of deferred dividend worked out for all these 16 branch lines comes to Rs. 39.03 crores upto the end of 1971-72."

1.17. Taking note of the fact that during the year 1969-70 deferred dividend on new lines of the order of Rs. 13.04 crores became due for payment but could not be paid owing to inadequate surplus in the working of the new lines concerned, the Committee had in paragraph 1.24 of their 45th Report (Fifth Lok Sabha) desired that action should be taken to ensure that revenue expenditure on these lines was reduced to the minimum. The Railway Board had informed the Committee that the concerned Zonal Railways had been asked to take suitable steps for improving the financial position of the new lines and submit a report on the results achieved by 31st July, 1973. Giving the latest position about the arrear payment of dividend, the Railway Board have in a note stated: "Out of the total arrear payment of dividend amounting to Rs. 13.04 crores intimated to the Committee earlier, it has been possible to clear Rs. 1.11 crores leaving a balance of Rs. 11.93 crores at the end of 1971-72."

1.18. On being pointed out by the Committee that the pace of clearance of arrears was not at all satisfactory, the Financial Commissioner for Railways stated: "I must also mention that there is some optimism at the time of construction. There is a demand for so many new lines and conversion projects and the Railway Board has been accused of under stating the return. We have been told that we were standing in the way of the development of railways. It is a fact that when a survey is made, it is expected that economy will grow and a better optimism is created. These were the new lines which were constructed long ago, in respect of which the period of mortoriun for payment of dividend is over. Our general experience in the last ten years has been that the actual return from the newly constructed lines is not as good as was expected in the respective surveys. In a few individual lines, however, there have been excesses over the expected return. But, in a majority of the cases, the return is less than what was anticipated in the surveys."

1.19. The liability of the Railways towards payment of Deferred Dividend on new lines stood at Rs. 13.04 crores at the end of 1969-70 and only a sum of Rs. 1.11 crores could be paid upto 1971-72. As the pace of clearance of arrears was quite slow, the liability on this score continued to rise from year to year. As at the end of 1971-72 the Railway owed on this account Rs. 70.28 crores to the General Revenues. In paragraph 1.24 of their 45th Report the Committee had recommended that action should be taken to ensure that revenue expenditure on these new lines was reduced to the minimum and that earnings were augmented by attracting more high freighted traffic so that the arrears of dividend got paid and not extinguished after 20 years of opening of these lines when the liability to pay arrears ceased. The Committee cannot but reiterate their earlier recommendation and stress that all-out efforts should be made to maximise the earnings on these lines.

1.20. The Financial Commissioner for Railways informed the Committee during evidence that the actual return from the newly constructed lines was not as good as was expected. According to him in a majority of cases the return was less than anticipated. This only demonstrates that either the initial project reports on these lines were not realistically prepared or the operations were not done efficiently. The Committee would, therefore, like to know what actually went wrong.

1.21. New lines ought to be economically viable and there should be no question of inadequate returns from them, excepting a few uneconomic lines which may have to be constructed in the larger national interest particularly for the development of hilly as well as backward areas. The Committee accordingly stress that in future proposals for new lines should be very carefully examined by Railways to assure themselves of their remunerativeness except in exceptional cases which should be specifically brought to the notice of Parliament in the Budget papers.

Audit paragraph:

1.22. As part of the Railways' Fourth Plan, it was envisaged in the Budget estimates that the investments on works would be of the order of Rs. 280 crores. The break-up of the provision between Capital, Depreciation Reserve Fund, Development Fund and Revenue and the actual expenditure were as under:—

	Budget 1971-72	Actuals 1971-72	Variation
	(Amount in crores in rupees)		
Capital	151·00	190·84	+39·84
Depreciation Reserve Fund	100·00	90·88	—9·12
Development Fund	20·00	20·82	+0·82
Open Line Works—Revenue	9·00	7·30	—1·70
TOTAL	280·00	309·84	+29·84

1.23. The increase of Rs. 39.84 crores under Capital expenditure was mainly under Suspense Heads as given below:—

	Budget 1971-72	Actuals 1971-72	Variation
	(Amount in crores of rupees)		
Stores Suspense	—1·98	36·[illegible]	+37·61
Manufacture Suspense	1·08	5·11	4·03
Miscellaneous Advances	2·44	8·56	+6·12

1.24. The substantial expenditure under Stores during the year increased the inventory holdings of the Railways to Rs. 149.6 crores as against Rs. 129.8 crores at the end of the previous year.

[Paragraph 1(d) of the Report of Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)].

Variations in the actual vis-a-vis Budget Estimates under Capital Suspense Heads:

1.25. During the year 1971-72 as against a capital expenditure of Rs. 151 crores budgetted for 1971-72 the actual expenditure on this account was of the order of Rs. 190.84 crores thus recording an increase of Rs. 39.84 crores. This increase of Rs. 39.84 crores was mainly under Suspense Heads as given below:—

			(Figures in crores)
	Budget 1971-72	Actuals 1971-72	Variations
Stores Suspense	—1·28*	36·33	+37·61
Manufacturing Suspense . . .	1·08	5·11	+4·03
Miscellaneous Advances	2·44	8·56	+6·12

1.26. The Committee desired to know the reasons for the large variations in the actuals as against the budgetted figures of various Suspense Heads during 1971-72. In a note, the Railway Board have explained:

The reasons for these excesses are briefly explained as under:—

(A) *Stores Suspense*:

In the Original Budget, provision of (—) 1.2 crores was made. The actual, however, came to 36.33 crores—thereby, showing an excess of 37.61 crores. This excess has been contributed chiefly by CLW (7.58 crores), South Eastern (7.55 crores), Eastern (5.45 crores), Central (5.25 crores), Southern (3.32 crores), Western (2.80 crores), North Eastern (2.48 crores), South Central (1.72 crores) and Northeast Frontier (1.45 crores). The main reasons for this excess have been analysed and are as follows:—

(i) A computer study has revealed that the effect of increase in prices during 1971-72 on overall inventory was about 10 per cent. This itself would account for increase in the value of inventories to the extent of Rs. 14.61 crores, even if the physical quantities were the same.

(ii) There was a chronic shortage of steel and other raw materials in 1970-71 and, based on the discussions with the Ministry of Steel and the Committee of Economic Secretaries, importation of steel was arranged and this resulted in an increase of Rs. 4 crores.

(iii) There was an injunction from the Delhi High Court on sale of scrap rails. Because of this, no sale could take place and holding of scrap rails increase by 1.50 crores.

(iv) During the year, a certain amount of stock-pilling has to be done to meet the transportation requirements of 10 million refugees from Bangladesh, as also in view of the Indo-Pak hostilities.

(v) Most of the foreign suppliers insisted on 30 per cent advance payment alongwith the order for import of materials instead of 5 per cent as was the practice earlier. Such advance payments to foreign suppliers amounted to Rs. 3.5 crores in CLW alone. Because of the general credit squeeze and non-availability of credit facility from the Banks, Indian Firms also started insisting on 95 per cent—100 per cent advance payment at the time of despatch in keeping with contracts with DGS&D.

(B) *Manufacturing Suspense*:

In the original budget, a provision of Rs. 1.08 crores was made The actual however came to Rs. 5.11 crores, showing an excess of Rs. 4.03 crores over the original budget. The excess has been contributed chiefly by Eastern Railway (Rs. 2.65 crores), C.L.W. (Rs 2.31 crores), Southern Railway (1.38 crores), Northern Railway (0.66 crores) and N.E. Railway (Rs. 0.63 crores); party offset chiefly by the savings I.C.F (Rs. 2.69 crores) and D.L.W. (Rs. 1.44 crores). The circumstances leading to these excesses in Eastern Railway, C.L.W., Southern, Northern and North Eastern Railways are mainly due to the factors explained as under:—

EASTERN RAILWAY (Rs. 2.56 crores)

1. More Receipt of stores from stores depot and from direct purchases	Rs.	0·92	crore
2. Less issue to Revenue Works	Rs.	0·64	crore
3. Less issue of manufactured material to works and Stores	Rs.	1·28	crore
4. More adjustment of Miscellaneous Charges	Rs.	0·30	crore

C.L.W. (Rs. 2·31 crores)

The excess has been due to:

1. Shortfall in the production of locl steel casting due to change in the production target (Rs. 5·37 crores); partly offset by less drawal of stores for manufacturing locos and steel castings (Rs. 3·41 crores)	Rs.	1·96	crore
2. Shortfall in the realisation credits for the value for steel castings for MAK Engines and TAO 659	Rs.	0·29	crore
3. More expenditure of staff due to payment of interim relief (Rs.0·21 crores), Office contingencies and miscellaneous stores (Rs. 0·15 crores)	Rs.	0·36	crore

SOUTHERN RAILWAY (Rs. 1·38 crores)

1.	Shortfall in wagon outturn in Golden Rock Workshop for want of certain vital purchase items such as stanchions lashing chains and dish ends	Rs.	0·30	crores
2.	More supply of stores-train lighting equipment, steel and sleepers etc.	Rs.	0·30	crores
3.	Less return of material to stores depots	Rs.	0·16	crores
4.	Less realisation of credits for supply of stores and other materials	Rs.	0·30	crores
5.	Less supply of material to Works etc.	Rs.	0·10	crores

NORTHERN RAILWAY (Rs. 0·66 crores)

1.	More direct purchase mainly of rails by Flash Butt Welding Plant	Rs.	0·38	crores
2.	Issue of less number of treated sleepers	Rs.	0·32	crores

NORTH EASTERN RAILWAY (Rs. 0·63 crores)

1.	Due to receipt of more debits for stores from D.G.S. & D. at the fag end of the year	Rs.	0·63	crores

(C) *Miscellaneous Advance-Capital-Excess of Rs. 6.12 crores:*

In the original budget, a provision of Rs. 2.44 crores was made. The actuals were, however, Rs. 8.56 crores, resulting in an excess of Rs. 6.12 crores as compared to original budget. The excess of Rs. 6.12 crores as compared to original budget and as mentioned by the Audit has been contributed chiefly by Eastern Railway (4.14 crores) Southern (Rs. 1.08 crores), Central Railway (Rs. 0.88 crore), D.L.W. (Rs. 0.89 crore) and C.L.W. (Rs. 0.55 crore due to the circumstances explained below:—

(*I*) *EASTERN RAILWAY* (Rs. 4·14 crores)

1.	More debits for the cost of imported steel and indigenous steel and other materials and other charges thereon against Railway Board's contracts	Rs.	1·40	crores
2.	More issue of materials for fabrication	Rs.	0·45	crore
3.	More procurement of Wheels and Axles and Tyres etc. on behalf of other Railways, debits for which were not accepted by those Railways	Rs.	0·71	crore
4.	Debits in respect of 30 advance payments made by the High Commission, London against Railway Board contracts for Locos pares but debit not accepted by the Railways concerned.	Rs.	0·70	crores

(*II*) *SOUTHERN RAILWAY* (Rs. 1·08 crores)

Due to issue of raw material to Fabricators for fabrication & of the steel—both imported and indigenous to M/s. Bharat Earth Movers Ltd., for construction of Coaches	Rs.	1·08	crores

(*III*) *CENTRAL RAILWAY* (Rs. 0·88 crores)

1.	Non-receipt of credits from Northern and Western Railways for the Supply of imported steel to those railways. In terms of Board Letter No. 70/749/2/Tracks dated 18-5-72, Central Railway was asked to withdraw these debits . . .	Rs. 0·75	crore.
2.	Payment of Customs Duty Charges awaiting despatches made to Northern and Western Railways . . .	Rs. 0·17	crore.

(*IV*) *DIESEL LOCOMOTIVE WORKS* (Rs. 0·89 crores)

The excess represented payment of advances to the Firms on the placement of Purchase orders for the supply of materials Rs. 0·89 crore.

(*V*) *CHITARANJAN LOCOMOTIVE WORKS* (Rs. 0·55 crores)

This excess is attributable to more issue of material for fabrication". . . . . Rs. 0·55 crore.

1.27. The Committee find that as against a capital expenditure of Rs. 151 crores budgetted for 1971-72, the actual expenditure was of the order of Rs.190.84 crores, thus registering an increase of Rs. 39.84 crores. This wide variation causes concern to the Committee. As the resources available for capital expenditure are limited the quantum of capital expenditure to be incurred during a financial year by each Ministry is determined on a very careful balancing of the claims of the competing demands of various Ministries. Even within a Ministry, a similar exercise has to be carried out. The Committee are, therefore, inclined to think that this necessary exercise for allocation of resources was not carried out in a realistic manner. It is clearly unrealistic to assume that prices will remain constant over a long period. The rate at which prices rise annually varies from country to country and even within our country the variation is erratic. In such a situation reliable projection of possible price rise is by no means easy; nor is it an impossible exercise. The Committee accordingly suggest that this aspect should be borne in mind when estimating costs for the purpose of budgetting.

Increase in inventory holding on Railways

1.28. The Audit Paragraph states that the substantial expenditure under stores suspense during the year 1971-72 increased the inventory holdings of the Railways to Rs. 149.6 crores as against Rs. 129.8 crores at the end of the previous year.

1.29. The Committee pointed out that the addition to inventories during 1971-72 was Rs. 19.8 crores, which was the highest addition during the last six years. Asked about the reasons for this addition, the Railway Board have in a note stated:

"The increase of 19.8 crores during 1971-72 will have to be viewed in the following context.

(a) There was a substantial price increase in the case of spares and raw materials required for the Railways during the year 1971-72. A computer examination has revealed that the price increase was about 10 per cent.

(b) There was a serious conflict with Pakistan during 1971-72. Keeping in view the happenings in 1965 that certain cargoes meant for railways were impounded by enemy country and that there was a serious dislocation due to non-availability of essential spares and raw materials required by the Railways after the war, certain steps had to be taken to arrange for the essential spares and raw materials urgently, with a view to prevent the war efforts being hampered and also with a view to facilitate movement of food and clothing for the 10 million refugees, who had come to India from Bangladesh.

(c) The turn over ratio of the inventories (balances and issues for 1970-71 and 71-72) can be worked out as below:—

Year	Issues during the year	Balance	Turnover %age
1970—71	278.53	129.78	46.6%
1971—72	318.89	149.59	46.9%

It would be seen from the above that for the same level of turn over the actual increase during 71-72 is only 0.3 per cent i.e. approx. Rs. 1 crore.

(d) Due to disturbed conditions in the country on account of influx of refugees and the conflict, the money market became tight and disposal of scrap items could not be done satisfactorily as bids were poor and therefore there was some accumulation of scrap holdings as well during the year under review."

1.30. The Committee enquired whether the optimum inventory hollings for each Zonal Railway and Production Unit had been fixed and if so what were the reasons for not achieving the optimum levels. In this connection, the Railway Board have, in a note, stated:

"As per existing instructions the maximum stock that may be held at any time of ordinary stores in stock (other than surplus and emergency or special stores) should not exceed 50 per cent of the issues of each item during the year (Para 2230 of Indian Rly. Stores Code). However, Railways have been asked to improve on this further and the following additional steps have also been taken.

(a) Railways have introduced computerisation of stores accounting and Inventory control. Introduction of other sophisticated techniques such as forcasting of demands, safety stock assessment for good service level, inventory simulation etc. will be taken up in due course.

(b) In the meanwhile Railways have introduced a number of modern concepts in materials managements such as codification, rationalisation, variety reduction and ABC analysis. All the 1,00,000 items of stock in various railways have been given a unique nomenclature number so that their stock position can be quickly retrieved. Railways have also been directed to reduce variety by rationalisation. The ABC analysis have also been introduced on the following basis:—

A Items—Value of annual consumption Rs. 50,000 and above.

B Items—Value of annual consumption Rs. 10,000 to Rs. 50,000/-

C Items—Value of annual consumption less than Rs. 10,000/-

Railways have been directed to keep physical holding to the following level:—

A items—3 months stock

B items—6 months stock

C items—12 months stock

Where the stock is in excess of this limit by 100 per cent i.e.

A items over 6 months stock

B items over 12 months stock; and

C items over 24 months stock.

Railways have been directed to review the stocks along with their dues and take such action as is considered necessary to bring down balances to the optimum level.

(c) Special Inventory Control Cells have been established on all Zonal Railways w.e.f. January' 73. The Cell has been asked to watch the position of inventories continuously on accepted principles of ABC analysis, based on the computer outputs and take substantial remedial steps as and when required with a view to control inventory holdings.

(d) A high powered committee under the Chairmanship of DMR has been set up to examine the position of inventories on the Railways and submit a report. The non-official members of the Committee have already visited some of the Railways and Production Units and have submitted their reports. These reports are under examination and based on these and the final report of the committee, steps will be taken to improve the inventory management on Railways.

(e) In view of the above stated steps Railways hope to obtain maximum results."

1.31. Referring to the additions to the Inventories during 1971-72, the Committee desired to know whether the trend could not be anticipated in time and efforts made to reduce increase in inventories. In a note on the subject, the Railway Board have stated:

"In this connection, it is stated that in Inventory Management, any corrective effort taken to reduce inventory can have an impact only after some lapse of time and this varies depending upon the lead time i.e. the time taken from the date the demand is initiated to the date the supply is received in the stocking depot. This lead time again varies depending upon the availability of materials in the market, state of industrial development in the country and method of procurement adopted like direct purchases through various types of tenders, purchase through DGS&D etc.

Unfortunately, this trend of increase in inventory during 1971-72 could not be anticipated sufficiently early. Indian Railways thought it prudent to stock pile some essential stores—raw material, spares and equipment etc. during the hostilities with Pakistan. There was also substantial price increase in the case of spares asd raw materials required for the Railways during the year under review. These factors also contributed to the undoubtedly sharp increase of inventory during the year."

1.32. Asked about the steps taken to liquidate the heavy Inventory holdings on Railways as on 31-3-1972, the Financial Commissioner for Railways stated during evidence: "In 1968-69, the stores in stock were of the order of 139 crores of rupees. As a result of various steps taken, we brought them down to 127.5 crores of rupees in 1969-70. They were worth 127.47 crores of rupees in 1970-71. I must also explain that this actual fall in the level of stores was much more in quantity because there had been a continuous increase in prices of about 6-8 per cent every year. But in 1971-72, no doubt, the inventories increased by 20 crores of rupees, but 10 per cent of the value is due to increase in prices and it alone comes to Rs. 13 crores.

.....we have laid down that there should be six months' requirement, that is, closing balance of the stores should be 50 per cent of the total issues made during the year. Then another factor is that there was some excess provisioning of steel be-ause of the difficulty of getting the imported steel and that has accounted for about 4 crores. We also did some stock-pilling of essential imported components and spares of diesel locomotives in order to meet any emergency."

1.33. The Committee desired to know as to how the inventory holdings on Indian Railways compared with the Inventory holdings on Railways in foreign countries in terms of percentage of annual requirement. In a note on the subject, the Railway Board have stated:

"The above information is not readily available because the annual reports of Foreign Railways do not generally highlight this aspect.

However, from the reports of officers who were deputed for training abroad it is learnt that the Inventory level on foreign railways varies between 30 per cent to 70 per cent of the annual issues. The level of inventory would also depend upon the purchase procedures followed, availability of foreign exchange, industrial development in country etc. In U.S.A. at the time of visit in 1969 one officer has reported 32 per cent in Milwankee Rail Road, 33 per cent in Canadian National Railway and 77 per cent in Chicago Transit authority. Another officer who visited West Germany in 1972-73 has reported that inventories of various groups of stores varied from one month to 10 months in West German Railways at the time of his visit. Yet another officer who visited British Railways in 1967-68 reported that the level of inventories in London Transport Undertaking was 6 months and in some workshops at Crew, Horwich, Ashford etc. of Railways; this varied from 2 months to 5½ months. Another officer who visited Japan in 1965-66 has reported that they have an isventory of only about 2 months.

