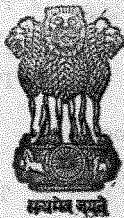


PUBLIC ACCOUNTS COMMITTEE
1963-64

THIRTEENTH REPORT
(THIRD LOK SABHA)

**[Appropriation Accounts (Railways), 1961-62
and Audit Report (Railways), 1963]**



LOK SABHA SECRETARIAT
NEW DELHI

September, 1963
Bhadra, 1885 (Saka)

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22nd sitting held on 30.8.63

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*Not printed (one cyclostyled copy laid on the Table and five copies placed in the Parliament Library).

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(1963-64)

CHAIRMAN

Shri Mahavir Tyagi

MEMBERS

2. Shri Ramchandra Vithal Bade
3. Shri S. C. Balakrishnan
4. Shri Bhakt Darshan
5. Shri F. P. Gaekwad
6. Shri Gajraj Singh Rao
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20. Shri S. D. Patil
21. Shri Sadiq Ali
- *22. Pandit S. S. N. Tankha.

SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Declared elected on 29-8-63 *vice* Shri Nawab Singh Chauhan resigned from Rajya Sabha.

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf, this Thirteenth Report on the Appropriation Accounts (Railways), 1961-62 and Audit Report (Railways), 1963.

2. The Appropriation Accounts (Railways), 1961-62 together with the Audit Report thereon were laid on the Table of the House on the 18th February, 1963. The Committee examined them at their sittings held on the 9th to 12th July, 1963. A brief record of the proceedings of each sitting of the Committee has been maintained and forms Part II* of the Report.

3. The Committee considered and finalised this Report at their sittings held on the 29th and 30th August, 1963.

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

5. The Committee also considered the replies of the Ministries pursuant to their earlier recommendations which are included in Part III* of the Report. Their comments on a few selected items are contained in Chapter IV of the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in the examination of these Accounts by the Comptroller and Auditor General of India.

They would also like to express their thanks to the Chairman and Members of the Railway Board for the co-operation in giving detailed information asked for by the Committee during the course of their evidence.

NEW DELHI;
The 3rd September, 1963.
Bhadra 12, 1885 (Saka).

MAHAVIR TYAGI,
Chairman,
Public Accounts Committee.

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

GENERAL REVIEW OF THE FINANCIAL WORKING OF RAILWAYS DURING 1961-62

Receipts.—The gross traffic receipts during the year amounted to Rs. 5,00·50 crores against the budget estimate of Rs. 499·02 crores. There was thus an increase of Rs. 1·48 crores.

Working Expenses.—The working expenses including appropriation to Depreciation Reserve Fund and payment to worked lines amounted to Rs. 390·51 crores which meant a saving of Rs. 7·15 crores from the budget of Rs. 3,97·66 crores.

Depreciation Reserve Fund.—The appropriation to the Depreciation Reserve Fund made during the year 1961-62 was Rs. 65 crores, being the same as was provided for in the estimates in accordance with the recommendations of the Railway Convention Committee, 1960.

Development Fund.—At the time of the budget, a surplus of Rs. 8·64 crores was anticipated which was proposed to be taken wholly as a credit to Development Fund. The actual surplus amounted to Rs. 24·40 crores (i.e., 15·76 crores more) which was appropriated wholly to the Fund.

Operating Ratio.—The operating ratio, that is, the percentage of actual working expenses to earnings of the Indian Railways for the year 1961-62 was 78·07 against 78·75 for the previous year.

II

BUDGETING AND CONTROL OVER EXPENDITURE

2. *General.*—The number of Demands voted during 1961-62 was 21 against 20 in the previous year. This was due to an additional Demand for withdrawal from Revenue Reserve Fund to repay the temporary loans obtained from General Revenues. The number of Appropriations obtained during the year was 4 i.e., the same as in 1960-61.

There was a reduction in the number and amount of supplementary grants taken during the year (8 for Rs. 8.71 crores as against 9 for Rs. 52.06 crores in the previous year). The number of supplementary appropriations taken during the year was, however, 8 as against 5 in 1960-61, although the amount of these appropriations was Rs. 0.18 crores as against Rs. 0.23 crores in the previous year.