The position of Indian Railways is as under:

	Total Balance	Total Issue	Percentage
1971-72	182c15	319.33	57%
1972-73	204.15	375.09	54%

As stated earlier the percentage depends upon a number of factors Indian Railways follow the purchase procedures/ policy of Government of India and adopt competitive tender system for all purchases. The average time required for getting supplies in India are quite high as compared to other Railways. Further Indian Railways maintain workshops/ sheds at various locations to do manufacture of a number of spare parts and do POH & IOH of rolling stock whereas in foreign railways a substantial portion of this work is done through outside agencies. The industrial development in those countries enable the Railways there to obtain any type of spare of short notice. Therefore, the conditions being totally different the figures of percentage of turnover are not comparable. However, as may be seen from above percentage has been brought down to 54 per cent as on 31-3-73."

1.34. On being pointed out by the Committee during evidence that as a result of computerisation of accounting on Railways there should be no difficulty in exercising effective control over inventories, a representative of the Railway Board stated:

"Computerisation was introduced only 2 years ago and we have just completed it. We have started making use of this tool anl we will be able to show much better results hereafter."

1.35. In a note on the subject the Railway Board have stated:

"Computerisation of stores accounting and inventory control has been divided into 5 phases for implementation. In Phases I & II the ledger accounts have been brought on to the computer and accounting statements, control information and exception reports for a variety of exception situations are being obtained. Currently Phase III is under implementation; in this Phase the outstanding purchase orders are to be brought on the computer for selective order chasing and once this is completed the data bank would be complete. It has been decided to defer Phase IV (covering payment and accountal of bills) for the present. After the completion of Phase III, therefore, Phase V covering review of the recoupment and stock position will be taken up.

It is expected that Phase V will be introduced on all Indian Railways in another 6-7 months. Thereafter introduction of other sophisticated techniques such as forecasting of demand, safety stock assessment for appropriate service level, inventory simulations etc. will be taken up. Some significant improvement in the inventory management can be expected after the above steps have been completed."

1.36. The Railways which contributed to the increase in the balances under stores were:—

Name of the Railway	Balances on 31-3-72	31-3-72	Increase
	(Amount in crores of rupees)		
Central . . .	16·94	19·33	2·39
Eastern	17·77	19·84	2·07
North Eastern	7·01	8·43	1·42
Southern . . .	11·89	13·18	1·29
South Central	6·31	7·88	1·57
South Eastern . .	16·10	24.06	7·96
Western	14·04	16·32	2·28
Integral Coach Factory	4·93	6·09	1·16

It is seen from the above statement that there is a large variation from Railway to Railway in building up the inventories.

1.37. When the Committee pointed out that in the case of South Eastern Railway the increase in the amount of inventories during the year ended 31-3-72 had been exceptionally high, the witness stated: "The performance has been very unsatisfactory in S. E. Railway. We have sent a special team of officers there and we are taking some effective measures."

1.38. As to the reasons for the increase in 1971-72 in the inventories on S. E. Railway, the Railway Board have, in a note, stated:

"The balances of S. E. Railway for the last two years are as under:—

Year	Issues during the year	Closing Balances
1970-71 . . .	25·78 Cr.	16·10
1971-72 . . .	28·80 Cr.	24·06

The reasons for the increase on that Railway are as follows:—

(a) General price increase in the case of spares and raw materials required by the Railway by 10 per cent (Rs. 1.60 crores).

(b) As earlier stated, on account of the conflict in the year 71-72 some stock piling had to be done by the Rly. to ensure adequate availability of spares for meeting any unforeseen circumstances to keep up the war efforts and for ensuring the movement of adequate supplies both for war as well as for refugees. Thus this overstocking of stores in the railway could not be helped and this is being reviewed on a systematic basis so that the inventories are brought to optimum level in the coming years (Rs. 3.51 crores).

(c) During the year under review supplementary debits received in respect of stores already issued to the consuming departments, could not be passed on to the final heads. The location of these differences took some time and the connected adjustments were completed only in 1973-74. (Rs. 1.7 crores).

(d) On account of influx of over 10 million refugees in and around Calcutta and on account of Indo-Pak conflict during 71-72 conditions were disturbed to a maximum extent in and around Calcutta. Therefore, auctions could not be satisfactorily held and scrap accumulated in this Railway during the year under review. (Rs. 1 crore).

(e) Due to injunction of High Court, disposal of rail scrap was held up and rails were accumulated during the period. (Rs. 15 lakhs)."

1.39. The Committee note with concern that during 1971-72 the inventory holdings of the Railways as a whole increased to Rs. 149.6 crores as against Rs. 129.8 crores at the end of the previous year. This addition of Rs. 19.8 crores worth of inventories during 1971-72 was the highest during the last six years. The unusual increase in the inventories has been attributed to (i) substantial increase in prices of spares and raw materials, (ii) some stock piling necessitated by the serious conflict with Pakistan and (iii) accumulation of scrap holdings due to disturbed conditions during the year. An analysis of the stock balances of the different Zonal Railways has revealed that there have been large variations in the building up of inventories from Zone to Zone. The additions during

the year ranged from Rs. 1.16 crores to Rs. 7.96 crores. This points to the conclusion that the optimum inventory holdings for each Zonal Railway and Production Units have not been properly fixed and watched.

1.40. Apart from this the Committee cannot but regard the inventory holding on the Indian Railways as too high inasmuch as it is over 50 per cent of annual issues as against 33 per cent in Canadian National Railway and a mere 16 ½ per cent in the Japanese Railway. It is obviously desirable that there should be no unnecessary blocking up of capital in the shape of inventories. The Committee note that the importance of inventory control has at long last begun to be appreciated by the Railways, as is clear from the establishment of inventory control cells on all Zonal Railways w.e.f. January 1973 and the setting up of a High Power Committee under the Chairmanship of the Deputy Minister of Railways to examine the position of inventories etc., and to recommend measures for bettering Inventory Management. The Committee trust that the High Power Committee will get down to its work speedily so that suitable steps can be taken progressively to bring down the inventory holding.

1.41. The Committee are also unhappy to note that even though computers have been installed on Railways since August 1966, the computerisation of stores accounting and inventory control was taken up only recently and the process has not yet been completed. The Committee desire that all phases of computerisation in this regard should be completed expeditiously so as to bring about an effective inventory control before the end of June 1974. This, however, should not be construed to mean that the Committee are satisfied about the need for installing computers on Railways and their fullest utilisation. They propose to deal with these aspects arising out of their examination of paragraph 42 of the Report of C&A.G. separately.

1.42. It is a matter of concern that the average time required for the procurement of stores is much more than abroad. Indian Railways have therefore to keep their stock at a higher level. The Committee consider it important that procedures for procurement of stores should be rationalised with a view to cutting out all avoidable delays.

1.43. According to Audit the value of surplus stores included in the balance under stores in stock went up during the year 1971-72 by Rs. 66.4 lakhs (from Rs. 603.9 lakhs to Rs. 670.3 lakhs). Similarly the value of scrap held by the Railways increased from Rs. 749.4 lakhs to Rs. 979.1 lakhs thus registering an increase of Rs. 229.7 lakhs. Asked about the reasons for the accumulation of surplus stores and scrap and the measures taken to reduce the balance of surplus and scrap holdings, the Railway Board have in a note stated:

"Reasons for the increase in surplus and scrap are as follows:

(a) Because of injunction of the Delhi High Court, disposal of scrap rails was completely stayed and therefore rails valued Rs. 1.5 crores approx. on Indian Railways accumulated during the year 71-72 without disposal. It may be recalled that disposal of rails has now been arranged *w.e.f.* August '72 by formulating a scheme in consultation with the Ministry of Steel and these scrap rails are being released to re-rollers through the stock-yards of main producers at a pre-determined rate.

(b) As a result of compputerisation it become easier to locate items which were inactive and therefore Railways transferred more stores under surplus categories during the year under review. These items have to be examined in detail with a view to make them productive before disposal action could be initiated. The inventory control cell....has been given a special task of examination of these surplus items and it is hoped that the balances will be controlled to satisfactory level in the coming years.

(c) As explained earlier as a result of the 1971-72 conflict and the influx of millions of refugees the money market became tight and satisfactory bids could not be obtained in disposal of scrap and thus there was accumulation of scrap during the year. In this connection, it is relevant to point out that the value of annual disposal of scrap during 1971-72 was Rs. 22.23 crores. The balance of Rs. 9.79 crores scrap represents only about 5 months arisings. Considering the fact that railways were all along engaged in the war effort during the year under review and disposal could not be satisfactory due to tight money market, this balance cannot be considered abnormal."

1.44. Giving details of the High Court injunction staying the sale of scrap rails by the Railways, the Financial Commissioner for Railways informed the Committee during evidence: "In 1968, the Railway Board issued a letter of intent to a private firm. It was only a tentative acceptance of an offer to sell for three years 80,000 tonnes of scrap rails each year at a certain price. This letter was subject to some proportion being exported. But we could not agree with the party regarding the percentage to be exported and also the measurements of these rails and how to quantify them. So, the contract was not concluded. The party went to Delhi High Court and got an injunction saying that we should not dispose of any of these rail stocks. Then we went in for appeal but our appeal was dismissed by the Appellate Bench. Then we filed a special writ petition before the Supreme Court against the decision of the Delhi High Court and ultimately the Supreme Court allowed our appeal; The original High Court injunction was in October, 1969 and the Supreme Court allowed our appeal in February, 1972—after two years and 4 months."

1.45. In regard to disposal of scrap the Committee desired to know the arisings (both ferrous and non-ferrous) during each of the last 5 years, the quantity disposed of, the modes of disposal and the balances as at the end of March, 1973. In a note the Railway Board have intimated:

"The arisings of scrap during the last 5 years are as under:

1968-69	Rs. 18·19 cr
1969-70	Rs. 23·25 cr.
1970-71	Rs. 25·30 cr.
1971-72	Rs. 29·08 cr.
1972-73	Rs. 30·56 cr.
TOTAL	Rs. 12·48 cr.

The break-up of this figure between ferrous and non-ferrous is not readily available.

The disposal of scrap for the last 5 years has been as under:—

1968-69	Rs. 20·55 cr.
1969-70	Rs. 24·92 cr.
1970-71	Rs. 24·49 cr.
1971-72	Rs. 25·31 cr.
1972-73	Rs. 31·15 cr.
TOTAL	Rs. 126·42 Crores

The general policy with regard to disposal of scrap on Railways is as under:

(a) Efforts are being made to utilise as much scrap as possible by the Railways themselves in their own workshops or by getting railway components manufactured by outside parties.

(b) Ferrous scrap required by ordnance factories are to be supplied on priority basis.

(c) Supplies to other Government departments/Government Undertakings should be made at current market rates.

(d) Firms making railway materials may be given scrap at current market rates in preference to disposal by auction, the quantity being regulated in accordance with the requirements for the specific materials to be supplied by them for Railway use.

(e) Scrap other than those referred to (a) to (d) above are to be disposed of by sale through auction/tenders.

At present scrap rails are being sold to the stockyards of the main steel plants at a price fixed by the Ministry of Steel. The stock-yards of the main steel plants in turn distribute the scrap rails to the scrap rails to the scrap re-rollers as per allotments made by the J.P.C. under the Ministry of Steel at fixed prices.

The balance of scrap available with the Railway as at the end of March, 1973 was Rs. 11 crores."

1.46. Referring to the accumulation of large quantities of scrap during 1971-72, the Financial Commissioner for Railways deposed during evidence: "There were large accumulations, about 2 lakh tonnes. There was a discussion held by Railway Ministry with the Ministry of Steel and Mines. Mr. Kumaramangalam, the Steel Minister said that it would not be good for the economy of the country if all these rails were to be sold in the market. He wanted an orderly distribution through the main producers, so that there would be no misuse."

"Inter-ministerial meetings were held and the conclusion was that we should sell it to the main producers, HSL IISCO and TISCO and not to other people. The pre-determined price was determined by the Steel Ministry according to the rules."

1.47. According to the Railway Board one of the reasons why the disposal of scrap items could not be done satisfactorily in 1971-72 was that due to disturbed conditions the bids at the auctions were poor. In this connection a representative of the Railway Board stated in evidence: "During 1971-72, the auction of scrap was conducted by the Controller of Stores in each railway. In the eastern sector a number of auctions were organised and for this purpose we appointed the recognised auctioneers; we do not auction ourselves. As far as the bids were concerned, they were very low and we thought it desirable to postpone the disposal of that scrap to get better prices."

1.48. In a written note furnished at the instance of the Committee, the Railway Board have given the following information in regard to the auctions held in 1971-72:

"(i)	Total number of auctions held during 1971-72	337
(ii)	Total number of lots put up for auctions .	21839
(iii)	Total number of lots accepted . . .	13015
	Total sale value of accepted lots . .	Rs. 19·62 cr.
(iv)	Number of lots rejected	
	(a) Due to poor bids	6190
	(b) Due to no bids	2290
(v)	Number of auction abandoned	4

On Eastern Railway 2 auctions were abandoned during this year, as bidders did not give bids as a protest against raids in their godowns by R.P.F. and Police. On South Eastern Railway also 2 auctions were abandoned due to disturbances at Kharagpur during the year."

1.49. The Committee were informed that for their own requirements of steel bars etc. for construction purposes, the Railways had to get their allotments from JPC. Asked whether it will be economical for the Railways to set up mini steel plants in different regions to convert the scrap for railways' own use instead of disposing of the scrap, the Railway Board have stated: "This point was examined by the Board and it was found that it would not be economical for the Railways to set up mini steel plants in different regions to convert the scrap for Railways' own use."

1.50. The Committee find that the value of surplus stores included in the balance under stores in stock has gone up during the year 1971-72 from Rs. 603.9 lakhs to Rs. 670.3 lakhs. The Railway Board have explained this increase as being due to identification of more surplus stores as a result of computerisation. The Committee desire that the inventory control cell should review the stock on all the Zonal Railways and segregate the surplus and obsolete items complteley within a target date to be fixed. The result of the review as well as the action taken to dispose of the surplus stores speedily should be reported to the Committee.

1.51. The value of scrap held by the Railways also increased from Rs. 7.5 crores to Rs. 9.8 crores in 1971-72. It has further gone up to Rs. 11 crores as at the end of 1972-73. During the years 1968-69 to 1972-73 the arisings of scrap on the Railways increased by 68 per cent. In 1972-73 the arisings were of the value of Rs. 30.56 crores. The Committee feel that there should be enough scope for maximising the use of scrap for meeting Railways own requirements. The Railways should have full capacity of their own to melt and refine the scrap. The matter, therefore, requires reconsideration. The Committee should be advised of the result of such re-examination.

Revenue Receipts

Audit Paragraph

1.52. The total Revenue receipts during the year 1971-72 under report was Rs. 1096.97 croes (Traffic Earnings Rs. 1096.59 crores and Miscellaneous Receipts Rs. 0.38 crore). The details are shown below:

(Amount in crores of rupees)

Particulars	Actuals 1970-71	Budget 1971-72	Actuals 1971-72	Variation over Budget
Passenger earnings	295·49	318·75	320·13	+1·38
Other Coaching earnings	62·11	59·50	69·43	+9·93
Goods earning	18·23	659·00	675·30	+16·30
Sundry earnings	33·40	36·00	36·84	+0·84
Suspense	—2·54	—3·00	—5·10	—2·10
Gross earnings	1006·69	1070·25	1096·59*	+26·34*
Miscellaneous Receipts	0·27	0·20	0·38	+0·18
Gross Revenue Receipts	1006·96	1070·45	1096·97	+26·52

1.53. While presenting the interim Budget estimates in March, 1971 it was expected that the gross traffic receipts during 1971-72 would be about Rs. 1044 crores at the existing tariffs. Increase in volume of traffic was expected to yield an additional revenue of Rs. 40.00 crores (Passenger 8.7, other coaching 1.5 and goods 30.0). In the

*Difference in total is due to rounding off.

Budget presented in May, 1973 it was explained that certain adjustments in fares and freights were necessary so as to put the Railway Finances on an even keel. The passenger fares were increased by varying amounts for different distance slabs, the maximum increase being 25 paise for Third class ordinary and Rs. 7.00 for Air-conditioned class per ticket. The freight rates were increased for coal and certain categories of Iron and Steel and also the Class level of commodities both for wagon loads and smalls was enhanced by one step upto Class 45. It was stated that the change in class level would result in increase in freight rates ranging from 8.9 per cent to 5.3 per cent. These changes in the tariff were expected to yield Rs. 26.25 crores of additional revenue. Thus an additional revenue of Rs. 66.25 crores was anticipated during 1971-72 over the revised estimates (Rs. 1004.00 crores) of 1970-71.

1.54. Against these anticipations, the actuals during 1971-72 were Rs. 1096.59 crores, i.e., Rs. 89.90 crores more than the actuals of 1970-71 and Rs. 26.34 crores more than the Budget. The increases during 1971-72 over the actuals of 1970-71 were mainly under passenger earnings Rs. 26.64 crores, other coaching earnings Rs. 7.32 crores and goods earnings Rs. 57.07 crores.

1.55. The budget estimates took into account a three per cent increase in the passenger traffic. The actual increase in the volume of passenger traffic over 1970-71 was 4.3 per cent in terms of passengers originating and 6.11 per cent in terms of passenger kilometres.

1.56. The anticipated additional revenue earning traffic of 3 million tonnes did not, however, materialise. The actual revenue earning traffic lifted during 1971-72 was only 170.1 million tonnes as against 167.9 million tonnes of the preceeding year. The net tonne kilometreage of revenue earning traffic increased from 110,696 millions in 1970-71 to 116,896 millions in 1971-72 representing an increase of 5.6 per cent.

[Paragraph 2 of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways)]

Loss on low rated commodities

1.57. The Committee were informed that a comprehensive Cost Study covering the movement of several principal commodities accounting for about 90 per cent of the total originating revenue traffic was made by the Railways in 1972-73. On the basis of this study it was found that 17 low rated commodities (goods classification rate below 60 class) accounted for a loss of about Rs. 55 crores. These commodities are listed below:

	Commodities	(Loss in crores of rupees)
1.	Foodgrains	26·19
2.	Public Coal	11·87
3.	Iron Ore for Export	3·86
4.	Fodder other than oil cake	3·52
5.	Sugarcane	1·76
6.	Fodder oil cake	1.56
7.	Limestone & dolomite	1·26
8.	Bamboo	1·14
9.	Fruits and Vegetables	1·12
10.	Firewood	0·94
11.	Charcoal	0·44
12.	Gur, Shakkar and Jagree	0·43
13.	Other Ores	0·28
14.	Oil seeds —others	0·27
15.	Grass-green and dry	0·24
16.	Manganese ore for export	0·10
17.	Mellasses	0·01
	TOTAL	Rs. 54·99 or 55 crores

1.58. The Ministry of Railways also stated that the percentage of total traffic which did not pay for the cost of haulage for all distances or beyond certain distances constituted about 28 per cent of the total revenue earning traffic. During evidence the Committee enquired why certain commodities were being charged at rates which were below the cost of transportation. The Financial Commissioner for Railways explained: "This is a historical thing. Many commodities are not paying for their full cost of transportation. If we raise the rates immediately, there will be hardship caused to the users and, particularly, to the public and that will upset the economy also. Take, for example, one item like organic manure. About 5,000 wagons are moving every year at a ridiculously low rate. Many other commodities like fire-wood, salt, foodgrains, fertilisers and even coal were not paying for their full cost of transportation. In the last 5-6 years, we have not only evaluated the actual cost of transportation but also tried to increase the rates gradually. That is why we have brought down the losses. Again, this current year, the losses will be higher on account of the implementation of the recommendations of the Third Pay Commission. The staff bill has gone up very much.

On foodgrains alone, we will be losing Rs. 40 crores this year. Even if we raise the freight on foodgrains by 1 p. per kg., that will give us Rs. 16 crores. Though that will not be a heavy burden, in the past it was felt that psychologically, it would not be good to touch the freight rate on foodgrains. Therefore, the freight rate on foodgrains was not touched at all in the last four years. Similarly, coal is also essential for industries and power. Fertiliser is also a very essential commodity.

We have brought this matter to the notice of the Government at the highest level and also to the Railway Convention Committee. We hope, something will be done."

1.59. In reply to a question the witness stated: "Though the Board has got full powers under the rules to notify the changes in rates, as a matter of abundant caution and prudence, we obtain the approval of Government. The matter is considered by the Railway Minister, the Finance Minister and also the Prime Minister. When it comes to Parliament as part of Budget proposals Parliament has got a say on them. The Railway Budget is discussed by the Parliament. Taking the view of the Parliament, sometimes the Railway Minister withdraws certain proposed levies. The rates are approved by the Government at the highest level and also, indirectly, by the Parliament at the time the Railway Budget proposals are considered."

1.60. The Committee pointed out that if Railways had to bear these losses in the larger interest of economy they should be entitled to a set-off in the dividend on this account. In this connection the Financial Commissioner for Railways stated: "This is exactly the point that we have made before the Railway Convention Committee. They feel that they could not give a direct set-off against dividend but they gave some reductions in the dividend by exempting over-capitalisation, capital-at-charge of uneconomic lines and non-strategic portion of the N.F. Rly. This point is being urged strongly before the 1973 Railway Convention Committee also. We have pointed out that we will be losing Rs. 40 crores on the transportation of foodgrains and another Rs. 22 crores on coal in this year alone. We are also losing Rs. 13 crores to Rs. 14 crores os suburban travel. This is again a social burden. We have given the picture of social burdens on the Railways to them and how, in the foreign countries, the Railways are compensated by the Government. In U.K., the British Government pays the British Railways £ 60 million a year for meeting the loss on the operation of all the uneconomic lines. Even the capital has been written of by a substantial amount. In France also, the Railways get a substantial subsidy from Government. We have given all the information to the Railway Convention Committee."

1.61. Referring to the 17 low-rated commodities on which Railways were incurring an annual loss of about 55 crores, the Committee enquired why certain articles which were being used as raw materials for certain industries were charged at below cost rates. The Financial Commissioner for Railways deposed: "All these commodities had very law rates initially and since 1970 we have been trying to raise them. Originally the low-rated commodities were paying only 22.5 per cent of the standard rate, but now we have brought it up to 32.5 per cent. We are doing it gradually so that the repercussions may not be felt by the trade."

1.62. The witness added: "As mentioned earlier, these rates for all these commodities have been there in the 50s and 60s. In 1970 we had a rationalisation of the freight rate structure and every year we have been trying to raise the freight rates on low-rated commodities gradually. The rise has been from 5 per cent to 8 per cent every year. If it is more, industry will object. Parliament also does not want us to raise the freight rates quickly. Only in regard to foodgrains, a decision was taken at the level of the Cabinet not to raise the freight rates, even though, as I said, we are currently losing Rs. 40 crores on the transport of foodgrains and even if we raise it by one paisa per kg., it will make a lot of difference. It will fetch us Rs. 16 crores. But the reply was that even a small rise of a fraction of a paisa on foodgrains will have a psychological effect. If we increase the freight rate, the retailers will increase the price of foodgrains much more and thereby the weaker sections will suffer."

1.63. In regard to changes in the freight rates on the low-rated commodities, the Railway Board have in a note stated: "During the last decade the pattern of goods traffic has changed significantly in that there has been a steady fall in the proportion of high-rated traffic and an increase in the proportion of low-rated traffic. This shift in the pattern of traffic is a permanent shift with the result that it is no longer possible to produce sufficient surplus revenue from the transport of high-rated commodities so as to compensate the loss in the transport of low-rated commodities. With this background in view, and to make the freight structure more cost oriented the freight structure was rationalised with effect from 1st April, 1970 and the classification of low rated commodities enhanced by one step thrice since then.

2. With effect from 1st July, 1971, the classification of low-rated commodities charged earlier at class 45 and below was put up by one step i.e., commodities charged at class 25 (wagon loads) were revised to class 27.5 and those charged at class 27.5 were revised to class 30 and so on up to class 45 which was revised to class 47.5. This change meant an increase in the rates by 8.9 per cent in the case of commodities earlier charged at class 25, the increase gradually getting reduced to 5.3 per cent in the case of commodities charged at class 45.

3. With effect from 15th April, 1972 the classification of low rated commodities classified up to and including class 52.5, was enhanced by one step. This revision broadly meant an increase of 8.5 per cent in the freight on Commodities earlier charged at class 27.5, the increase taporing off to 4.6 per cent of commodities charged at class 52.5.

4. With effect from 1st April, 1973, the classification of low-rated commodities earlier classified at class 57.5 and below was put up one step. This re-classification meant an increase of 8 per cent in railway freight in respect of commodities earlier charged at class 30, the increase gradually tapering off to 4 per cent in the case of commodities charged at class 57.5.

5. It may be stated in this connection that all relevant aspects are duly considered before any upward revision of railway freight is thought of and the impact on the prices of the important commodities studied each time. The reasons for increasing the freight rates of the low rated commodities were mentioned in the Minister's Budget Speeches which briefly were:—

(a) The costs of operation are annually increasing due to rise in wages and prices of materials.

(b) Freight rates for certain bulk commodities are very low and do not meet fully the operating costs and revenue from high rated Commodities cannot subsidise them any more.

6. It may be pointed out that no increase in railway freight has been made in respect of grains and pulses and allied commodities since November, 1969. Further at the time of general upward revision of low rated commodities effected for the past three years, the following low rated commodities were exempted from the general

increase:—

Iron oremeant for export from Kiriburu and Bailacilla	In July, 1971.
Iron and manganese ore meant for export .	In April, 1972.
Salt, Kerosene oil, Jagree, fire-wood and charcoal .	In April, 1973."

1.64. The Committee enquired whether any study had been made to assess the impact of increases in freight rates on the prices of low rated commodities. In this behalf, the Railway Board have stated: "It is not possible to precisely find out as to what extent the prices have actually increased due to increase in freight rates. But wherever the transportation costs form a substantial portion of the total cost of the commodity at the consuming centres, there is bound to be some impact of the increase in freight rate on the price of commodity.

The following table gives the overall increase in freight rates on all commodities during the last three years, vis-a-vis increase in wages and prices:—

Years	Average rate per tonne km realised (paise)	Index	Per capital cost of staff (Rs.)	Index	Index No. of whole-sale prices (base year) 1961-62=100	Index with 1969-70 as base
1969—70	5·17	100	3,137	100	171·6	100
1970—71	5·43	105	3,398	108	181·1	106
1971—72	5·61	109	3,598	115	188·4	110
1972—73	5·76 Estimated)	111	3,750 (Estimated)	120	207·0	121

It will be seen from the above that freight rates have increased almost at half the rate at which wages and prices have increased. Even if only low rated commodities are considered freight increase is not more than the increase in costs."

1.65. The Committee are informed that the percentage of total traffic which did not pay for the cost of haulage for all distances or beyond certain distances constituted about 28 per cent of total revenue earning traffic. The Railways are incuring an annual loss of about Rs. 55 crores on the carriage of 17 low rated commodities because the tariff rates in these cases do not even cover the cost of transportation. In the list of these commodities are included items

such as sugarcane, bamboo, oil seeds and molasses. "While the Committee can appreciate the need to transport essential articles particularly those meant for weaker sections of the Society such as food-grains at concessional rates as a matter of general public interest, they do not see any reason why industrial raw materials should be transported at a loss. The Committee would, therefore, urge that the Railways should ascertain the unit cost of transport of low rated items of this type and revise their tariff immediately so that at the very least no loss in incurred. In regard to most such items the Committee consider that it should be possible to raise the rates without loss of traffic. The rate structure in fact should be rationalised so that without imposing unfair or unreasonable burden on the commodities affected, the Railways are protected from avoidable loss.

1.66. The Committee note that the changes in rates of fares and freight are brought to the notice of Parliament as part of Budget proposals. However, they have found that the rates are reduced by the Railways under their own powers. The Committee have dealt with the reduction in the rates for the transport of plantains by a Zonal Railway elsewhere in this Report. When the tariff rate for 'fruits and vegetables' is already lower than the cost of transport, the Committee find it difficult to understand how it can be further reduced by the Zonal Railways. The Committee presume that the rate reducing powers of the Zonal Railways can be exercised only on commercial considerations. In any case there should be at no time any question of reducing the rate below cost. The Committee desire that alll the concessional rates in the nature of station-to-station rates or otherwise quoted by all Zonal Railways should be reviewed immediately to see how far they have served the interests of Revenue. Such of those as are found to be detrimental to revenue should be withdrawn forthwith.

1.67. Further the Committee suggest that all such concessions should be quantified in monetary terms and mentioned in the Budget documents of the Railways so that Parliament is apprised of the position.

Relationship of the payload to tare weight in rail coaches and wagons

1.68. The Committee desired to know whether Railways had carried out any research on the relationship of the payload to tare weight in respect of rail coaches and wagons *vis-a-vis* other modes of transport—passenger and goods—with a view to improving the rail services and economising operations. In a note, the Railway Board have stated:

"The main transport systems like rail, road, shipping airways, pipelines etc. operate on strictly distinct principles. For some transport requirements, a choice may be available between one or another system but in some other cases one may not be a practical alternative for the other at all. In those cases where a choice between the two alternative modes of transport is possible, a comparison of the overall unit cost of transport by either mode may determine the utility of each service but comparisons between sub-elements of each mode may still not be meaningful as these sub-elements are distinct components of the special system requirements of each mode.

The weight of the transporting vehicle as also the ratio of payload to tare weight are such sub-elements which do not lend themselves to intermodel unifomity. A comparison of payload to tare weight for rail and road vehicles....reveals that against to tare weight of 0.5 tonnes per tonne of carrying capacity on rail, the tare weight on road is as high as 0.92 tonnes per tonne of carrying capacity. On the other hand, the tare weight per passenger carried is as much as .76 tonnes on rail as against only .13 tonse in buses.

It is to be noted that railway coaches and wagons are built for a normal service life of 30 and 40 years respectively as against a service life of about 10 years only for road vehicles. Rail coaches and wagons are also required to withstand trailing loads of upto 3600 tonnes and shunting and marshalling impacts which conditions do not prevail in the case of road operation. These factors tend to add to the strength requirements and, therefore, weight on railway stock. Further, in the case of railway coaches, because of the special requirements of long distance travel i.e. sleeping accommodation, toilets etc., the payload cannot be increased on the pattern prevailing in road buses.

From the above, it would be clear that intermodel comparisons of payload to tare weight ratio would not be valid in all cases. But that is not to say that Indian Railways have not been attentive to the question of improving the economy of operation through improvement in payloads and reduction in tare weights.

A comparison of the design of coaches and wagons in use at the time of independence and in use to day is indicated in the statement below:—

	Design in use in '40s.			Design in use in '70s		
Wagons (BG)	*CR*	*O*	*BO*	*CRT*	*BOX*	*BOY*
Pay load (t)	22	22·19	44·7	28·3	56·28	71·6
Tare weight (t)	10·25	10·31	20·2	12·3	25	19·8
Ratio	1: ·465	1: ·46	1: ·45	1: ·43	1: ·44	1: ·27
Coaches (BG)	III Class			III Class		
Tare weight (t)	50			37		

This shows that as against a tare weight of .46 tonnes per tonne of freight carrying capacity in earlier design, the later design...... tare weight of only .43/.27 tonnes per tonne of carryisg capacity. Similarly, the tare weight of passenger coaches has been reduced from 50 tonnes to 37 tonnes through development of integral light weight steel coaches.

To further improve the carrying capacity of railway coaches and wagons, the following steps are being considered:

Passenger coaches

(i) Provision of 40 or 60 seats in 1st Class coaches meant for long distance or short distance travel respectively.

(ii) Development of 48-berth AC sleeper coaches.

(iii) Development of experimental double-decker coaches with a carrying capacity of 135 passengers.

Freight wagons

(i) Development of BOX wagons of shorter length so that train loads can be increased from 3600 tonnes to 4400—4500 tonnes.

(ii) Use of wagons with 22½ tonne axle load for new heavy duty lines."

1.69. In view of the depressing financial picture of the Railways, it is imperative to augment revenue by improving the carrying capacity of the coaches and wagons. The Committee note that since 1940 very slight improvement in the ratio of tare weight to the payload had been effected by altering the designs of B.G. wagons and coaches. As there said to be scope for appreciable improvement, the Committee desire that the RDSO should consider this question on a top priority basis in collaboration with other organisations in the country who are engaged in research in transport management.

1.70. The Committee learn that certain steps such as provision of 40 and 60 seats in 1st Class coaches meant for long distance and short distance travel respectively, development of 48 berth A.C. sleeper coaches, development of double-decker coaches and development of improved types of wagons are presently under contemplation. The Committee recommend that increase in the carrying capacity of the 1st Class and A.C. sleeper coaches which is long over due, should be carried out without further delay and the Committee advised. They consider also that possibility of augmenting revenue from suburban sections by increasing the standing capacity should also be explored and necessary action taken thereafter.

Utilisation of line capacity on Railways

1.71. In a note on the line capacity of Railways and its utilisatios, furnished by the Railway Board, at the instance of the Committee, it has been stated:

"The line capacity and its utilisation differs from section to section depending upon the ruling gradients, signalling arrangements, motive power, pattern of traffic, operational facilities such as single line, double line, length of the limiting block section, etc. provided on a particular section.

For instance on the trunk routes with double lines having electrified traction, the inbuilt capacity of the section varies from 40 to 55 trains each way per day. While the same on a double line diesel/steam traction, having gradients may be as low as 32 to 33 trains each way, on double line sections having suburban traffic pattern, the capacity may be as high as 55 trains each way. Similarly on the quadruple section, suburban oriented, the inbuilt capacity at times goes up to as high as 105 trains each way, this being where all trains run at the same speeds and have identical acceleration/deceleration characteristics.

On the other hand, on the single line sections depending upon various operational facilities, signalling arrangements, the pattern of traffic, etc., normally the capacity is reckoned at 15 to 20 trains each way. On Branch lines which are mostly single line sections with minimum operational facilities and steam traction, the capacity varies from 10 to 12 trains each way.

In order to ensure optimum utilisation of assets on a particular single line section, under normal circumstances the utilisation of capacity of the order of 85 per cent of the charted capacity is considered as a signal for augmenting the existing capacity. This could be resorted to either by improved signalling, improved motive power or by provision of additional block stations etc. On the double line, however, such steps are considered necessary only when the utilisation of the existing charted capacity reaches about 90 per cent.

On the basis of the line capacity utilisation furnished by the Railways for the year 1972-73, it is seen that utilisation of the capacity on Rajdhani route varies between 90 to 100 per cent. The same on the other important routes with sanctioned speed upto 130 KMPH varies between 80 to 90 per cent. On the suburban sections of Bombay and Calcutta, the utilisation varies from 90 to 100 per cent. On Branch lines, however, the utilisation hovers round 65 per cent."

172. The Committee have been expressing concern over the inadequate utilisation of line capacity which accounts for the bulk of Railways investments. The Railways regard 85 per cent utilisation

of the charted capacity as a singla for augmenting it. In view of over-capitalisation on Railways and the need to maximise the return, the Committee feel that the Railways should aim at better utilisation of line capacity.

1.73. From the information made available to the Committee, it is seen that barring the Rajdhani and other important routes and suburban sections of Bombay and Calcutta, the utilisation of the line capacity is indeed poor. On the Branch lines it is as low as 65 per cent. The Committee, therefore, desire that all the lines where the utilisation of the line capacity is below the optimum level should be expeditiously identified and all out efforts made to attract more traffic failing which steps should be taken to cut down the expenditure on them without affecting its utility. One of the steps to effect economy on branch|suburban lines could be to introduce on an experimental basis a system of issuing tickets in the train itself as is obtained in a bus or a tram car which will eliminate travel without tickets. The Committee would like to be informed of the concrete steps taken and the results achieved in this direction within 6 months.

Revenue Expenditure

Audit Paragraph

1.74. The revenue expenditure during the year was Rs. 927.89 crores and was more than the Budget by Rs. 24.34 crores and more than the actuals of previous year by Rs. 65.67 crores.

(Amount in crores of rupees)

Particulars	Actuals 1970-71	Budget 1971-72	Actuals 1971-72	Variation over Budget
1	2	3	4	5
A. Working Expenses:				
(i) Staff Administration, Staff Welfare & Operating Staff .	266·73	281·98	291·84	+9·86
(ii) Repairs & Maintenance .	248·53	256·11	272·74	+16·63
(iii) Fuel . . .	146·93	156·01	155·93	— 0·08
(iv) Miscellaneous expenses including operation other than staff and fuel, payment to worked lines and suspense . .	70·30	71·48	74·97	+ 3·49
(v) Appropriation to Depreciation Reserve Fund . .	100·00	105·00	105·00	
(vi) Appropriation to Pension Fund .	14·85	14·85	11·38	— 3·47

1	2	3	4	5
B. Miscellaneous expenditure such as cost of Railway Board and its Attached Offices, Surveys, Audit and Subsidy paid to Branch Line Con panies . . .	8·07	9·12	8·73	— 0·39
C. Open Lines Works—Revenue .	6·81	9·00	7·30	— 1·70
Total	862.22	903.53	927.89	+24.34

1.75. (A) The increase of Rs. 26.49 crores under 'Staff' and 'Repairs and Maintenance' was mainly due to:—

(i) payment of additional Interim Relief with effect from 1st October, 1971 sanctioned by the Government of India (Rs. 6.32 crores);

(ii) increase in the rates of Running Allowance, Travelling Allowance, Night Duty Allowance, and House Rent Allowance due to re-classification of certain cities (Rs. 5.91 crores);

(iii) more expenditure on repairs and maintenance of rolling stock (Rs. 5.14 crores), electrical, signal and telecommunication services (Rs. 3.29 crores), service buildings, track, bridges etc. (Rs. 1.97 crores);

(iv) expenditure on restoration of flood damages to track etc. (Rs. 2.40 crores);

(v) increase in prices of materials (Rs. 1.06 crores);

(vi) additional payment of rental for Posts & Telegraphs cables (Rs. 0.54 crore);

(vii) purchase of drugs and medicines (Rs. 0.67 crore); and

(viii) aggregate of minor variations (Rs. 1.83 crores).

The increase were offset by savings due to non-operation of certain posts (Rs. 0.66 crore) and other economy measures (Rs. 1.98 crores).

[Paragraph 3 of the Report of the Comptroller and Auditor General of India for year 1971-72, Union Government (Railways)]

Rise in maintenance cost per equated track kilometre

1.76. It is seen from the Audit paragraph that the expenditure on repairs and the maintenance rose to Rs. 272.74 crores in 1971-72 as against Rs. 248.53 crores in 1970-71. The Committee were informed that out of the total expenditure on repairs and maintenance as many as Rs. 93.06 crores and Rs. 96.86 crores were spent on maintenance of track in 1970-71 and 1971-72 respectively.

1.77. Unit costs of repair and maintenance of track as shown in statement No. 30 of Supplement to the Reports of Railway Board on

Indian Railways for 1970-71 and 1971-72 has been extracted below:

Track-ordinary repairs and maintenance (excluding Dearness Allowance and Interim Relief)

Name of the Railway	Cost per equated track kilometre				(Amount in units of Rupees)	
	Broad gauge		Metre gauge		Narrow gauge	
	1970-71	1971-72	1970-71	1971-72	1970-71	1971-72
Central .	3382·20	3616·89	3552·03	3675·11	2336·44	2125·13
Eastern . . .	3126·00	3105·91	..	..	2177·40	2220·00
Northern . .	3039·93	3194·08	2530·30	2467·65	2574·40	2467·58
North Eastern	2258·77	2867·12	2747·97	3268·22	..	..
N.E. Frontier	4011·42	3326·46	3346·45	3970·75	1848·42	1344·88
Southern . .	2841·57	2969·82	2737·94	2741·54	2162·05	1758·35
South Central	5703·67	5196·61	2966·58	3183·34	2731·19	2843·50
South Eastern	2723·65	2867·67	..		1955·92	2012·50
Western	3231·72	3977·75	2900·04	2916·96	1836·11	2152·99
Average for all Railways . . .	3271·06	3415·90	2875·63	3075·16	2086·41	2143·37

1.78. It is seen from the above that the maintenance cost (excluding dearness allowance and Interim Relief) per equated track kilometre has gone up in 1971-72 as compared with the cost in 1970-71. Asked about the reasons for this increase, the Railway Board have in a note stated: "The maintenance cost excluding DA|DP|IR per Equated Track Kilometre (ETKM) has gone up as follows:—

	1970-71 Rs.	1971-72 Rs.	Increase Rs.
(i) BG Av. for Rly. .	3271	3415	144 per ET Km. i.e. 4·4%
(ii) MG Av. for all Rlys.	2875	3075	200 per ET Km. i.e. 7%

Main reasons for increase are as follows:—

(i) Increase in wages of permanent way labour other than DA|DP|IR due to annual increments and other factors has gone up by Rs. 110 lakhs.