Unnecessary supplementary grants/Appropriations, Para 4.

3. In the following cases, the funds obtained by supplementary grants/appropriations proved unnecessary or in excess of requirements. In three of these cases funds were surrendered during the same month (March 1962) in which supplementary grants/appropriations were obtained.

(Figures in lakhs of rupees)

| No. and name of the grant/ appropriation | Original grant/ appropriation | Supple- mentary grant/ appropriation (amount & month in which obtained) | Amount surrendered in March 1962 | Final savings (inclusive of surrenders) |
|---|-------------------------------------|--|---|---|
| A.—GRANTS : | | | | |
| 2 —Revenue—Miscellaneous Expenditure | 2,11.91 | 28.61 (Nov. 1961) | 19.16 | 26.18 |
| 13 —Open Line Works—Re- venue—Labour Welfare | 1,36.71 | 36.56 (March 1962) | 10.79 | 12.88 |

| No. | and name of the grant/appropriation. | Original grant/appropriation | Supplementary grant/appropriation (amount and month in which obtained) | Amount surrendered in March, 1952. | Final savings (inclusive of "surrender") |
|-----|--------------------------------------|------------------------------|--|------------------------------------|--|
|-----|--------------------------------------|------------------------------|--|------------------------------------|--|

B.—CHARGED APPROPRIATIONS :

| | | | | |
|---|------|------------------------|------|------|
| 9—Revenue—Working Expenses—Miscellaneous Expenses | 4.99 | 0.82 (Nov., 1961) | 2.43 | 2.71 |
| 15—Construction of New Lines | 3.86 | 6.86 (March, 1962). | 0.96 | 1.76 |
| 16—Open Line Works—Additions | .. | 2.25 (March, 1962) | 1.99 | 1.99 |

Similar cases of excessive funds having been obtained by the Ministry of Railways through Supplementary Grants were reported to the Committee *vide* Audit Reports (Railways), 1961 and 1962. The Committee then got the feeling that such cases indicated, besides individual lapses certain defects in the procedure for the revision of budget estimates. They accordingly desired that the Ministry of Railways should, in consultation with the Ministry of Finance and their own Accounts Department, further examine whether any improvements could be effected in the procedure to obviate the recurrence of such cases. During the course of evidence, the Financial Commissioner, Railway Board reiterated the explanation which was given to the earlier Committees that the Supplementary Grants were processed on the basis of expenditure incurred during the first eight months of the financial year. Although the Ministry had a special telephonic check with all the Railways, yet it was difficult to see that estimates prepared on the basis of 8 months actuals should contain the very last minute information. **The Committee feel that the cases referred to above do not indicate a satisfactory position. It is clear that the progress of expenditure, and liabilities incurred under the grants were not properly watched which resulted in excessive supplementary demands and large**

savings at the end of the year. The Committee would urge upon the Ministry of Railways to further examine these cases and take suitable steps to prevent their recurrence.

Inadequate or Injudicious surrenders—Para 5

4. This para enumerated six cases of inadequate surrenders, indicative of retention of funds by the Ministry in excess of their requirements for the remaining part of the year, and three cases where the amounts surrendered were much more than what should have been.

It was urged in evidence before the Committee that the surrenders were based on expenditure incurred upto the month of January in a financial year and that in certain cases of capital nature the expenditure incurred could not be ascertained precisely. The representative of the Ministry stated that the solution lay in simplification of accounting procedure and that certain steps had been taken in that direction, on the basis of recommendations made by an officer who had been specially deputed to study the practices on the British and Canadian Railways. The witness added that the position would show an improvement for 1962-63, when compared to 1961-62, the year under review. **The Committee would watch the improvement in the position through future Audit Reports.**

Savings in Grants and Appropriations, para 7 of Audit Report.