(ii) There is an overall increase of about Rs. 70 lakhs due to increase in the wages of casual labour.

2. The above two factors account for Rs. 110 lakhs plus Rs. 75 lakhs, *i.e.* Rs. 185 lakhs under *A2111 and *2112. This includes however the maintenance of additional 1498 ETKm (or 1.45 per added during the year.

(iii) Increase in ballast procurement against revenue account due to general increase in procurement rate and additional quantities charged to revenue, accounts for Rs. 92 lakhs.

(iv) Additional expenditure under earthwork due to breaches, floods and other causes charged to A2115* amounts to Rs. 30 lakhs.

(v) Increasing cost of materials particularly steel.

(vi) However, due to saving under A2114* of about Rs. 53 lakhs, the overall impact of the increases/decreases amounts to Rs. 255 lakhs and this has accounted for the increase.

(vii) In respect of individual railways, there has been marginal variations. A decrease in the cost has been recorded on the Eastern, Northeast Frontier and South Central Railways on the B.G. and Northern on M.G. The decrease in cost on Northeast Frontier and South Eastern Railways in 1971-72 was due to higher expenditure having been incurred in 1970-71 due to breaches and cyclone. As regards Eastern Railway, the decrease in marginal and due to lesser expenditure on ballast and temporary labour which was offset partly due to flood damages. On the Northern Railway, M.G. Section, reduction in the year 1971-72 was due to less disturbances on account of sand storms during 1971-72 as compared with 1970-71."

1.70. The Committee were informed in April, 1972 that the following measures had been taken by the Railway Board to bring

* Abstract A of Classification of Revenue Expenditure (Indian Rly. General Code Vol. II.

2111—Wages of permanent Ord. Spl. Gangs.

2112—Wages of Temporary Ord. Spl. Gangs.

2114—Permanent Way & Ord. Spl. other stores.

2115—Parthwork.

down expenditure on 'maintenance' and 'repairs' of track:

(i) 'Directed maintenance of track'* had been introduced on selected sections and was showing encouraging results by way of better track standards and maintenance costs.

(ii) The 'measured shovel packing'@ method of maintaining the track was found to be more suited to wooden sleepers and was being gradually introduced on all sections to the extent feasible.

(iii) Use of long welded rails, heavier rail section and concrete sleepers had been undertaken for improving the track structure on important sections of line and reducing maintenance costs.

1.80. The Committee enquired whether the Railway Board had quantified the effect of those measures and how the cost per equated track kilometre on sections where the measures had been introduced compared with that of sections where the conventional methods were still continuing. In a note, the Railway Board have stated: "Extent of introduction of improved maintenance techniques with a view to improve the standards of track and to reduce cost of maintenance is as follows:—

1. Directed Track Maintenance was introduced as a trial measure on 300 RKMs on the Northern, Eastern and South Eastern Rlys. during 1969-70. The trial is now being extended further with minor changes to cover about 500 RKMs on all B.G. trunk routes. This is in different stages of implementation and has not been fully implemented yet on all the Railways.

2. Measured Shovel Packing has been introduced on wooden sleepers only on limited lengths. Further, the extension of introduction is slow as difficulties in development of special equipment have not been fully overcome. Till March 1973, only about 1800 Kms. have been brought under MSP on different Railways.

3. *Use of LWR (Long welded rails), heavier rail sections and concrete sleepers.*

LWRs on concrete, steel or wooden sleepers with elastic fastenings have considerable scope for improvement in standards and

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NOTE : * The conventional system of track maintenance by better packing is based on the concept of attending to the ballast under each and every sleeper according to fixed schedule. The concept of 'directed maintenance' is a departure in that maintenance efforts are directed specifically to sections indentified carefully as requiring attention, instead of to all sections on a flat schedule.

@Measured shovel packing is based on the principle of picking up the track which is settled under traffic, back to its normal position by inserting pre-determined quantities of stone chips under each sleeper. The method has been found superior to manual packing in output and quality. The fatigue of the gangmen is also less.

reduction in the maintenance inputs. The extent of introduction of LWR on the Indian Railways till March 1973 was only about 570 kms.

While appreciable improvement in standards of maintenance have already been recorded, no quantified assessment of effect of these measures on the reduction in cost of maintenance, has so far been undertaken, as the killometerage covered by LWR is still too small and maintenance systems for the improved track have yet to be stabilised on a regular basis. Till such an assessment is made, vacancies arising in permanent gangs are not filled, upto about 12 1/2—15 per cent at the discretion of the Chief Engineer."

1.81. In regard to evaluation of the measures taken to reduce the cost of repairs and maintenance of track, the Chairman, Railway Board stated during evidence. "They have produced results. It is very difficult to quantify them at the moment."

1.82. The Committee pointed out that since the measures taken to reduce the cost of maintenance would result in a reduction in some expenditure, the Railway Board should be in a position to quantify the same. On this the Chairman, Railway Board stated: "It is a matter of gaining experience. This is the problem that has beset the railways the world over. The benefits are tremendous but they are not quantifiable. Nobody has really been able to quantify it today because it has reduced the wear and tear of locomotives, it has reduced the wear and tear of carriages. But nobody has been able to quantify."

1.83. In reply to another question the witness stated: "It may be possible over a course of time to do it."

1.84. The Committee were informed by Audit that the total length of welded track on the open line as on 31st March, 1972 was 20,761 kilometres as against 19,608 kilometres as on 31st March, 1971.

1.85. The Committee note with concern that the expenditure on repairs and maintenance rose to Rs. 272.74 crores in 1971-72 as against Rs. 248.53 crores in 1970-71. Out of the total expenditure during these years, maintenance of track alone accounted for as much as Rs. 96.80 crores and Rs. 93.06 crores respectively. Moreover, the maintenance cost per equated track kilometre has gone up in 1971-72 as compared with the cost in 1970-71. It is to be regretted that the increase has occurred despite the fact that Railways have taken several measures such as 'Directed maintenance of track', 'Measured shovel packing' and use of long welded rails which are aimed at bringing down the expenditure on maintenance and repairs of track. The Committee desire that efforts should be

made to reduce the maintenance cost more effectively. The Committee should be advised of the results achieved.

1.86. The Railway Board have stated that while appreciable improvement in standards of maintenance have already been recorded, no quantified assessment of the effect of improved measures of maintenance of track on the cost of maintenance has so far been undertaken. As reduction in cost was one of the justifications for the introduction of these methods the Committee would like the Railway Board to carry out such as assessment. In case the assessment reveals a reduction in the cost of maintenance the improved methods of maintenance of track should be introduced on a wider scale so as to derive the maximum benefit.

Reports of the Railway Convention Committee, 1971

Audit paragraph

1.87. During the year under report, the Railway Convention Committee, 1971, presented its Interim Report to Parliament on 7th December, 1971 and the recommendations contained in it were approved by Lok Sabha on 16th December, 1971 and Rajya Sabha on 20th December, 1971. The main recommendations of the Committee in this Interim Report relating to dividend payable to General Revenues are reproduced below:—

(1) "Having regard to the financial burden of the Railways the Committee are of the opinion that the capital-at-charge of the non-strategic portion of the Northeast Frontier Railway and the unremunerative branch lines, as also the element of over capitalisation may be exempted from payment of dividend".

(2) "The Committee also feel that having regard to the long period of construction/gestation of railway investment in general and the time taken by such investment to reach full earning potential, 25 per cent of outlay in a year on works-in-progress (which would otherwise be liable to payment of dividend) may be exempted from payment of dividend for a period of 3 years".

(3) "The Committee consider that the present position in regard to the Railways' Fund balances is somewhat anomalous. They are of the view that consistent with the commercial practice of utilising reserve as internal resources, the Railways should be given the benefit of

interest at the current dividend rate on the fund balances by being permitted to take credit for the difference between the dividend rate and the average borrowing rate at which interest accrues at present to the Funds as a set off in the dividend payable from the Railway to the General Revenues".

1.88. The Ministry of Railways framed their Revised Estimates for 1971-72 and Budget Estimates for 1972-73 based on the recommendations contained in the Interim Report. As a result, the liability of the Railways for payment of dividend to the General Revenues for the year under report was reduced by Rs. 22.06 crores as detailed below:—

	(Amount in crores of Rs.)
(i) Exemption of capital-at-charge of:—	
(a) Non-strategic portion of Northeast Frontier Railway	6·48
(b) Unremunerative branch lines	2·32
(c) Element of over-capitalisation	5·50
(ii) Exemption of 25 per cent of outlay on works-in-progress (which would otherwise be liable to payment of divident) for a period of 3 years	4·23
(iii) Credit for the difference between the divident rate and the average borrowing rate at which interest accrues to Railways' Fund balances, allowed as set off in the dividend payable. . .	3·53
TOTAL	22·06

1.89. The Interim Report covered the period of two years 1971-72 and 1972-73. In their First Report presented to Parliament in December, 1972, the Committee has recommended that their interim recommendations with regard to rate of dividend payable by the Railways to the General Revenues and other ancillary matters may be taken to cover the year 1973-74 also.

(Paragraph 7 of the Report of the Comptroller and Auditor General of India for the year 1971-72, Union Government (Railways).

Impact of the recommendations of Railway Convention Committee

1.90. The payment by Railways to General Revenues, which is termed dividend, consists of three elements, viz. (i) interest on capital outlay at the average borrowing rate, (ii) payment to States in lieu of passenger fare tax and assistance for safety works and (iii) contribution. Explaining the significance of the term 'contribution', the Financial Commissioner for Railways informed the Commttee during evidence: "By this we mean the difference between the dividend actually paid less the interest calculated on the average borrowing rate during the year. For example, let me take the current year, 1973-74. We have got capital at charge of Rs. 3891 crores. On this, we pay a dividend of Rs. 172.61 crores. Then, out of Rs. 172.61 crores, we find what will be the interest at the average cost of borrowing for this amount. The difference between the dividend we pay and the amount of interest is what is called 'contribution'."

1.91. The Committee desired to know the quantum of contribution included in the total figure of Rs. 172.61 crores paid by the Railways in 1973-74 as dividend. The Financial Commissioner for Railways stated: "Actually, it is a negative amount, minus Rs. 1.49 crores. The average borrowing rate has been going up. As you know, the new loans floated by the Government are all at a much higher rate of interest. For example, you take the loan floated 10 years ago. The average borrowing rate was 4.33 per cent in 1968-69; 4.43 per cent in 1969-70; 4.53 per cent in 1970-71; 4.65 per cent in 1971-72 and 4.77 per cent in 1972-73. During the current year, it is expected to be 4.90 per cent. Since the average borrowing rate goes on increasing every year and the rate of dividend is the same, as recommended by the Railway Convention Committee, the 'contribution' element gets reduced from year to year. It become Rs. 0.15 crore in 1972-73."

1.92. The element of contribution from Railways to general revenues in the past were:—

(Amount in crores of rupees)

1960 Convention period (April 1961 to March 1966)	1961-62	8·16	52·50
	1962-63	7·87	
	1963-64	12·32	
	1964-65	10·75	
	1965-66	13·40	
1965 Convention period (April 1966 to Mrch 1969)	1966-67	13·07	36·17
	1967-68	12·57	
	1968-69	10·53	
1971 Convention period so far.	1969-70	10·00	17·97
	1970-71	7·94	
	1971-72	1·67	
	1972-73	(—) 0·18	
	1973-74	(—) 1·49 (estimated)	

1.93. It is seen that after grant of concessions and exemptions on the basis of recommendations of the Convention Committee 1971, the element of contribution has become quite small. This means that the dividend payments give General Revenues only a return equivalent to the average rate of interest although the prescribed rate of dividend is higher than the average rate.

1.94. The Committee desired to know the future impact of the concessions and exemptions granted by the Railway Convention Committee, 1971 on the 'contribution' element of the dividend to General Revenues and enquired whether ultimately this will disappear. In this connection the Financial Commissioner for Railways deposed: "Yes. I will tell you why. The recommendations of the Railway Convention Committee of 1971 are applicable upto the end of the current year. So far as the future is concerned, a new Railway Convention Committee of 1973 has already been appointed by the Parliament. The Railway Convention Committee of 1973 is already going into the question. We have submitted various memoranda and data to them. Assuming that they will at least recommend what the previous Committee had recommended even though we have asked for further relief, and also considering the way in which our staff bill has gone up as a result fo the Third Pay Commission's recommendations as accepted by the Government, we expect that there will be a very big deficit this year. The pay bill has gone up by about Rs. 45 crores as a result of Pay Commission's recommendations. Additional concessions given by the Central Government will mean another Rs. 30 crores i.e. Rs. 75 crores. Also, we have suffered on account of strikes and all that. This year the deficit will be very much more. There are also arbitration awards; Miabhoy Award, the Wanchoo Committee Award and all that. If we have to implement all these awards and recommentions; there will be a much bigger pay bill for the Railways.

The revision of the pay scales will have to be taken into account for the Fifth Plan. We anticipate that at the current level of prices and wages, in the Fifth Plan period there will be a very big deficit of the order of about Rs. 400 crores, if we are called upon to pay dividend at this rate. So, the Railway Convention Committee have called for statistics. We hope they will give us some more relief.

I can answer your question by saying that the contribution has already become negative. It will become further negative this year, minus Rs. 1.49 crores. It will probably be a bigger minus figure i.e. deficit next year. So, we do not think this contribution element will continue. Even if the Railway Convention Committee gives relief, the dividend itself would be reduced. So, the whole idea of contribution will have to be scrapped."

1.95. While emphasising the need for fixing a rate of dividend which yields a definite contribution to the General Revenues over and above the average borrowing rate on which loans are raised by Government, the Railway Convention Committee, 1973 have in para 60 of their Interim Report recommended as under:

> "The Committee are in agreement with the views of the previous Convention Committees including the Convention Committee, 1971 that in the interests of financial discipline it is necessary for the Railways to make a definite contribution to the General Revenues over and above the average borrowing rate on which loans are raised by the Government of India. They, therefore, recommend that the present mode of payment of a fixed dividend on the capital invested as computed annually in lieu of the interest charges plus a small element of contribution to General Revenues does not call for a change."

1.96. The successive Convention Committees have recommended that in the interests of financial discipline the rates of dividend payable by Railways on their capital-at-charge to the General Revenues should be fixed in such a manner that it yields a definite contribution to the General Revenues over and above the average borrowing rate of interest on loans raised by Government. Thus the rates of dividend recommended by various Convention Committees were always higher than the prevailing average borrowing rate of interest with the result that a definite amount in the form of contribution was credited to the General Revenue from year to year. It is of concern that this element of contribution has, however, been continuously declining since 1969-70 so much so that in 1972-73 and 1973-74 it has become negative. The concessions and exemptions granted to Railways on the basis of recommendations of the Convention Committee, 1971 total up to about Rs. 100 crores for the period 1969-70 to 1973-74. These reliefs have in effect wiped out the contribution element of the dividend to General Revenues. The actual dividend payments therefore now give General Revenues a return less than even the average rate of interest on the capital-at-charge. During evidence, the Committee were informed that

fresh proposals asking for further reliefs had been placed before the Railway Convention Committee, 1973. The Committee desire that the Railway Board should, while placing these proposals before the Convention Committee, clearly bring out the implications of further reliefs vis-a-vis the contribution element taking the capital-at-charge as a whole.

CHAPTER II

EARNINGS

Western Railway—Loss due to incorrect recovery of freight charges in respect of plantains booked in wagon loads by coaching trains.

Audit Paragraph

2.1. Lump sum wagon load rates, calculated at quarter parcel rates, were notified by Western Railway Administration with effect from 1st April, 1965, for the carriage of plantains booked in 4 wheeled wagons or vehicle loads by passenger or parcel trains from any B. G. Station to any B. G., M. G., or N. G. station, for hauls over 320 kms. in local bookings. These rates were withdrawn with effect from 1st May, 1969 and simultaneously, from the same date certain station to station rates based on quarter parcel rates were quoted for the movement of plantains traffic from Bardoli, Surat and Utran Stations to Mathura. As a result, traffic in plantains carried from or to any other stations became chargeable at the normal tariff applicable to fresh fruits *i.e.*, at half parcel rates (Scale 4 rates with effect from 1st April, 1970). It was, however, noticed that freight charges, in respect of plantains booked in wagon loads by coaching trains from Chalthan and Gangadhra to Mathura, from Gangadhra to Ahmedabad (in this case lump sum wagon load rates were not admissible even earlier due to distance being less than 320 kms.) and from Surat to Bharatpur and Kota Stations, during varying periods between August, 1969 and November, 1969 and August, 1970 and October, 1970, had been recovered at lump sum wagon load rates which had been withdrawn, instead of at normal rates. This resulted in under collection of freight charges to the extent of Rs. 2.43 lakhs.

2.2. The Railway Administration stated (October, 1972) that though there had been failure of staff both at the booking stations and in the Traffic Accounts Office, recovery of freight charges at the nomal tariff rate would have resulted in an anomalous situation inasmuch as different stations in the same plantain producing area would be charging different rates. They stated further that the distances from Bardoli to Chalthan and Gangadhra being 16 kms. and 6 Kms. respectively, the Trade would have preferred to move traffic from Bardoli at the concessional rate, rather than pay normal tariff rate for the traffic originating from Chalthan and Gangadhra; similarly, the traffic booked ex-Surat to Kota and Bharatpur would also have been consigned to Mathura in order to avail of the concessional rate, as carriage at the normal tariff rate to Kota and Bharatpur would have proved un-economical to the Trade. It is, however, stated that the Railway Administration reduced the scope of concessional rates with effect from 1st May, 1969 after conducting a review of traffic in 1968. Failure to collect freight charges in accordance with the tariff current on the dates of booking of traffic at Chalthan, Gangadhra and Surat resulted in the under collection of revenue to the extent mentioned above.

[Paragraph 30 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

2.3. Explaining the circumstances leading to charging of concessional rates for the movement of plantains traffic on the Western Railway, a representative of the Railway Board deposed during evidence: "We give a certain reduced or concessional rate for the carriage of certain items of perishable traffic. In this case, the Western Railway introduced concessional rate for the carriage of plantains for distances beyond 320 km. This concessional rate was applicable from all stations of the Western Railway to any station on the Western Ralway provided that the distance between any two stations was more than 320 kms."

2.4. The witness added: "The offering of a concessional rate means that we want to attract certain traffic moving in smalls to wagon-loads at a lump sum rate. It is provided as a sort of incentive to the merchants to move the traffic from one station to another in wagon loads. The period it remains operative depends on the traffic that materialises there."

2.5. On being asked as to why the concessional rates offered in 1965 were withdrawn in 1969, the witness stated: "What happened was this. In 1968 the Western Railway undertook a review and found out that the application of this rate on all the stations of the Western Railway was not justified because the traffic was available only from certain stations. At other stations, the application of the rate was not necessary because the traffic was not there. So, this concessional rate was made applicable only from the stations from where the traffic was offering."

2.6. Asked why the concessional rates introduced in 1965 were reviewed only in 1968 and not earlier, the witness replied: "After introducing this rate in 1965, they undertook the review after three years only. Even if they had undertaken the review in the year 1966, they would have found out that the traffic availability was not there at all stations. To be very frank with you I may tell you that the Railway introduced these rates for plantains traffic generally applicable to all stations and not specifically to stations serving areas of cultivation. Even if they had introduced it in 1965, they should have done it from station to station where this plantain traffic was available. There was no necessity for them to introduce it to all stations on Western Railway."

2.7. In reply to another question, the witness added: "Whenever a concessional rate is quoted the railways undertake the review after the expiry of a certain period—may be three months, six months or even one year to determine whether these rates had helped to, generate the traffic which it was required to attract. If this concessional rate did not generate the traffic, then the rate was cancelled....What I am saying is that they should have undertaken this review earlier than three years."

2.8. The witness further stated: "The action of the administration in withdrawing the rates was dependant on the review. Now, there was some defect in the review itself. The review should have been for the particular period. If the review had been taken at the correct time, these stations would have been given these rates and, therefore, the question of loss is only notional."

2.9. The Committee desired to know the details of the findings of the review undertaken in 1968 on the basis of which the scope of concessional rates was reduced from 1st May, 1969. In a note, the Railway Board have stated: "The review made by the Western Railway Administration in 1968 was by way of ascertaining from stations the quantum of banana traffic booked by them during a period of six months from October, 1967 to March, 1968. The details of the findings were as under:—

(i) That during this period, plantains had been booked from only three stations, namely, Surat, Utran and Bardoli; and

(ii) Even from Surat, Utran and Bardoli, this traffic had been booked to Mathura Jn. only.

It was on the basis of these findings, that the Western Railway Administration had discontinued the special rates which were earlier available to all stations for destinations situated more than

320 kms. away and had introduced special rates from Surat, Utran and Bardoli only to Mathura Jn. from 1st May, 1969."

2.10. The Committee enquired whether the fact that introduction of station to station rates for booking plantains from only some of the stations in the plantain producing area would create anomalous situation was considered when those rates were introduced from May, 1969. To this the representative of the Railway Board replied: "At that time when the rates were introduced they were applicable for traffic from Bardoli, Surat and Utran stations to Mathura. But traffic at Chalthan and Gangadhra was not there. But, it so happened that after they had introduced the concessional rates some plantain traffic came to these stations. The most important aspect is that the Railway had advised the stations that the rates were not applicable to them. However, as the traffic was offered at these two stations the Station Masters allowed this concessional rate. The Station Masters who continued to allow this rate were responsible for whatever traffic was carried. If they had referred this case to the headquarters office, they would have been allowed the concession again. Our intention is to apply this rate to stations where traffic is available. At that time it was not available. The station master did not follow the instructions. He continued to took at the old rates."

2.11. In reply to a question the witness informed the Committee that "It was a failure on the part of the Station Master and disciplinary action has been taken against the persons concerned.... We have withheld the increments of the staff concerned on booking side and disciplinary action is being taken against the staff in the traffic accounts section."

2.12. The Committee desired to know whether the Railway Administration had re-examined the matter with reference to the present trend of traffic and revised and/or extended the station to station rates to other stations in the plantain producing area. In a note, the Railway Board have stated: "The question of re-introducing the special coaching rates for banana traffic from stations other than Surat, Utran and Bardoli was not examined later on. However, other stations are booking bananas as goods traffic at the normal goods tariff rates which are comparatively cheaper than the special coaching rates. A quick Transit Service is also introduced during the banana season for this traffic moving at goods rates. This service is availed of by banana booking stations around Surat. The transit time is guaranteed under this system and an additional QTS charge is recovered. This QTS charge is refunded if the guaranteed transit time is exceeded."

2.13. The Committee find that w.e.f. 1st April 1965, concessional rates were notified by the Western Railway Administration for carriage of plantains over 320 Kms. in local bookings. Although these rates were withdrawn from 1st May 1969, certain stations continued to charge concessional rates which resulted in under-collection of revenue to the extent of Rs. 2.43 lakhs. Surprisingly enough, in some cases distances covered were less than 320 Kms. There has thus been a reprehensible lapse not only on the part of the station staff but also on the part of the supervisory officials of the Commercial Department and the officials of the Traffic Accounts Department who failed to detect the irregularity. The Committee were, however, sorry to hear that discipilinary action has been taken only against the Station Staff. They desire that suitable action should also be taken against the supervisory staff for their failure of check.

2.14. The Committee understand that the general concessional rates were replaced by a few specific station to station rates w.e.f. 1st May 1969. This was done on the basis of a review conducted in 1968 which revealed that traffic was available only from certain stations. The concession initially granted was thus evidently not based on a proper study. The Committee would like to know how the concession was initially granted and why it was not reviewed and withdrawn promptly.

Southern and South Central Railways—Non-collection of travelling expenses of railway staff accompanying wagons loaded with over dimensional consignments

Audit Paragraph

2.15. Travelling expenses at the rate of 50 paise per km. are chargeable with effect from 1st July, 1970, in addition to railway freight, in respect of Railway staff accompanying the wagons loaded with consignments exceeding the maximum moving dimensions notified for conveyance.

2.16. It was pointed out in March, 1971 that realisation by Southern Railway of such prescribed charges towards travelling expenses of the Railway staff was not being watched. The Railway Administration issued instructions on 30th July, 1971, that the booking stations should include such charges towards the travelling expenses at the prescribed rate in the Invoices and the Railway Receipts prepared for the booking of over dimensional consignments.

They also reviewed the position in respect of four stations from which such consignments had been booked during the period from July, 1970 to September, 1971 and raised debits against the station staff for a sum of Rs. 58,545 for recovery from the consignors, consignees or railway staff. A further review conducted in December, 1971, revealed undercharges to the extent of Rs. 72,390 in respect of such consignments booked from two other stations during the same period. The Administration, however, revised on 18th July, 1972, the procedure prescribed in July, 1971, and directed the booking stations to send telegraphic advices to the destination stations about the railway staff accompanying the oversized consignments so that the charges towards travelling expenses could be collected at the destination stations about the railway staff accompanying the oversized consignments so that the charges towards travelling expenses could be collected at the destinations. The Railway Administration also decided (September 1972) to withdraw the debits raised earlier against four stations on the plea that the responsibility for collecting the charges was that of destination stations, without ensuring that the charges had actually been collected. Thus, till now (December, 1972) recoveries of these charges amounting to Rs. 1.31 lakhs have not been confirmed and a detailed review of transactions from 1st July, 1970 is yet to be completed by the Divisions.

2.16. Similar undercharges amounting to Rs. 29 thousand had been noticed on South Central Railway, as a result of test check.

[Paragraph 31 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways)]

2.17. The Committee desired to know whether, in July, 1970 when the tariff of 50 paise per kilometre was notified, any procedure had been prescribed by the Railway Board for watching realisation of travelling expenses of Railway staff. In a note on the subject, the Railway Board have stated: "No. Prior to 1st July, 1970 Rule 119(2) (b) stood as under:—

"The travelling expenses of any person travelling with the train for the purpose of inspecting the load at suitable intervals to ensure its safe conveyance vide condition (f) of the Resolution embodied in Government of India, Circular No. 10, Railway, dated the 3rd August, 1897."

The revised Rule effective from 1st July 1970 read as under:—

"The travelling expenses of Railways staff travelling with the train for the purpose of inspecting the load at suitable intervals to ensure its safe conveyance vide condition (f) of the Resolution embodied in the Government of India, Circular No. 10, Railway, dated 3rd August, 1897, at the rate of 50 paise per kilometre. This charge will be levied only for the distance the staff are detailed to accompany the over-sized consignments." It will be noted that this amendment authorised the Railways to recover travelling expenses of escorts at the flat rate of 50 paise per kilometre for the distance staff were detailed to accompany over-sized consignments instead of the actual travelling expenses recoverable earlier. As this merely amounted to levy of a fixed charge instead of actual charge, no instructions laying down the procedure for realisation of the charge were issued by the Railway Board."

2.18. The Audit paragraph states that on being pointed out in March, 1971 that realisation by the Southern Railway of prescribed charges towards travelling expenses of the Railway staff was not being watched, instructions were issued by the Railway Administration on 30th July, 1971 laying down a procedure for the recovery of such expenses. These instructions were however revised in July, 1972. Asked about the reasons for the revision of instructions just after one year of issue, the Railway Board have, in a note, explained: "The instructions issued by the Southern Railway Administration on 30-7-1971 mentioned that the booking station, while preparing the invoice should indicate the travelling expenses collected at the rate of 50 paise per kilometre for the entire distance and indicate it on the R.R. and in respect of Inward traffic, the destination station was required to calculate the charge for the entire distance and realise the amount.

The tariff rule stipulated that the charge at the rate of 50 paise per kilometre should be levied for the distance the staff were detailed to accompany the over-sized consignments. Since the Railway staff would not accompany overseized loads for the entire distance in all cases, the Railway's instructions of 30-7-71 were not in accordance with the tariff rule and were resulting in over charges in some cases. The railway, therefore, decided to issue revised instructions making the destination station responsible for the collection of the charge on account of travelling expenses since only after the completion of the transit the actual distance over which staff were detailed to accompany would be known. The Railway Administration, therefore, issued revised instructions on 18-7-72 in supersession of their earlier instructions."

2.19. The Committee enquired whether a detailed review of the transactions from 1st July, 1970 had been undertaken and undercharges realised. In a note, the Railway Board have informed: "A review of the transactions from 1-7-1970 to September, 1971 has been completed by Southern Railway. It revealed that calculating charges for the 'entire distance', the amount involved comes to Rs. 4.73 lakhs which includes the items included in Audit para.

2. On the South Central Railway a comprehensive review at all stations is in progress and 13 more consignments involving undercharge to the extent of Rs. 9,356 (calculated for the entire distance) has come to the notice of the railway.

3. The progress of realisation of undercharges mentioned in the audit para is indicated below:—

	Rs.
Southern Railway :	
Total amount shown in Audit para	1,30,935
Amount collected	49,792
Amount outstanding	81,143
South Central Railway :	
Total amount shown in Audit para	32,698
Correct amount on further verification	34,213
Amount collected	1,890
Amount outstanding	32,323

4. Special efforts are being made to collect the charges due on the balance of the items indicated in audit para and also on other items which have come to notice as a result of further review. It may be pointed out that according to Rule 119(2)(b) of the Goods Tariff, the travelling expenses of railway staff travelling with the O.D.C. load are to be levied 'only for the distance the staff are detailed to accompany'. Railway staff are not required to accompany every type of oversized consignment on all Railways. The railways have been asked to verify the distance over which staff actually travelled, work out the correct charges due and realise the same from consignors/consignees."

2.20. On being asked whether the Railway Board has now evolved a suitable procedure for realisation of these charges, the Railway Board have in a note, stated: "It has since been decided to merge the travelling expenses of the staff levied under rule 119(2)(b) with the infringement charge levied under rule 119(2)(a) of the Goods Tariff

While fixing the consolidated charge, the opportunity has been availed of to revise the charge upward taking into account the increase in the cost to railways since the infringement charge and the charge on account of travelling allowance were last fixed. Considering these aspects it has been decided to fix the consolidated rate at Rs. 3.50 per wagon kilometre and to give effect to it from 15th October, 1973. It has also been decided to levy this consolidated charge for the entire distance from the forwarding station to the destination station. Instructions have also been issued to the railways that the revised infringement charge should be included in the invoices and the Railway Receipts. This will ensure collection of the infringement charge in all cases."

2.21. The Committee are unhappy to note that in July 1970, when the tariff of 50 paise per kilometre in respect of travelling expenses of Railway staff accompanying the wagons loaded with consignments exceeding the maximum moving dimensions was notified no procedure was laid down by the Railway Board for watching the realisation of travelling expenses of Railway staff. Further the instructions for the recovery of such expenses laid down by the Southern Railway in July, 1971 were found to be defective and had to be revised in July 1972, i.e., just after one year of issue. A sum of Rs. 4.73 lakhs is stated to have been under realised on Southern Railway alone during the period from 1-7-1970 to September, 1971. The Committee desire that the review of transactions from September 1971 onwards on Southern Railway may be completed early to determine the total extent of undercharging. Necessary steps for the realisation of these undercharges may also be taken.

2.22. The Committee would also like to suggest that a comprehensive review of the transactions on all stations of the South Central Railway, which is stated to be in progress, may be finalised soon and similar reviews on other Zonal Railways be undertaken to determine the undercharges on this score and to realise them.

2.23. The Committee suggest that in future the Railways should lay down both clear procedures and points of collection of such special charges ab initio.

South Eastern Railway—Underloading of B.G. wagons carrying manganese ore

Audit Report

2.24. Manganese ore booked from four stations on the N.G. Section of Nagpur Division of South Eastern Railway is transhipped from Narrow Gauge to Broad Gauge wagons at Itwari station. The transhipment was being done either by placing Narrow Gauge hopper wagons on a chute line and then discharging the ore into B.G. wagons placed underneath or through manual labour. Under the former chute arrangement, the contents of only one N.G. hopper wagon could be transhipped into one B.G. wagon. The average carrying capacity of a B.G. wagon being 22 tonnes as against 16.5 tonnes of N.G. hopper wagon, this resulted in under loading of BG. wagons to the extent of 5.5 tonnes per wagon. In case of transhipment by manual labour, it is generally possible to tranship the contents of 3 N.G. wagons into 2 B.G. wagons. Thus, the use of the chute line for transhipment resulted in under utilisation of B.G. wagons, apart from lack of flexibility and detention to N.G. wagons as only B.G. open wagons could be used for such transhipment, unlike manual system where other types of B.G. wagons could also be used. Still the chute arrangement was utilised mostly till December, 1969, and from January, 1970, the bulk of transhipment of manganese ore is being done by manual labour.

2.25. Though the Ministry of Railways (Railway Board) stated in January, 1971, that mix up of consignments at the transhipment point is not permissible, it was, however, found that clubbing of consignments was possible in cases where 3 and more N.B. wagons had been booked under the same invoice from the same originating station to the same distination station. Assessed on this basis, the contents of 1879 N.G. wagons handled on chute line during the year 1969 could have been transhipped into 1473 B.G. wagons instead of 1879 actually used. Thus 406 B.G. wagons were found to have been used in excess of requirements. The cost of haulage of these B.G. wagons works out to Rs. 1.87 lakhs. After allowing for the elements of additional expenditure involved in manual handling and excess detention to wagons involved in this process, the extra haulage cost to the railway is estimated at Rs. 1.68 lakhs for the year 1969.

[Paragraph 32 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).]

2.26. The Committee asked whether the economics of transhipment under chute arrangements *vis-a-vis* through manual labour were worked out at any stage and if so, which of the two modes was found to be economical. In a note, the Railway Board have stated: "Economics of the two systems have been worked out and it has been found that it is more economical to do transhipment by chute arrangement. Manual transhipment results in extra shunting and extra detention to stock. For 1879 Narrow Gauge Hopper wagons which were transhipped at Itwari during the period from 1-1-1969 to 18-12-1969, there would have been additional handling cost to the extent of Rs. 8,773/- (Appendix III) and additional detention cost to the extent of Rs. 10,481|-(Appendix IV), if the same had been transhipped manually."

2.27. On being asked as to why the Railway Administration switched over to transhipment by manual labour from January, 1970, the Railway Board have in a note stated: "During the year 1969 chute transhipment was done at Itwari. In this period Manganese ore was loaded only in Narrow Gauge Hopper wagons and transhipped into Broad Gauge open wagons by chute transhipment. There was no alternative use for the Narrow Gauge Hopper wagons in this period. This method of transhipment was also easier and less time consuming.

But from January, 1970, Narrow Gauge Hopper wagons were partially diverted for coal loading for the Khaprekheda Power House where facilities for bottom discharge had been provided. This resulted in partial loading of Manganese ore in general service Narrow Gauge bogie open wagons and consequent manual transhipment at Itwari. This partial loading of Manganese ore in Hopper wagons continued to be done right upto 1972 depending upon the availability of such wagons.

It may be seen that the diversion of Narrow Gauge wagons for loading of coal was incidental and led to manual transhipment but this had the following two advantages:—

(i) The carrying capacity of the general service Narrow Gauge wagons was higher than that of the Hopper wagons.

(ii) Transhipment could be done into both covered and open Broad Gauge wagons manually."

2.28. The Committee desired to know whether the arrangement for manual transhipment was still continuing and whether the capacity of the broad gauge wagons was being utilised fully. In a note, the Railway Board have stated: "Now only manual transhipment is being done at Itwari. It is not possible to utilise fully broad gauge wagon capacity even in manual handling for the following reasons:—

(a) Narrow gauge wagons should be received in groups of three booked from the same station to the same destination and having the same consigner and the same consignee if the ideal ratio of 3:2 is to be achieved. Such consignments are few. During the year 1969, there were only 53 such consignments, out of which only in case of 32 consignments wagons were received in one hook at the transhipment point.

(b) As the Manganese ore loaded on the Nagpur Division of South Eastern Railway is of different grades and as grades of ore are not declared by the consignors, it is not possible to mix up the different consignments at the transhipment point. Such mixing would be necessary if more than one narrow gauge wagon is to be transhipped into the same broad gauge wagon or if a better ratio is to be achieved.

(c) Carrying capacity and the types of narrow gauge open wagons currently being utilised on Nagpur Division of the South Eastern Railway for the loading of Manganese ore are given below:—

Type	Total No. available	Carrying capacity	IRS/Non-IRS
1. BBS/BKC	255	17.5	Non-IRS
2. SBS/BKC	65	17·5	Do.
3. SBP/BKC	19	17·5	Do.
4. OL/BKC	243	23·48	IRS

In the case of IRS type narrow gauge wagons which are 42 per cent of the total availability of the narrow gauge open wagons used for loading of ore, the broad gauge wagons capacity is fully utilised. In case of non-IRS type narrow gauge wagons, which have a carrying capacity of 17.5 tonnes on an average, it would not be possible to utilise fully the capacity of broad gauge wagons which have an average carrying capacity of about 22 tonnes. Three such narrow gauge wagons cannot be transhipped into two broad gauge wagons and as such a third broad gauge wagon would be necessary.

It is pointed out that underloading of broad gauge wagons at a transhipment point is inherent in the transport of commodities, particularly those which move in the bulk."

2.29. The Committee regret that the economics of transhipment at Itwari Station under chute arrangement vis-a-vis **manual labour worked out by the Railways did not take into account the underutilisation of B.G. wagons and the capital cost of the chute arrangement. The uneconomic practice resulted in extra expenditure of Rs. 1.68 lakhs during 1969 beside, loss of revenue. The Committee view this aspect very seriously. They would deprecate the adoption of labour saving devices unless they are very much demonstrably adventageous financially to a significant extent. No other policy approved could be sustained in the face of the widespread unemployment/under employment that obtains today in the country. The Committee would suggest that the position should be reviewed in respect of all the transhipment points with a view to weeding out uneconomic practices. The emphasis should be on creating job opportunities and improving wagon utilisation.**

Southern Railway—Dues outstanding against Madras Port Trust on account of hire charges of wagons

Audit Paragraph

2.30. According to the working agreement between the Southern Railway and the Madras Port Trust Railway; free time of 21 days light hours (11 hours for unloading and 10 hours for reloading) was allowed in respect of loaded wagons received and back loaded by the Port Trust. For wagons detained beyond the free time, the Port Trust was liable to pay hire charges. In August, 1963, the Southern Railway Administration advised the Port Trust Authorities that the released wagons could be detained by the latter for an extra time of 12 hours, to meet their loading requirements of the following day. The Southern Railway Administration withdrew this additional facility in October, 1965, but did not ensure that the advice in this regard was received and duly acknowledged by the Madras Port Trust Authorities. As a result, wagons continued to be detained by the Madras Port Trust Authorities beyond the normal free time of 21 day light hours, without, however, any payments on account of hire charges for the excess detention of 12 hours permitted in August, 1963 but notified for withdrawal in October, 1965. The withdrawal of extra time was finally given effect from 1st June, 1967. This resulted in short recovery of hire charges over the period from November, 1965 to May, 1967, which, as assessed on the basis of the bills originally preferred by the Railway Administration against the Madras Port Trust and withdrawn subsequently, works out to Rs. 90 thousand for the year 1966-67.