5. Out of 21 grants and 10 appropriations obtained for the year 1961-62, savings occurred under as many as 18 Grants and 6 Appropriations. The table below indicates that the number of Grants and Appropriations in which savings occur is increasing from year to year, and the total amount of savings during 1961-62, though reflecting an improvement over the previous year, is still on the high side as compared with 1958-59 and 1959-60.

| Year | Number of Grants/ Appropriations under which savings occurred | | Amount of total savings | Percentage of savings to total amount of grants and app- ropriations |
|-------------------|--|----------------|-------------------------------|---|
| | Grants | Appropriations | | |
| | Rs. crores | | | |
| 1958-59 | 16 | 3 | 52.30 | 4.90 |
| 1959-60 | 16 | 2 | 57.10 | 5.55 |
| 1960-61 | 18 | 5 | 76.34 | 7.63 |
| 1961-62 | 18 | 6 | 62.04 | 6.09 |

Mainly the savings to the extent of Rs. 35·83 crores occurred under Grants relating to expenditure met from capital, Depreciation Reserve Fund and Development Fund. The shortfall of Rs. 19·11 crores of expenditure under Grant No. 15—Construction of New Lines—was particularly large being 31·2 per cent of the total grant for the year as against 18·7 per cent in 1960-61. This was stated to be mainly due to delays in placement and finalisation of orders, difficulties in procurement of materials, delays in finalisation of plans and estimates, rephasing of works, etc., etc. **The Committee feel that while framing the budget estimates the Administration should be able to make due allowance for likely savings arising from these factors, which though unforeseen, are known from past experience to be inevitable. In this connection they would also commend for the consideration of the Railway Board their recommendation contained in para 6 of 9th Report (1962-63) that in respect of grants in which savings were a recurring feature a lump-sum cut might be imposed without in any way affecting the provision on individual items, before approaching Parliament for funds.**

Excess over voted Grants and Charged Appropriations—Para 9

6. In the following cases there was excess expenditure over the voted grants/charged appropriations:

(Figures in units of rupees)

| Grant/Appropriation | | Expenditure | Excess | Percentage of excess |
|--|----------------------------|-----------------------|--------------|----------------------|
| <i>A—Grants :</i> | | | | |
| 3. Revenue—Payment to Worked Lines and Others. | Original Supplementary | 23,79,000 5,56,000 | | |
| | | 29,35,000 | 29,48,926 | 13,926 |
| 20. Revenue—Appropriation to Development Fund. | | 17,21,57,000 | 24,39,92,041 | 7,18,35,041 |
| | | | | 41·7 |
| <i>—Charged Appropriations :</i> | | | | |
| 5. Revenue—Working Expenses—Repairs & Maintenance. | Original Supplementary. | .. 14,000 | 14,451 | 451 |
| | | | | 3·22 |
| 6. Revenue—Working Expenses — Operating Staff. | Original Supplementary. | .. 42,000 | 62,307 | 20,307 |
| | | | | 48·4 |
| 7. Revenue—Working (Fuel). | | NIL | 3,972 | 3,972 |
| | | | | 100 |
| 17. Open Line Works—Replacements. | Original Supplementary. | .. 3,15,000 | 4,13,679 | 98,679 |
| | | | | 31·3 |

The detailed reasons for the excesses under each Grant/Appropriation have been set forth in the notes (Appendix I) submitted to the Committee by the Ministry of Railways (Railway Board).

The excesses under Appropriation Nos. 6, 7, and 17 are stated to be due to omission by the Western Railway to obtain provision of funds for certain decretal payments etc. Especially under Appropriation Nos. 6 and 7 it has been stated that the amounts were booked in the first instance erroneously under 'Voted' instead of 'Charged' and the errors came to notice only during the closing month of the year.

Such errors had come to the notice of the Committee in the past also (cf. para 9 of 21st Report). The Committee regret to observe that despite their observations and the instructions issued by the Railway Board the Administrations still continue to overlook statutory provisions in this regard.

Subject to the above observations the Committee recommend that the excesses referred to above be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