2.31. According to Southern Railway Administration the extra-time had been granted in August, 1963 in the interest of operational convenience, as it enabled them to meet the heavy demands of Madras Port Trust for wagons, and also avoided working of empties through Royapuram Terminal which had limited yard facilities. However, a review of the traffic handled at Royapuram and Madras Port Trust showed that heavier traffic had been handled at these places before and/or after the grant of extra time. The grant of extra time during the period from August, 1963 to October, 1965 was also, therefore, not justified.

2.32. Besides, an amount of Rs. 1.73 lakhs towards balance of hire charges for the year 1966-67, calculated even after giving an allowance for the extra-time of 12 hours, is also outstanding (December, 1972) against the Madras Port Trust.

[Paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).]

2.33. The Committee desired to know what was the justification allowing extra time of 12 hours to the Madras Port Trust in August, 1963, as 10 hours were already being allowed for reloading of wagons by the Port Trust. In a note, the Railway Board have explained: "During the second half of 1962 and in 1963, there was a large scale import of foodgrains and fertilizers. The daily loading in Madras Harbour rose steeply and the Railways were hard put to meet the demands of the Madras Port Trust for empty wagons. This abnormally high volume of traffic had to be moved *via* Royapuram which had limited yard facilities. It was found difficult to arrange the criss-cross movement of released wagons made over by the Port Trust within the free time and working the same as empty back to Port Trust area to comply with their daily demands. This in effect meant that the empties as released by the Port Trust and handed over to the Railways were returned from Royapuram yard back to the Port Trust for their loading on the following day. This involved not only cross running of empties but also wastage of engine and section capacity and extra pressure at Royapuram yard. The Divisional Operating Superintendent Madras Division, therefore, felt that it was a better arrangement to permit retention of these released empties by the Madras Port Trust for loading on the following day. This arrangement had an added advantage from the Railways' point of view as it afforded greater flexibility in the yard at Royapuram which had extremely limited facilities. With this background and the operational advantage in view, the Divisional Operating Superintendent locally authorised released empties being detained by the Madras Port Trust for a maximum period of 12 hours in addition to the normal free time already admissible to them. This arrangement was, therefore, an assistance extended by the Madras Port Trust to the Southern Railway to meet the latter's operational difficulties arising out of this pattern of working *vis-a-vis* the facilities available during that period. It was not as though the Port Trust wanted to detain the empties for a longer period but it was the Railways which requested them to accommodate the released empties within their own area as working out of these empties from the Port Trust would have meant the Railway receiving them at Royapuram and either holding them there itself for subsequent supply to the Madras Port Trust on the following day or dispersing them to other points—neither of which was operationally convenient at that time."

2.34. Asked whether the financial implications had been worked out and prior approval of the competent authority obtained to vary the free time, the Railway Board have in a note stated: "As regards the point about working out the financial implications of this order and obtaining prior approval of the competent authority, it may be pointed out that it has not been possible to locate the relevant records for that period. A very detailed search has been made to locate the linked papers to indicate if any quantitative assessment was made in respect of the specific financial advantages accruing from these orders. It has also not been possible to lay hands on the relevant records to prove whether written or verbal permission was taken from the competent authority by the Divisional Operating Superintendent, Madras before issuing these orders. Records for that period available in the headquarters office do not contain any specific reference received from the Divisional Operating Superintendent on this subject.

The Southern Railway authorities have stated that though the connected records are not available, it can be 'confirmed from experience in day-to-day working even now that the arrangements proposed earlier had definite operational advantages'. This contention of the Southern Railway appears to be fully justified in view of (i) heavy increase in imports, (ii) limited yard facilities at Royapuram and (iii) obvious disadvantages in permitting cross running of empties to and from the Port Trust."

2.35. The Committee enquired whether the relevant clauses of the agreement between the Southern Railway and the Madras Port Trust were amended in August, 1963 when extra free time was allowed. In this connection, the Railway Board have, in a note, stated: "It appears that this was not done as the issue of revised instructions was only an *ad hoc* arrangement made locally by the Divisional authorities to suit the difficult operating problems created by the influx of imported foodgrains and fertilisers...., the records available in the headquarters office of Southern Railway do not contain any reference having been received from the Divisional Superintendent on this subject. As such the need for amending the Agreement was not felt. Incidentally, no specific proposal was also made by the Madras Port Trust authorities for modifying the Agreement. In the absence of relevant records in the Divisional Office, it is difficult to ascertain the circumstances under which action to amend the Agreement was not initiated."

2.36 As to the reasons why the additional facility given in 1963 was withdrawn in October, 1965, the Railway Board have intimated: "This extra free time of 12 hours was withdrawn in 1965 when it was found that—

(a) the conditions of working both in the port and in the Royapuram yard had comparatively eased *vis-a-vis* those obtaining in 1963,

(b) the revised orders attracted the provisions of the Agreement, which had not been formerly amended.

The conditions of working were examined in 1965 and it was found that—

(i) the quantum of iron ore exports through Madras Port was gradually going up which involved a larger input of loads into the Port area. These wagons on release were available for backloading. As such, the necessity for working empties to the port to meet the requirements for railing out the imported commodities such as foodgrains and fertilisers was gradually reduced.

(ii) With the increased quantum of traffic for export as well as in the imports of foodgrains and fertilisers, there was a greater scope for moving this traffic—both inward and outward in block rakes. This reduced pressure on Royapuram yard.

Accordingly, it was decided to withdraw this additional facility."

2.37. According to Audit paragraph, the additional facility was availed of by the Port Trust Authorities even beyond October, 1965 though such a facility had been withdrawn. Asked how this fact escaped the notice of Railway officers for a period of over 1½ years, the Railway Board have in a note stated:

"The General Manager, Southern Railway, Madras wrote to Traffic Manager, Madrs Port Trust (*vide* letter No. D. 419|HOM|CON. dated 28th October, 1965) to the effect that the instructions contained in letter dated 28th August, 1963 from the DOS(M), Royapuram should be treated as cancelled. A copy of this letter was also sent to Divisional Superintendent, Madras. During the course of a meeting with the Port Trust authorities in May, 1967, it transpired that the aforesaid letter dated 28th October, 1965 had not been received by them. A fresh communication was, therefore, arranged to be delivered and acknowledged by the Port Trust on 31st May, 1967. The agreement entered into *vide* DOS's letter dated 28th August, 1963 was, therefore, effectively terminated on 31st May, 1967.

Detailed investigations have already been made in the matter to ascertain the reasons as to why no follow-up action was taken by the Divisional Office at Madras on receipt of headquarters letter dated 28th October, 1965. Records indicate that this letter, which was marked confidential, was received by the Divisional Superintendent, Madras, and marked to the Transportation Branch of the Divisional Office. Relevant records showing further disposal of this letter are, however, not available despite a thorough search made in that office. Apparently, however, no further action seems to have been taken as it might have been presumed that as the letter had been addressed by the headquarters office to the Madras Port Trust and only a copy was endorsed to the Divisional Office, there was no further need for issuing any fresh instructions to the Port authorities at the Divisional level. It is, however, extremely difficult to ascertain the exact disposal of this letter or the reasons for not taking any further positive action in the matter in the absence of relevant records."

2.38. As regards the present position regarding (a) recovery of hire charges short realised by the Southern Railway Administration during the period from November, 1965 to May, 1967 and (b) outstanding hire charges for the year 1966-67, the Railway Board have informed: "As regards (a) recovery of hire charges short realised by the Southern Railway Administration from November, 1965 to May, 1967, it may be mentioned that in terms of clause 7 of the Agreement, the Madras Port Trust is required to pay to the Railways any surplus demurrage charges which the Trust collected from the public in excess of the amount of hire charges due by the Port Trust and billed for by the Railways. Furnished below are year-wise details of the amount paid by the Port Trust both as hire charges billed for by the Railways and as surplus demurrage representing the excess amount which they collected from the public as authorised in the Agreement:—

Year	Amount recovered from the public as demurrage charges by the Port	Amount paid to the Rlys. as hire charges	Surplus of demurrage charges paid to the Railways over the amount of hire chargespaid to the Railways
	Rs. Paise	Rs. Paise	Rs. Paise
1963-64 . .	173492—30	71953—02	101539—28
1964-65 .	456167—34	234279—81	221887—53
1965-66 . .	759085—20	438942—27	320142—93
TOTAL .	1388744—84	745175—10	643589—74

It will thus be seen that during the years 1963-64 to 1965-66, the amount of surplus demurrage credited by the Madras Port Trust was Rs. 643589.74. If the additional 12 hours had not been granted and consequently the hire charges due were an increased amount, the only difference would have been that the surplus demurrage credited to the Railways would have been correspondingly reduced to that extent. Though precise details of the amount actually due as hire charges without giving this additional free time of 12 hours cannot be ascertained in the absence of the relevant records, it is safe to assume that the overall payment to the Railway would still have been the same keeping in view the substantial difference between the amount of demurrage collected and then paid by the Port to the Railways and the amount billed against them as hire charges. There does not, therefore, appear to be any short recovery of hire charges for the overall period from November, 1965 to May, 1967.

As regards (b) outstanding hire charges for the year 1966-67, it may be mentioned that this was one of the subjects for discussion at a number of high level meetings between the officials of the Southern Railway and the Madras Port Trust, the latter having requested for the waival of this amount. The Southern Railway, however, did not agree to the waival and asked the Port Trust authorities to clear the same. After having failed to get waival from the Southern Railway, the Madras Port Trust approached the Railway Board through the Ministry of Shipping & Transport. This request was received in the Board's office recently. After examining the relevant factors, the Board have now decided against the waival of these charges. Accordingly the Ministry of Shipping & Transport as also the Madras Port Trust have been requested to pay up the amount as expeditiously as possible. It is hoped that this amount will be paid shortly."

2.39. According to the working agreement between the Southern Railway and the Madras Port Trust Railway, free time of 21 day light hours is allowed in respect of loaded wagons received and back loaded by the Port Trust. For wagons detained beyond the free time, the Port Trust is liable to pay higher charges. In August 1963, the Divisional Operating Superintendent, Madras Division locally authorised the released wagons being detained by the Madras Port Trust for a maximum period of 12 hours in addition to the normal free time already admissible to them. The financial implications of varying the free time allowed to the Port Trust were not worked out nor was the prior approval of the competent authority obtained and the agreement amended. Further although it was decided by the Southern Railway Administration in October, 1965 to withdraw the facility it was given effect to only in June 1967. Strangely enough the relevant records are stated to be not available to find out how such lapses took place. The matter requires thorough investigation with a view to fixing responsibility.

2.40. After going through the information furnished by the Railway Board, the Committee receive an impression that in respect of empty wagons returned by the Port Trust beyond 11 hours but within 21 hours upto July 1963 and after June 1967 and 33 hours between August 1963 and May 1967 no hire charges were recovered. The hire charges ought to have been recovered as out of the free time only 11 hours were allowed for unloading and the balance was for reloading. If it was not done, the wagon turn-round must have been affected very badly, beside loss of hire charges. The Committee would, therefore, like to know the actual position in this regard although it is fairly evident on the face of it that the major responsibility was that of the then Divisional Operating Superintendent.

South Central Railway—Payment of compensation for alleged non-delivery of wagon load consignments of steel

Audit Paragraph

2.41. Twelve M.G. wagon loads of mild steel billets weighing 251 tonnes were booked from Bhadravati Station on Southern Railway to Aurangabad on South Central Railway under nine different invoices issued in December, 1967. The consignments were carried by a longer route involving two transhipments as carriage by the shorter route which was an all M.G. route, was not considered feasible by the Administration due to operational considerations. The consignments were received at the destination station, loaded in nineteen M.G. wagons, as against twelve M.G. wagons when booked, due to transhipments *enroute*. The deliveries of all these consignments were said to have been effected between 30th December, 1967 and 10th January, 1968. Acknowledgement of the consignee was obtained in the delivery book against six out of the nine involves.

2.42. In February, 1968, the consignee preferred a claim for compensation for non-delivery of consignments weighing 82.43 tonnes booked against three invoices and in support of his claim produced three railway receipts then in his possession. The claim was rejected by the Railway Administration stating that the consignments in question had already been delivered to the consignee, though the railway receipts had been left to be collected.

2.43. The consignee, thereupon, filed a suit against the Railway Administration in the Court of Civil Judge, Aurangabad. The suit was decreed in September, 1970 for Rs. 65 thousand. To Railway Administration filed an appeal in the High Court of Bombay along with petitions for stay of execution of the decree and for leave to adduce additional evidence after remand. On the stay petition, the High Court passed orders to deposit the entire decretal amount in the lower court and accordingly, the amount was deposited by the Railway Administration in March, 1971. The appeal is still (December, 1972) pending.

2.44. The Railway Administration stated (October, 1972) that since some of the wagons had arrived at Aurangabad without pocket lables and the consignments had been clubbed at the time of transhipment, the station staff delivered all the nine consignments mistaking them to pertain to the six Railway Receipts which had been collected by them. Action against the station staff for having failed to collect all Railyay Receipts and to obtain consignee's signature in the Deyivesry Book for all consignments is stated to be in progress.

[Paragraph 34 of the Report of the Comptroller and Auditor General of India, for the year 1971-72—Union Government (Railways)].

2.45. According to Audit paragraph the consignments from Bhadravati station were carried to Aurangabad by a longer route involving two transhipments due to operational considerations.

Asked about the operational considerations due to which the consignments could not be carried by an all metre gauge route, the Railway Board have in a note stated: "Although no records are available to show operating consideration for each diversion, it is a common practice to divert loads by alternative routes when there is congestion in the yards."

2.46. The Audit paragraph states that the consignments which were loaded in 12 metre gauge wagons at the forwarding station were received at the destination station in 19 M.G. wagons. In a note on the subject, the Railway Board have explained: "The consignments were booked under 9 different invoices and were loaded in 12 M.G. wagons at the forwarding station. These wagons were transhipped at Hotgi in 13 B.G. wagons. These B.G. wagons were in turn transhipped at Manmad into 13 M.G. wagons and not 19 M.G. wagons as mentioned in the para.

The Invoice-wise details of the M.G. wagons loaded at Bhadravati, of the B.G. wagons into which consignments were transhipped at Hotgi and of the M.G. wagons into which contents were again transhipped at Manmad were furnished in Annexure II of the F.A. & A.A.O., S.C. Railway's D.O. letter No. A|EF|23|152, dated 6th July, 1972 to Chief Auditor, S.C. Railway, Secunderabad. It will be seen therefrom that though the number of wagons indicated under the column 'M.G. wagon Nos.' after the column of 'Transhipment date at Manmad' numerically add to 19 wagons, 6 of these wagons appear twice, against different invoices due to clubbing of consignments at the transhipment points. It may be added that matching stock is not always available at the transhipment points and sometimes consignments are clubbed to obtain better utilisation of the stock."

2.47. The Committee were informed by Audit that paras 1454 and 1455 of the Indian Railways Commercial Manual Vol. II provide that the invoice foils should be despatched to the destination station on the date of issue itself and that the transit invoice should normally accompany the consignments. Further, in case a consignment is transhipped *en route*, the number of wagon or wagons into which the consignment is transhipped is to be entered on the transit invoice which thereafter continue to accompany the goods. The Committee desired to know whether the transit invoices showed the details of all the original nine invoices and their transhipment into the nineteen metre gauge wagons. The Committee also enquired whether these transit invoices were referred to while delivering the consignments. In a note, the Railway Board have intimated: "The consignments in the subject case were loaded in open wagons. Transit invoices in such cases are required to be carried by the guards of the train from the forwarding station. These invoices are handed over to the Train Clerks at intermediate marshalling yards who in turn make them over to outgoing guards. At transhipment points, the Trains branch hand over the invoices to the transhipment staff, who after the wagons have been transhipped records relevant transhipment particulars on the invoices, and again hand them over to the Trains branch. These invoices are again handed over to outgoing guards till the wagon reach destination.

2. In the subject case, records at Aurangabad station have been searched. There is no indication of the receipt of the transit invoices pertaining to the subject consignments."

2.48. The Committee were informed that the appeal filed in 1971 by the Railway Administration in the High Court of Bombay against the decision of the Court of Civil Judge, Aurangabad, was still pending.

2.49. Asked about the progress in the fixation of alleged responsibility for non-collecting all railway receipts and not obtaining consignee's signature in the Delivery Book for all the consignments, the Railway Board have in a note stated: "Three Staff were taken up under Discipline and Appeal Rules for various lapses. Action against staff namely S.M.|Aurangabad and Commercial Inspector| Jalna who were held responsible for slack supervision for not checking that the relevant Railway Receipts were collected and signature of the consignee obtained in the Delivery Book, has since been finalised and they have been censured.

DAR proceedings against Head Goods Clerk, Aurangabad, who delivered the consignment without collecting Railway Receipts and without obtaining party's signature has, however, been kept in abeyance till finalisation of the Court Case. The Head Goods Clerk is a material witness for Railways' defence and will be required to give evidence on the same points which have been raised in the Charge Sheet and which are also the subject matter of dispute with the claimant."

2.50. The Committee have not been informed of the operational considerations which weighed with the local administration for diverting the consignments of steel to a longer route involving two transhipments instead of the shorter all M.G. route. However, the fact remains that the carriage of consignments by a longer route involving two transhipments has ultimately resulted in an avoidable loss of Rs. 65,000. The Railways will no doubt have learnt a lesson from this costly lapse. The Committee desire that diversion of traffic to routes involving transhipments en route **should as far as possible be minimised, if it cannot be completely eliminated.**

2.51. The facts brought out in this case indicate that the procedure laid down in the Indian Railways Commercial Manual Vol. II in regard to despatch of transit invoices was not scrupulously observed by all concerned. The Committee would like the Railway Administration to fix responsibility and take suitable disciplinary action against the delinquent officials.

2.52. The Committee would also like to be apprised of the outcome of the court case and of the action taken against the responsible official who delivered the consignment without collecting Railway Receipts and without obtaining party's signature.

Eastern Railway—Misappropriation of cash in Budge Budge Goods Office

Audit Paragraph

2.53. On 5th April, 1971, Budge Budge Goods Office, when opened in the morning, was found strewn all over with some of the Goods office records. On an inventory being taken, it was found that certain important records were missing. The theft aroused suspicion and the Railway Administration deputed on 13th|21st April, 1971 a joint team of Commercial and Accounts Inspectors to investigate and assess the extent of financial irregularities involved, if any. A scrutiny of (i) the available station records, (ii) the accounts of goods cash reconstructed on the basis of the railway receipts which were not missing and the particulars in other records which were still available in the accounts Section of the Goods Office and (iii) the particulars of payment of railway dues by the siding holders as obtained from them, revealed that a sum of Rs. 1.78 lakhs had been misappropriated during the period from November, 1969 to March, 1971. The *modus operandi* of the fraud was that the inward freight charges paid in cash by the siding holders were shown as outstanding in railway records and|or these transactions were not accounted for at all by keeping such freight charges out of station accounts, although the siding holders had been granted money receipts for the charges realised from them. The Goods Clerk suspected as responsible for the misappropriation had been suspended with effect from 30th October, 1971. The Chief Goods Clerk, who was held responsible for failure to detect the irregularities committed by the Goods Clerk, had also been suspended with effect from 13th November, 1971. However, finalisation of departmental proceedings against these officials is stated to have been held up because some original records had been taken over by the Special Police Establishment who are also investigating into the case on their own information. The extent of responsibility of the Accounts and Commercial Inspectors for their failure to detect the irregularities during their periodical visits to the station and of the Accounts staff for their lapses in internal check conducted at the Headquarters is also yet to be assessed.