Interest-free Overdrafts to Branch Line Companies—Para 10

7. The detailed Appropriation Accounts (Railways) contain a statement showing the subsidies paid to Branch lines worked by private companies. The subsidies are paid in accordance with the agreements with the companies under which a minimum return of $3\frac{1}{2}\%$ per annum on the paid up share capital had been guaranteed by the Government. To the extent the net receipts from the lines fall short of this guaranteed return, the deficit is liable to be made good by Government. The Audit Report gave the following break-up of subsidies paid during the preceding four years to three of such companies:

| Year | Ahmedpur Katwa Railway Co. Ltd. | | Burdwan Katwa Railway Co. Ltd. | | Bankura Damodar River Rly. Co. Ltd. | |
|-------------------|--|--|---|--|--|--|
| | Rs. | | Rs. | | Rs. | |
| 1958—59 | 72,223 | | 2,46,002 | | 1,65,700 | |
| 1959—60 | 1,08,834 | | 2,83,957 | | 4,46,856 | |
| 1960—61 | 2,43,754 | | 2,18,051 | | 4,86,000 | |
| 1961—62 | 2,27,369 | | 3,15,353 | | 5,55,2 ³ | |

The private companies have all along been having banking accounts with the treasuries. Prior to April, 1939, withdrawals were permitted only against specific Letters of Credit on the treasuries issued by the Accounts Officers concerned. Due to the Proforma separation of the Railway Fund with effect from the 1st April, 1939, the Letters of Credit were discontinued. As a result, when the withdrawals by these companies resulted in overdrafts, the interest on such withdrawals failed to be charged.

The overdrafts at the end of the preceding four years were as follows:

| Year | Ahmedpur | Burdwan | Bankura |
|-------------------|---------------------------|---------------------------|-----------------------------------|
| | Katwa Rly. Co. Ltd. | Katwa Rly. Co. Ltd. | Damodar River Rly. Co. Ltd. |
| | Rs. | Rs. | Rs. |
| 1958—59 | .. | 1,58,501 | 2,65,204 |
| 1959—60 | .. | 1,78,192 | 4,55,991 |
| 1960—61 | 1,25,804 | 2,25,285 | 7,95,575 |
| 1961—62 | 2,25,319 | 4,80,154 | 9,72,679 |

In evidence before the Committee, it was urged that under the provisions of the agreements Government had to make up the difference between the earnings and the working expenses of the companies and that in case interest was to be charged on the overdrafts, this amount would also have to be reimbursed by Government. The Committee feel that such interest should be charged so that the Parliament gets a full picture of the real amount of subsidy.

8. The Committee inquired about the corpus of the interest on these overdrafts. The representative of the Ministry stated that on the basis of overdrafts indicated at the end of the financial year, less the amount of subsidy payable, the interest charges would work out to a few hundred rupees in respect of a particular line. The Committee are of the view that this is not the proper method of assessing the amount. As the subsidy is payable on a fixed date, viz. the 30th of September every year, interest should be assessed on overdrawals as they occur periodically for the actual periods of time until they are liquidated. Such overdrawals are in the nature of ways and means advances the interest on which is correctly chargeable to the working expenses of the companies. The Committee also desire that the amounts of overdrafts drawn

by these Branch lines worked by private companies with interest charged on them should be indicated separately in an appropriate manner.

9. The Committee notice that in the case of Bankura Damodar Railway, the overdrafts at the end of the years 1960-61 and 1961-62 have been almost twice the amount of subsidy paid to them during these years. **Allowing of overdrafts of this magnitude without a proper scrutiny appears to be unsound. The Committee, therefore, desire that suitable limits should be fixed in this regard.**

10. Last year the Committee had looked into the question of recurring losses sustained by the companies which are reimbursed by Government and had desired that the relative economics of the owning and working of these lines by Government and the continued working of these lines by the private companies, and the payment of annual subsidies should be examined well in time before the agreements with the companies came up for review. The present Committee were informed that their views on the subject had been noted and would be kept in view at the time of reviewing the agreements with the companies some of which were due for renewal sometimes in 1967-68.

The Railway Board, however, reiterated their earlier view that taking over of these lines by Government would not be more economical as apart from the fact that the Indian Railways had to bear a higher charge than 3½% on capital and the higher staffing costs on the Indian Railways, the revenue potentiality of these lines which covered only short distances was being eroded due to serious competition by increasing popularity of bus transport over such short distances. At the instance of the Committee, the Ministry of Railways, (Railway Board) furnished a note (*vide* Appendix II) containing *inter-alia* information about the subsidies etc. paid by the Government to the companies at present and the approximate loss which is likely to accrue in the event of these lines being worked by them either on the existing gauge or after converting them into broad gauge lines. The note also encloses an extract from the note submitted by the Eastern Railway in 1960-61 to the Committee on Transport Planning and Co-ordination. This extract contains the views of the Eastern Railway on the question of dismantlement of these lines and their replacement by organised road transport service. **The Committee would in this connection reiterate their earlier observation made in para 15 of their 1st Report, 1962-63 that besides purely commercial considerations, factors like efficient management**

and better public service should also be taken into account in reaching a final decision on this question. They trust that these observations will be kept in view at the time of reviewing the existing agreements with the companies.