2.54. The fact finding enquiry by the joint team of Commercial and Accounts Inspectors is still (December, 1972) in progress, particularly with reference to transactions prior to November, 1969, with a view to find out whether any more misappropriations are involved. The investigation of the case has, however, not been conducted so far (November, 1972) at the level of Gazetted Officers.

2.55. The Ministry of Railways (Railway Board) stated (December, 1972) that instructions had been issued to the Railway Administration in October, 1972 to have an enquiry conducted by Divisional Officers.

[Paragraph 38 of the Report of the Comptroller and Auditor General of India for the year, 1971-72—Union Government (Railways)].

2.56. The Committee enquired how many times was the goods office of Budge Budge Railway Station inspected by the Inspectors of the Accounts and the Commercial Departments during the period from November 1969 to March 1971. In a note on the subject, the Railway Board have stated: "The Goods Office of Budge Budge Railway Station was inspected by the Inspectors of Accounts on four occasions during the period November 1969 to March 1971 No inspection was carried out by any Inspector of Commercial Department during this period."

2.57. Asked how the misappropriation though spread over a period of 17 months, could not be deteoted in the course of normal prescribed checks in the Traffic Accounts Office and during local Inspections, the Railway Board stated that the matter was under investigation. The question as to whether the failures of the internal checks contributed to the non-detection of the misappropriation was also stated to be under examination.

2.58. In reply to a question the Railway Board informed the Committee that the prescribed checks for detcting irregularities of the type mentioned in the Audit paragraph were considered adequate.

2.59. The Committee desired to know whether the Special Police Establishment had completed its investigation and if so, what were its findings and what action had been taken thereon. In a note, the Railway Board have intimated: "Yes. S.P., C.B.I. (SPE), Calcutta has found Shri P. K. Das, Senior Commercial Clerk, Budge Budge liable for prosecution under Section 409 I.U.C., and Section 5(i) (c) read with Section 5(2) of Act II of the 1947. Action is in progress."

2.60. The Committee were informed that "the assessment of the amount involved and the period over which the fraud was perpetrated are still being enquired into. The period from March, 1971 back to October 1967 has already been covered and it has been found that a sum of Rs. 3.35 lakhs was misappropriated within this period. Records prior to October 1967 are presently under scrutiny."

2.61. The Railway Board further stated: "The fact finding enquiry by a committee consisting of Divisional Commercial Supdt., Sealdah and Senior Accounts Officer (Traffic) has been completed. Report and findings are being drawn up by the said Committee."

2.62. The Committee are surprised to note that the frauds and misappropriations in the Budge Budge Goods Office spread over a period of years could not be detected either by Traffic Accounts Officer or by the Inspecting officials of the Commercial and Accounts Departments. As the prescribed checks are stated to be adequate to detect irregularities of the type mentioned in the Audit paragraph, the Committee can only conclude that there has been an unaccountable failure of the machinery. Unfortunately the responsibility for the failure to spot the fraud and misappropriations has not yet been finally determined. Further the assessment of the amount involved and the period over which the fraud was perpetrated are also still being inquired into. The Committee are perturbed to note that during the period from March 1971 back to October 1967, which has so far been reviewed, a sum of Rs. 3.35 lakhs is stated to have

been misappropriated. They desire that the findings of the enquiry committee consisting of the Divisional Commercial Superintendent, Sealdah and Senior Accounts Officer (Traffic) as also the action taken there on for fixing individual responsibility, including that of the supervisory officials, should be intimated them within 3 months.

Central, Eastern, Northern, North Eastern, Northern Frontier, South Central and South Eastern Railways—Deliveries of consignments on forged Railway receipts

Audit Paragraph

2.63. In paragraph 52 of Audit Report, Railways, 1968, a number of cases of fraudulent deliveries on forged railway receipts had been mentioned. The Public Accounts Committee (4th Lok Sabha), while considering this para in their Sixtieth Report (1968-69), observed, *inter-alia,* that exemplary action should be taken to prevent instances of negligence or connivance on the part of the railwaymen involved and that action in regard to fixing of staff responsibility should be taken expeditiously.

2.64. The *modus operandi* generally adopted in such cases is to divert consignments to stations other than those to which these have booked and then take delivery at these stations on the basis of forged railway receipts. In a number of cases even at the original destination stations deliveries were obtained on forged railway receipts by persons other than the rightful consignees. To guard against such fradulent deliveries the extent instructions provide that the railway receipt presented at the destination station should be compared with the invoice copy received from the forwarding station and in the cases where the invoice copy has not been received; particulars of booking should be obtained from the forwarding station, if necessary, telegraphically, or alternatively, delivery may be made after proper identification of the party seeking delivery.

2. 65. A review of the position conducted over the period from April, 1970 to September, 1971 showed that a number of cases of deliveries on forged railway receipts (Goods and Parcels) continued to occur on the Railways, mainly because of failure to observe these instructions. The compensation claims, which have been preferred on Railways by the rightful owners amounted to Rs. 13.59 lakhs. The details of the cases noticed are given in Appendix V.

[Paragraph 40 of the Report of the Comptroller and Auditor General of India for the year, 1971-72—Union Government (Railways)].

2.66. The Committee enquired whether it was possible to divert booked consignments to stations other than the destination stations without assistance of station|yard staff and if not what action had been taken against the staff responsible for such diversions. In a note the Railway Board have stated: "Wagon loads moved from yard to yard on the basis of entries on the wagon labels. Wagons can be diverted to wrong destinations, if the wagon labels are replaced. The replacement of wagon labels is possible when the trains are stabled at road side stations or stopped outside signals or when the wagons stand in the wards. Though the train crew are required to keep an eye on the wagons on the train, and Operating and Railway Protection Force staff posted in the yards are required to ensure that no unauthorised person tampers with the wagon labels, possibility of certain outsiders who possess knowledge of railway working replacing wagon labels without the assistance and connivance of railway staff cannot be ruled out.

Every case fradulent diversion is enquired into with a view to determine connivance|negligence of the staff and responsibility is accordingly fixed. Punishment commensurate with the gravity of the offence is imposed on the staff held responsible for fraudulent diversion of wagons. Staff held responsible are also prosecuted for their criminal activities."

2.67. The Audit paragraph stated that the extant instructions provide that the Railway receipt presented at the destination stations should be compared with the invoice copy received from the forwarding station. Asked whether it was checked that the station staff complied with these instructions so that consignments are not delivered on forged railway receipt, the Railway Board stated:

> "Inspecting officials, during the course of their inspections, are required to check, among other things, all aspects of delivery of consignments including compliance of instructions issued for prevention of fraudulent deliveries.
>
> It may be mentioned that about 21,000 consignments (only goods) are booked and about 25,000 wagons are loaded every day."

2.68. The Committee were informed that "Out of the 116 cases mentioned in the paragraph, claims (or suits) have been lodged in 96 cases. No claim has been received by destination Railways in 19 cases. Position in respect of 1 case is being ascertained.

34 cases have been settled by payment and compensation amounting to Rs. 2,42,034 has been paid to the claimants. 8 cases have been

repudiated on various grounds. 27 cases are *sub-judice*. Claims are pending in other 27 cases."

2.69. The Railway Board further stated that out of 74 cases mentioned in the Audit paragraph staff responsibility in 20 more cases has since been determined.

2.70. The Committee are distressed to learn that a review during the period between April 1970 and September 1971 revealed as many as 116 cases of deliveries of consignments on forged railway receipts in practically all the Zonal Railways. The compensation claims preferred against the Railways in 81 cases were to the extent of Rs. 13.59 lakhs. The Committee would like to know the claims in respect of the remaining cases and the total amount paid.

2.71. The Committee are convinced that fraud of this kind cannot be so widespread without the active connivance of the Railway staff. What is disturbing is that there seemed to have been no effective supervision by the officials. Earlier, after examining similar cases the Committee had in their 60th Report (Fourth Lok Sabha) called for exemplary action to prevent instances of negligence or connivance on the part of the railwaymen involved. It is indeed surprising that out of 116 cases mentioned in the foregoing paragraph, in as many as 54 cases even the persons involved have not been identified, much less of action being taken against them. The fraud came to light as long ago as 1970. The Committee therefore take a very serious view of the delay in finalisation of these cases and desire that action against the erring staff at all levels should be taken with utmost expedition as delay takes away from the deterrent effect. The procedures for handling wagons and delivering consignments should also be critically reviewed with a view to making them foolproof and the Committee advised.

NEW DELHI;
March 27, 1974
Chaitra 6, 1896 (*S*).

JYOTIRMOY BOSU.
Chairman,
Public Accounts Committee.

APPENDIX

(See para 1·16)

Statement showing the position of New Lines Completing Moratorium to end of 1971-72 *& Payments made in* 1972-73

(Figures in Units of Rs.) /deferred

Name of the New Line	Date of Commencement/construction/ opening for traffic	Year of completing of Moratorium	Total amount of Deferred Dividend payable	Deferred Dividend paid upto 71-72	Balance of Dividend payable as at the end of 1971-72	Payment made in 1972-73 out of balance outstanding to end of 71-72 vide Col 6
1	2	3	4	5	6	7
SOUTH EASTERN RAILWAY						
1. Champa korba Extension	January, 1961 / 1-4-65	1969-70	44,88,751	1,23,200	40,65,551	
2. Rao Dumros	January, 1956 / 24-12-63	1968-69	2,73,87,018	99,62,862	1,74,24,156	
3. Boriband Karanji	March, 1958 / 1-10-62	1967-68	1,41,95,351	70,25,347	71,70,004	
4. Branch Line from Karanji to Korea Coal Field.	January, 1960 / 20-1-1965	1969-70	84,47166	23,35,121	61,12,045	1972-73 / 29,81,136
5. Chandrapura Hatia Bonda Munda Construction.	.. / 27-12-64	1969-70	9,03,07,375	1,09,50,779	7,93,56,596	1972-73 / 1,48,77,502
		Total :	14,45,25,661	3,03,97,309	11,41,28,352	

CENTRAL RAILWAY :					
6. Khandwa-Hingoli Project	17-3-1954 / 2-1-1966	1970-71	2,16,12,420		2,16,12,420
7. Diva Panvel Uran Construction	23-6-1961 / 31-1-1966	1970-71	1,02,14,028	..	1,02,14,028
8. Panval Apta Construction	1-2-1962 / 1-4-1966	1970-71	21,787,16		21,78,716
9. Buti Bori Umrer Constructon	1-5-1963 / 19-12-1965	1970-71	49,38,770	..	49,38,770
			3,89,43,934	..	3,89,43,934
EASTERN RAILWAY :					
10. B.G. Line of Barasat Basirhat* Railway Construction.	10-12-1956 / 9-12-1962	1966-67	54,98,484	..	54,98,484
11. B.G. Line of Bukhtiarpur* Rajgir Rly. Construction.	20-12-1959 / 7-2-1962	1966-67	59,31,074	..	59,31,074
			1,14,29,558	..	1,14,29,558
NORTHERN RAILWAY :					
12. Bhildi Raniwara*	4-7-1955 / 10-5-1958	1963-64	33,48,665	..	33,48,665
13. BRN-Bhali*	April, 1956 / 18-1-1959	1963-64	27,85,436	..	27,85,436
14. R.G.R. Project	Feb. 1958 / 1964	1968-69	5,56,62,501	57,882	5,56,04,619

*Items 10, 11, 12 and 13 are the branch lines, which are uneconomic,

1	2	3	4	5	6	7
15. M.D.P.B.-KTHU R/Link	Oct. 1960 / 20-1-66	1970-71	59,39,859	14,88,202	74,51,567	1972-73 / 31,71,854
16. GZBE-TKD . . .	Sept. 1958 / 15-3-1967	1971-72	1,85,19,859	..	1,85,19,859	
			8,92,56,320	15,46,084	8,77,10,236	
SOUTHERN RAILWAY						
17 Virudhunagar Manamadurai Construction.	1962 / 25-5-1964	1969-70	57,44,036	..	57,44,036	
			57,44,036	..	57,44,036	
WESTERN RAILWAY :						
18. Udaipur-Himmatnagar . .	12-10-60 / 13-4-66	1971-72	3,77,38,827		3,77,38,827	
NORTHEAST FRONTIER RLY. :						
19. Kalighat-Dharmnaagar . .	..	1969-70	68,98,726	..	68,98,726	
GRAND TOTAL :	1-4-64		33,45,37,062	3,19,43,393	30,25,93,669	

APPENDIX II

(*See* para 1·6)

Statement showing the names of Branch lines which have not completed Moratorium Period to end of 1971-72 together with the amount of Deferred Dividend due thereon

S. No.	Railways	Name of the Branch Line	(In thousands) Amount of Deferred Dividend		Remarks
1	Central	1. Singrauli-Kathi Project	4,66,09		
				4,66,09	
2	Eastern	2. Permanent Diversion of Tildanga Farakka Line unto South abutment of the barrage with a bridge.	16,29		
		3. Provision of a Railway Bridge super structure on the barriage . .	5,43		
		4. B.G. Construction between the left bank abutment		1,47	
				23,19	
3	Northern	5. H.M.K.—SGNR R/LINK	20,73		
		6. S O.R.L. Project	3,28,86		
		7. D.A. & C.T.P.	1,20,42		
				4,70,01	
4	Southern	8. Salim Bangalore Construction.	2,73,45		
		9. Mangalore Hassan Construction.	2.98,64		
		10. Tornagallu-Mudukarapetah	78		
				5,72,87	
5	South Eastern	11. Kotta-Valasa Bailadilla Construction.	17,19,80		
		12. Rail Link to Haldia Port.	1,36,94		
		13. Cuttack—Paradip Construction.	33,85		
				18,90,59	
6.	Western	14. Dabla—Singhana.	42		
		15. Jhund—Kandla.	2,92,83		
		16. Gunamaxi—Sabarmati—Gandhi Nagar.	1,87,30		
				4,80,55	
		TOTAL . . .		39,03,30	

APPENDIX III

(*See* para 2·26)

Statement showing calculation of additional expenditure in manual operation

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1. *Total No. of narrow gauge hopper wagons dealt with*

From January, 1969 to August, 1969 . . .	1380	
From September, 1969 to 18-12-1969 . . .	499	
	1879	

2. *Quantity of manganese ore carried in hopper wagons having carrying capacity of 15·4 tonnes*

From January, 1969 to August, 1969	22908	tonnes
From September, 1969 to 18-12-1969	8119	tonnes
	31027	tonnes

3. *Expenditure incurred in transhipment from high line/ITR*

(a) 1380 hopper wagons @ Rs. 2·50 p. . . .	Rs.3450·00
(b) 499 hopper wagons @ Rs. 3·00 p. . . .	Rs.1497·00
	Rs.4947·00

4. *Expenditure which would have been incurred in manual transhipment of loads*

(a) 1380 wagons @ Rs. 7·00 per wagons . . .	Rs.9660·00
(b) 8119 tonnes @ Rs. 20·00 per 400 qtls. . .	Rs. 4059·50
	Rs. 13719·50
	Rs. 13719·50
	Rs. 4947·00
	Rs. 8772·50

Additional expenditure	..	Rs. 8772·50
or	..	Rs. 8773·00

Note :—The rates mentioned above are as per contracts in vogue.

APPENDIX IV

(*See* para 2·26)

Statement showing the detention to wagons for manual transhipment at Itwari as compared to time taken for transhipment from high line/Itwari

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1. Number of narrow gauge hopper wagons (bogies) placed at High Line, Itwari for transhipment of their contents into equal number of broad gauge 4-wheeled open wagons during the period from January, 1969 to 18-12-1969 . . . 1,879

2. Time taken for transhipment from High Line, Itwari (all operations) . . . . 3 hours

3. Time taken for transhipment at Itwari Transhipment shed (if done manually) . . . . 5 hours

4. Additional detention to each narrow gauge & Braad gauge wagon for manual transhipment at Itwari (column 3—2) . 2 hours

5. Loss of wagon days—

Narrow Gauge	*Broad Gauge*
$\frac{1879 \text{ wagons} \times 2 \text{ hours}}{24}$	$\frac{1879 \text{ wagons} \times 2 \text{ hours}}{24}$
=157 wagon days	=157 wagon days

6. Earnings per wagon day 1968-69 (4-wheeler)

Narrow Gauge	Broad Gauge
Rs. 6·53	Rs. 53·70

7. Loss of earnings due to additional detention to wagons in case of manual transhipment at Itwari of the above loads—

   (i) 157 narrow gauge wagon (bogie) days × Rs. 6·53 × 2 =Rs. 2050/-

   (ii) 157 broad gauge wagon days × Rs. 53·70 . =Rs. 8431/-

   =Rs. 10,481/-

Note

As the loss per wagon day is in terms of four-wheelers, It is multiplied by two. Bogie Narrow Gauge wagons were used for loading ore.

APPENDIX V

(See Para 2.65)

Statement showing details of cases of fraudulent deliveries

Name of Railway	No. of cases where deliveries were effected on forged railway receipts	No. of cases in which amount claimed has not been ascertained so far	No. of cases in which claims have been paid	Amount of compensation claimed	Amount of compensation paid	No. of cases in which staff involved have been determined	No. of cases which staff involved have not been determined	No. of Railway staff involved as determined so far	No. of Staff against whom action has been finalised so far	Remarks
1	2	3	4	5	6	7	8	9	10	11
				Rs.	Rs.					
Central .	12	3	2	3,38,665	16,018	3	9	4	..	In three cases delivery was taken by the same party.
Eastern .	1		..	29,857	..	1	..	3	3	
Northern.	5		1	1,39,297	23,635	5	..	10	5	In two cases delivery was taken by the same party, and the same railway staff was involved.
North Eastern	59	32	8	1,83,350	7,914	16	43	13	1	In 47 cases the commodity booked was coal.

Northeast Frontier .	12			1,50,898		6	6	4	4	The cases noticed related to the years 1968 and 1969 but still not finalised.
South Central .	14	..		3,50,000			14			The cases noticed related to the year 1969.
South Eastern .	13	..	..	1,66,814		11	2	5		Out of 13 cases nine related to the year 1969. In 11 cases the delivery was taken by two parties, by one party in nine cases and by another party in two cases.
TOTAL . .	116	35	11	13,58,881 OR Rs 13·59 lakhs	47,567	42	74	39	13	

APPENDIX VI

Summary of main conclusions/Recommendations

S. No	Para No.	Ministry/Deptt. Concerned	Conclusion/recommendation
(1)	(2)	(3)	(4)
1.	1.12	Railways	The working of Railways showed a surplus of Rs. 17.84 crores in 1971-72. The Committee, however, find that the surplus was more apparent than real, for it was not as a result of any improvement in the Railways working. The concessions and exemptions in the payment of dividend to General Revenues obtained on the basis of recommendations of the Railway Convention Committee, 1971 and the reduction in the appropriation to the Pension Fund besides an *ad hoc* cut on Revenue works expenditure had the effect of converting a deficit budget into a surplus one. But for these factors, the financial results of working of Railways would have shown a net deficit of Rs. 9.52 crores against Rs. 6.87 crores anticipated in the Budget. The Railway Board must, without delay draw up a plan designed (a) to improve the overall efficiency of the Railways and (b) to economise on expenditure to the maximum extent possible.

2	1.13	-do-	The Committee had in their earlier reports repeatedly emphasised the need for more accurate estimation of the revenue and expenditure at the time of budgeting. It is, however, seen that against the Budget Estimates for 1971-72, the actuals of Gross Revenue Receipts and Revenue Expenditure for the year recorded an increase of Rs. 26.52 crores and Rs. 24.34 crores respectively. Further, in the case of earnings the variation in the actuals for 1971-72 against the revised estimates for 1971-72 was as high as Rs. 18.75 crores. The explanations for these wide variations are not at all convincing and the Committee are left with the impression that the budgetary control on Railways is not what it should be. The Committee feel that there is lot of scope for improvement in the system and they hope that necessary remedial measures will be taken in this direction.
3.	1.19	-do-	The liability of the Railways towards payment of Deferred Dividend on new lines stood at Rs. 13.04 crores at the end of 1969-70 and only a sum of Rs. 1.11 crores could be paid upto 1971-72. As the pace of clearance of arrears was quite slow, the liability on this score continued to rise from year to year. As at the end of 1971-72 the Railway owed on this account Rs. 70.28 crores to the General Revenues. In paragraph 1.24 of their 45th Report the Committee had recommended that action should be taken to ensure that revenue expenditure on these new lines was reduced to the minimum and that earnings were augmented by attracting more high freighted traffic so that the arrears of dividend got paid and not extinguished after 20 years of opening of these lines when the liability to pay arrears

(1)	(2)	(3)	(4)
			ceased. The Committee cannot but reiterate their earlier recommendation and stress that all-out efforts should be made to maximise the earnings on these lines.
4.	1.20	Railways	The Financial Commissioner for Railways informed the Committee during evidence that the actual return from the newly constructed lines was not as good as was expected. According to him in a majority of cases the return was less than anticipated. This only demonstrates that either the initial project reports on these lines were not realistically prepared or the operations were not done efficiently. The Committee would, therefore, like to know what actually went wrong.
5.	1.21	-do-	New lines ought to be economically viable and there should be no question of inadequate returns from them, excepting a few uneconomic lines which may have to be constructed in the larger national interest particularly for the development of hilly as well as backward areas. The Committee accordingly stress that in future carefully examined by Railways to assure themselves of their remunerativeness except in exceptional cases which should be specifically brought to the notice of Parliament in the Budget papers.
6.	1.27	-do-	The Committee find that as against a capital expenditure of Rs. 151 crores budgetted for 1971-72, the actual expenditure was of the order of Rs. 190.84 crores, thus registering an increase of

			Rs. 39.84 crores. This wide variation causes concern to the Committee. As the resources available for capital expenditure are limited the quantum of capital expenditure to be incurred during a financial year by each Ministry is determined on a very careful balancing of the claims of the competing demands of various Ministries. Even within a Ministry, a similar exercise has to be carried out. The Committee are, therefore, inclined to think that this necessary exercise for allocation of resources was not carried out in a realistic manner. It is clearly unrealistic to assume that prices will remain constant over a long period. The rate at which prices rise annually varies from country to country and even within our country the variation is erratic. In such a situation reliable projection of possible price rise is by no means easy; nor is it an impossible exercise. The Committee accordingly suggest that this aspect should be borne in mind when estimating costs for the purpose of budgetting.
7.	1.30	-do-	The Committee note with concern that during 1971-72 the inventory holdings of the Railways as a whole increased to Rs. 149.6 crores as against Rs. 129.8 crores at the end of the previous year. This addition of Rs. 19.8 crores worth of inventories during 1971-72 was the highest during the last six years. The unusual increase in the inventories has been attributed to (i) substantial increase in prices of spares and raw materials, (ii) some stock piling necessitated by the serious conflict with Pakistan and (iii) accumulation of scrap holdings due to disturbed conditions during the year. An analysis of the stock balances of the different Zonal Railways has

(1)	(2)	(3)	(4)
			revealed that there have been large variations in the building up of inventories from Zone to Zone. The additions during the year ranged from Rs. 1.16 crores to Rs. 7.96 crores. This points to the conclusion that the optimum inventory holdings for each Zonal Railway and Production Units have not been properly fixed and watched.
8.	1.40	Railways	Apart from this the Committee cannot but regard the inventory holding on the Indian Railways as too high in as much as it is over 50 per cent of annual issues as against 33 per cent in Canadian National Railway and a more 16¼ per cent in the Japanese Railway. It is obviously desirable that there should be no unnecessary blocking up of capital in the shape of inventories. The Committee note that the importance of inventory control has at long last begun to be appreciated by the Railways, as is clear from the establishment of inventory control cells on all Zonal Railways w.e.f. January 1973 and the setting up of a High Power Committee under the Chairmanship of the Deputy Ministry of Railways to examine the position of inventories etc. and to recommend measures for bettering Inventory Management. The Committee trust that the High Power Committee will get down to its work speedily so that suitable steps can be taken progressively to bring down the inventory holding.
9.	1.41	-do-	The Committee are also unhappy to note that even though computers have been installed on Railways since August 1966

			the computerisation of stores accounting and inventory control was taken up only recently and the process has not yet been completed. The Committee desire that all phases of computerisation in this regard should be completed expeditiously so as to bring about an effective inventory control before the end of June 1974. This, however, should not be construed to mean that the Committee are satisfied about the need for installing computers on Railways and their fullest utilisation. They propose to deal with these aspects arising out of their examination of paragraph 42 of the Report of C&A.G. separately.
10.	1.42	-do-	It is a matter of concern that the average time required for the procurement of stores is much more than abroad. Indian Railways have therefore to keep their stock at a higher level. The Committee consider it important that procedures for procurement of stores should be rationalised with a view to cutting out all avoidable delays.
11.	1.50	-do-	The Committee find that the value of surplus stores included in the balance under stores in stock has gone up during the year 1971-72 from Rs. 603.9 lakhs to Rs. 670.3 lakhs. The Railway Board have explained this increase as being due to identification of more surplus stores as a result of computerisation. The Committee desire that the inventory control cell should review the stock on all the Zonal Railways and segregate the surplus and obsolete items completely within a target date to be fixed. The result of the review as well as the action taken to dispose of the surplus stores speedily should be reported to the Committee.
12.	1.51	-do-	The value of scrap held by the Railways had also increased from Rs. 7.5 crores to Rs. 9.8 crores in 1971-72. It has further gone up to

(1)	(2)	(3)	(4)
			Rs. 11 crores as at the end of 1972-73. During the years 1968-69 to 1972-73 the arisings of scrap on the Railways increased by 68 per cent. In 1972-73 the arisings were of the value of Rs. 30.56 crores. The Committee feel that there should be enough scope for maximising the use of scrap for meeting Railways own requirements. The Railways should have full capacity of their own to melt and refine the scrap. The matter, therefore, requires reconsideration. The Committee should be advised of the result of such re-examination.
13	1.65	Railways	The Committee are informed that the percentage of total traffic which did not pay for the cost of haulage for all distances or beyond certain distances constituted about 28 per cent of the total revenue earning traffic. The Railways are incurring an annual loss of about Rs. 55 crores on the carriage of 17 low rated commodities because the tariff rates in these cases do not even cover the cost of transportation. In the list of these commodities are included items such as sugarcane, bamboo, oil seeds and molasses. While the Committee can appreciate the need to transport essential articles particularly those meant for weaker sections of the Society such as food-grains at concessional rates as a matter of general public interest, they do not see any reason why industrial raw materials should be transported at a loss. The Committee would, therefore, urge that the Railways should ascertain the unit cost of transport of low rated items of this

			type and revise their tariff immediately so that at the very least no loss in incurred. In regard to most such items the Committee consider that it should be possible to raise the rates without loss of traffic. The rate structure in fact should be rationalised so that without imposing unfair or unreasonable burden on the commodities affected, the Railways are protected from avoidable loss.
14	1.66	-do-	The Committee note that the changes in rates of fares and freight are brought to the notice of Parliament as part of Budget proposals. However, they have found that the rates are reduced by the Railways under their own powers. The Committee have dealt with the reduction in the rates for the transport of plantains by a Zonal Railway elsewhere in this Report. When the tariff rate for 'fruits and vegetables' is already lower than the cost of transport, the Committee find it difficult to understand how it can be further reduced by the Zonal Railways. The Committee presume that the rate reducing powers of the Zonal Railways can be exercised only on commercial considerations. In any case there should be at no time any question of reducing the rate below cost. The Committee desire that all the concessional rates in the nature of station-to-station rates or otherwise quoted by all Zonal Railways should be reviewed immediately to see how far they have served the interests of Revenue. Such of those as are found to be detrimental to revenue should be withdrawn forthwith.
15	1.67	-do-	Further the Committee suggest that all such concessions should be quantified in monetary terms and mentioned in the Budget documents of the Railways so that Parliament is apprised of the position.

(1)	(2)	(3)	(4)
16	1.69	Railways	In view of the depressing financial picture of the Railways it is imperative to augment revenue by improving the carrying capacity of the coaches and wagons. The Committee note that since 1940 very slight improvement in the ratio of tare weight to the payload had been effected by altering the designs of B.G. wagons and coaches. As there is said to be scope for appreciable improvement, the Committee desire that the RDSO should consider this question on a top priority basis in collaboration with other organisations in the country who are engaged in research in transport management.
17	1.70	-do-	The Committee learn that certain steps such as provision of 40 and 60 seats in Ist Class coaches meant for long distance and short distance travel respectively, development of 48 berth A. C. sleeper coaches, development of double-deeker coaches and development of improved types of wagons are presently under contemplation. The Committee recommend that increase in the carrying capacity of the 1st Class and A. C. sleeper coaches which is long over due, should be carried out without further delay and the Committee advised. They consider also that possibility of augmenting revenue from suburban sections by increasing the standing capacity should also be explored and necessary action taken thereafter.
18	1.72	-do-	The Committee have been expressing concern over the inadequate utilisation of line capacity which accounts for the bulk of Railways investments. The Railways regard 85 per cent utilisa-

			tion of the charted capacity as a signal for augmenting it. In view of over-capitalisation on Railways and the need to maximise the return, the Committee feel that the Railways should aim at better utilisation of line capacity.
19.	1.73	-do-	From the information made availible to the Committee, it is seen that barring the Rajdhani and other important routes and suburban sections of Bombay and Calcutta, the utilisation of the line capacity is indeed poor. On the Branch lines it is as low as 65 per cent. The Committee, therefore, desire that all the lines where the utilisation of the line capacity is below the optimum level should be expeditiously identified and all out efforts made to attract more traffic failing which steps should be taken to cut down the expenditure on them without affecting its utility. One of the steps to effect economy on branch/suburban lines could be to introduce on an experimental basis a system of issuing tickets in the train itself as is obtained in a bus or a tram car which will eliminate travel without tickets. The Committee would like to be informed of the concrete steps taken and the results achieved in this direction within 6 months.
0.	1.85	-do-	The Committee note with concern that the expenditure on repairs and maintenance rose to Rs. 272.74 crores in 1971-72 as against Rs. 248.53 crores in 1970-71. Out of the total expenditure during these years, maintenance of track alone accounted for as much as Rs. 96.80 crores and Rs. 93.06 crores respectively. Moreover, the maintenance cost per equated track kilometre has gone

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			up in 1971-72 as compared with the cost in 1970-71. It is to be regretted that the increase has occurred despite the fact that Railways have taken several measures such as 'Directed maintenance of track', 'Measured shovel packing' and use of long welded rails which are aimed at bringing down the expenditure on maintenance and repairs of track. The Committee desire that efforts should be made to reduce the maintenance cost more effectively. The Committee should be advised of the results achieved.
21.	1.86	Rlys.	The Railway Board have stated that while appreciable improvement in standards of maintenance have already been recorded, no quantified assessment of the effort of improved measures of maintenance of track on the cost of maintenance has so far been undertaken. As reduction in cost was one of the justifications for the introduction of these methods the Committee would like the Railway Board to carry out such an assessment. In case the assessment reveals a reduction in the cost of maintenance, the improved methods of maintenance of track should be introduced on a wider scale so as to derive the maximum benefit.
22.	1.96	-do-	The successive Convention Committees have recommended that in the interests of financial discipline the rates of dividend payable by Railways on their capital-at-charge to the General Revenues should be fixed in such a manner that it yields a definite contribu-

tion to the General Revenues over and above the average borrowing rate of interest on loans raised by Government. Thus the rates of dividend recommended by various Convention Committees were always higher than the prevailing average borrowing rate of interest with the result that a definite amount in the form of contribution was credited to the General Revenue from year to year. It is of concern that this element of contribution has, however, been continuously declining since 1969-70 so much so that in 1972-73 and 1973-74 it has become negative. The concessions and exemptions granted to Railways on the basis of recommendations of the Convention Committee, 1971 total up to about Rs. 100 crores for the period 1969-70 to 1973-74. These reliefs have in effect wiped out the contribution element of the dividend to General Revenues. The actual dividend payments therefore now give General Revenues a return less than even the average rate of interest on the capital-at-charge. During evidence, the Committee were informed that fresh proposals asking for further reliefs had been placed before the Railway Convention Committee, 1973. The Committee desire that the Railway Board should, while placing these proposals before the Convention Committee, clearly bring out the implications of further reliefs *vis-a-vis* the contribution element taking the capital-at-charge as a whole.

23. 2.13 -do- The Committee find that w.e.f. 1st April 1965, concessional rates were notified by the Western Railway Administration for carriage of plantains over 320 Kms. in local bookings. Although these rates were withdrawn from 1st May 1969, certain stations continued to

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			charge concessional rates which resulted in under-collection of revenue to the extent of Rs. 2.43 lakhs. Surprisingly enough, in some cases distances covered were less than 320 Kms. There has thus been a reprehensible lapse not only on the part of the station staff but also on the part of the supervisory officials of the Commercial Department and the officials of the Traffic Accounts Department who failed to detect the irregularity. The Committee were, however, sorry to hear that disciplinary action has been taken only against the Station Staff. They desire that suitable action should also be taken against the supervisory staff for their failure of check.
24.	2·14	Rlys.	The Committee understand that the general concessional rates were replaced by a few specific station to station rates w.e.f. 1st May 1969. This was done on the basis of a review conducted in 1968 which revealed that traffic was available only from certain stations. The concession initially granted was thus evidently not based on a proper study. The Committee would like to know how the concession was initially granted and why it was not reviewed and withdrawn promptly.
25.	2.21	-do-	The Committee are unhappy to note that in July, 1970 when the tariff of 50 paise per kilometre in respect of travelling expenses of Railway staff accompanying the wagons loaded with consignments

			exceeding the maximum moving dimensions was notified no procedure was laid down by the Railway Board for watching the realisation of travelling expenses of Railway staff. Further the instructions for the recovery of such expenses laid down by the Southern Railway in July, 1971 were found to be defective and had to be revised in July, 1972, *i.e.* just after one year of issue. A sum of Rs. 4.73 lakhs is stated to have been under realised on Southern Railway alone during the period from 1st July, 1970 to September, 1971. The Committee desire that the review of transactions from September, 1971 onwards on Southern Railway may be completed early to determine the total extent of undercharging. Necessary steps for the realisation of these undercharges may also be taken.
26.	2.22	-do-	The Committee would also like to suggest that a comprehensive review of the transactions on all stations of the South Central Railway, which is stated to be in progress, may be finalised soon and similar reviews on other Zonal Railways be undertaken to determine the undercharges on this score and to realise them.
27.	2.23	-do-	The Committee suggest that in future the Railways should lay down both clear procedures and points of collection of such special charges *ab-initio*.
28.	2.29	-do-	The Committee regret that the economics of transhipment at Itwari Station under chute arrangement *vis-a-vis* manual labour worked but by the Railways did not take into account the underutilisation of B.G. wagons and the capital cost of the chute arrange-

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			ment. The uneconomic practice resulted in extra expenditure of Rs. 1.68 lakhs during 1969 beside, loss of revenue. The Committee view this aspect very seriously. They would deprecate the adoption of labour saving devices unless they are very much demonstrably advantageous financially to a significant extent. No other policy approved could be sustained in the face of the widespread unemployment/under employment that obtains today in the country. The Committee would suggest that the position should be reviewed in respect of all the transhipment points with a view to weeding out uneconomic practices. The emphasis should be on creating job opportunities and improving wagon utilisation.
29.	2.39	Rlys.	According to the working agreement between the Southern Railway and the Madras Port Trust Railway, free time of 21 day light hours is allowed in respect of loaded wagons received and back loaded by the Port Trust. For wagons detained beyond the free time, the Port Trust is liable to pay higher charges. In August 1963, the Divisional Operating Superintendent, Madras Division locally authorised the released wagons being detained by the Madras Port Trust for a maximum period of 12 hours in addition to the normal free time already admissible to them. The financial implications of varying the free time allowed to the Port were not worked out nor was the prior approval of the competent authority obtained

			and the agreement amended. Further although it was decided by the Southern Railway Administration in October, 1965 to withdraw the facility it was given effect to only in June 1967. Strangely enough the relevant records are stated to be not available to find out how such lapses took place. The matter requires thorough investigation with a view to fixing responsibility although it is fairly evident on the face of it that the major responsibility was that the then Divisional Operating Superintendent.
30.	2.40	-do-	After going through the information furnished by the Railway Board, the Committee receive an impression that in respect of empty wagons returned by the Port Trust beyond 11 hours but within 21 hours upto July 1963 and after June 1967 and 33 hours between August 1963 and May 1967 no hire charges were recovered. The hire charges ought to have been recovered as out of the free time only 11 hours were allowed for unloading and the balance was for reloading. If it was not done, the wagon turn-round must have been affected very badly, beside loss of hire charges. The Committee would, therefore, like to know the actual position in this regard.
31.	2,50	-do-	The Committee have not been informed of the operational considerations which weighed with the local administration for diverting the consignments of steel to a longer route involving two transhipments instead of the shorter all M.G. route. However, the fact remains that the carriage of consignments by a longer route involving two transhipments has ultimately resulted in an avoidable loss

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			of Rs. 65,000. The Railways will no doubt have learnt a lesson from this costly lapse. The Committee desire that diversion of traffic to routes involving transhipments *en route* should as far as possible be minimised, if it cannot be completely eliminated.
32.	2.51	Railways	The facts borught out in this case indicate that the procedure laid down in the Indian Railways Commercial Manual Vol. II in regard to despatch of transit invoices was not scrupulously observed by all concerned. The Committee would like the Railway Administration to fix responsibility and take suitable disciplinary action against the delinquent officials.
33.	2.52	-do-	The Committee would also like to be apprised of the outcome of the court case and of the action taken against the responsible official who delivered the consignment without collecting Railway Receipts and without obtaining party's signature.
34.	2.62	-do-	The Committee are surprised to note that the frauds and misappropriations in the Budge Budge Goods Office spread over a period of years could not be detected either by Traffic Accounts Officer or by the Inspecting officials of Commercial and Accounts Departments. As the prescribed checks are stated to be adequate to detect irregularities of the type mentioned in the Audit paragraph, the Committee can only conclude that there has been an unaccountable failure of

			the machinery. Unfortunately the responsibility for the failure to spot the fraud and misappropriations has not yet been finally determined. Further, the assessment of the amount involved and the period over which the fraud was prepetrated are also still being inquired into. The Committee are perturbed to note that during the period from March 1971 back to October 1967, which has so far been reviewed, a sum of Rs. 3.35 lakhs is stated to have been misappropriated. They desire that the findings of the enquiry committee consisting of the Divisional Commercial Superintendent, Sealdah and Senior Accounts Officer (Traffic) as also the action taken thereon for fixing individual responsibility, including that of the supervisory officials, should be intimated to them within 3 months.
35.	2.700	-do-	The Committee are distressed to learn that a review during the period between April 1970 and September 1971 revealed as many as 116 cases of deliveries of consignments on forged railway receipts in practically all the Zonal Railways. The compensation claims preferred against the Railways in 81 cases were to the extent of Rs. 13.59 lakhs. The Committee would like to know the claims in respect of the remaining cases and the total amount paid.
36.	2.71	-do-	The Committee are convinced that fraud of this kind cannot be so widespread without the active connivance of the Railway staff. What is disturbing is that there seemed to have been no effective supervision by the officials. Earlier, after examining similar cases the Committee had in their 60th Report (Fourth Lok Sabha) called

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			for exemplary action to prevent instances of negligence or connivance on the part of the railwaymen involved. It is indeed surprising that out of 116 cases mentioned in the foregoing paragraph, in as many as 54 cases even the persons involved have not been identified, much less of action being taken against them. The fraud came to light as long ago as 1970. The Committee therefore, take a very serious view of the delay in finalisation of these cases and desire that action against the erring staff at all levels should be taken with utmost expedition as delay takes away from the deterrent effect. The procedures for handling wagons and delivering consignments should also be critically reviewed with a view to making them foolproof and the Committee advised.