Undercharges detected by Accounts and Audit—Para 11

11. Annexure 'B' at page 81 of the Appropriation Accounts of the Railways—Part II, contains details of the undercharges detected by Accounts and Audit, and their percentage to the total earnings. The detected undercharges rose from 0.26% in 1960-61 to 0.40% of the total earnings in 1961-62.

Two statements are given below, which compare the percentage of undercharges to total earnings for a period of 6 years on each individual Railway, and the Railways as a whole:

STATEMENT I

(Individual Railways)

Percentage of undercharges detected to total earnings

| Railway | 1956-57 | 1957-58 | 1958-59 | 1959-60 | 1960-61 | 1961-62 |
|------------------------------|---------|---------|---------|---------|---------|---------|
| Central | 0.10 | 0.24 | 0.21 | 0.16 | 0.23 | 0.28 |
| Eastern | 0.19 | 0.22 | 0.25 | 0.26 | 0.19 | 0.71 |
| Northern | 0.35 | 0.42 | 0.41 | 0.36 | 0.38 | 0.35 |
| North-Eastern | 0.34 | 0.31 | 0.18 | 0.74 | 0.29 | 0.1 |
| Northeast Frontier | .. | .. | 0.08 | 0.24 | 1.19 | 2.04 |
| Southern | 0.20 | 0.17 | 0.31 | 0.23 | 0.19 | 0.21 |
| South Eastern | 0.07 | 0.09 | 0.31 | 0.45 | 0.32 | 0.57 |
| Western | 0.13 | 0.14 | 0.16 | 0.09 | 0.10 | 0.10 |

STATEMENT II

(All Railways)

(Amount in crores of rupees)

| Year | Total earnings | Under-charges detected | Percentage of undercharges to total earnings |
|-------------------|----------------|------------------------|--|
| 1956-57 | 349 | 0.66 | 0.19 |
| 1957-58 | 381 | 0.87 | 0.23 |
| 1958-59 | 391 | 1.01 | 0.26 |
| 1959-60 | 422 | 1.13 | 0.27 |
| 1960-61 | 458 | 1.20 | 0.26 |
| 1961-62 | 500 | 2.00 | 0.40 |

The above figures indicate that the percentage has gone up on most of the Railways in 1961-62 and very markedly in the case of Eastern, Northeast Frontier and South Eastern Railways. It also varied considerably from Railway to Railway.

In extenuation of the reasons for the increase in the percentage of undercharges it was explained that there had been a series of changes in the freight rate structure since the year 1958 and at many of the stations the staff was not fully trained or experienced in the work. Particularly in the case of the three Railways mentioned above the quantum of increase in traffic was very heavy and new recruits had been posted to cope with the work. In the case of the N. F. Railway there was also a difficulty in recruiting staff as the candidates were not willing to be posted to certain stations.

In the opinion of the Committee the increased amount of undercharges detected during the post-check of the transactions is indicative of the deteriorating efficiency of the station staff in the matter of correct recovery of freight etc. Since such undercharges materially affect the earnings of the Railways, the Railway Board should take a serious view of the situation and adopt suitable remedial measures.

*Surplus Stores (including Scrap in the case of Certain Railways)—
Para 12*

12. Stores which have not been issued for a period of 24 months, are considered surplus to the requirements of the Railway Administration and classified as "Surplus Stores" in the Stores Accounts. Out of this, those which are anticipated to be used up in the near future are considered to be "Moveable Surplus" while those which are not expected to be required by any Railway in the next 2 years, are treated as "Dead Surplus".

The value of the Surplus Stores borne under the Stores Balances of all the Railways, and the proportion it bore to the total Stores Balances during the past five years was as follows:—

(Amount in crores of rupees)

| Year | Value of Surplus | Total Stores Balances | Percentage of surplus to total Stores Balance |
|---------|------------------|-----------------------|---|
| 1957—58 | 4.01 | 98 | 4 |
| 1958—59 | 5.36 | 115 | 5 |
| 1959—60 | 5.77 | 99 | 6 |
| 1960—61 | 5.87 | 85 | 7 |
| 1961—62 | 6.67 | 85 | 8 |

Thus there had been a steady increase in the percentage of surpluses to Stores Balances, from 4 per cent to 8 per cent.

The Committee were informed in evidence that a ban had been imposed on the disposal of scrap by the Railway Board as it was intended to use this material in their own foundries or for issue to manufacturers of Railway Stores. But it was not possible to use the entire quantity. This resulted in accumulation of scrap. It was further stated that there had been an improvement in the utilisation of surplus stores other than scrap. The increase in the value of total surpluses was only due to increase in the quantity of scrap. To explain the position in detail the Ministry of Railways circulated a note to the Committee which is placed at Appendix III.

The Committee were anxious to know if Stores and spare parts which were not subject to deterioration like wheel tyres were also declared surplus in a routine manner when they were not issued for a period of two years. The Financial Commissioner explained that the classification of a store as 'surplus' did not mean that it was no longer required. There was a continuous process of watching the store balances on all the Railways and periodical reviews were carried out to ensure proper utilisation of stores. He added that declaring of an article as surplus was merely a 'red signal' to draw the attention of the Administration to reconsider and review the utility of the stores and to find out the best possible use to which it could be put. In case an item was not likely to be used on a particular Railway every effort was made to transfer it to other Railways. It was only when all efforts to utilise the store failed that it was disposed of.

The Committee are not sure that this procedure is being properly followed. They trust that the Railway Board would ensure that the procedure outlined above in the matter of disposal of surplus stores is properly followed by the Railway Administrations and that items of stores declared surplus on one Railway are promptly notified to other Railways, so that they can be utilised in the best manner.

III

LOSSES, NUGATORY EXPENDITURE, FINANCIAL IRREGULARITIES AND OTHER TOPICS OF INTEREST

Contracts and Tenders

Irregularities in timber contracts entered into with a firm, Para 14 of Audit Report.

13. The Central Purchase Organisation had placed 104 contracts on a firm during February, 1951 to January, 1958 for the supply of timber to Railways. There had been various types of irregularities and a sum of Rs. 46.61 lakhs was due for recovery in respect of 51 of these contracts. In 27 cases the firm obtained excess payments amounting to Rs. 27.04 lakhs by presenting fictitious Railway receipts for stores either not despatched or less despatched and by despatching un-inspected stores in lieu of the inspected ones. Only a sum of Rs. 13.07 lakhs had been recovered till August, 1962 from the pending bills of the firm, leaving a balance of Rs. 33.54 lakhs. The disputes in respect of 43 contracts were under arbitration.

The irregular payments obtained by the firm from time to time came to notice in June, 1957, but the case was reported by the D.G.S. & D. to the Special Police Establishment for the first time only in July, 1960 after Audit had taken up the matter in September, 1959. Business dealings with the firm were stated to have been suspended the moment the malpractices came to the notice of the Purchase Organisation and the firm had finally been black-listed.

The Committee inquired as to how the firm was allowed to carry on such malpractices and why the Railway Administration could not notice the shortage and defects in supplies for such a long time. They were informed that the first of the cases under dispute pertained to supplies made in the year 1953. The matter had been investigated and certain Railway officials held responsible for various lapses were dealt with suitably.

As regards the action taken by the D.G.S. & D. in this case, it was urged in evidence that the first report from the Central Railway Administration only disclosed that certain overpayments had been made to the firm. It was only after inquiries were made from other Railways that the malpractices adopted by the firm came to light. Thereafter, the case was referred to the Special

Police Establishment for investigation. The Committee are not satisfied with the explanation. The overpayment of Rs. 4 lakhs reported by the Central Railway was large enough to merit serious concern. Had an enquiry been made in association with the SPE into the circumstances of this overpayment immediately after receipt of the complaint in 1957, some of the malpractices might have come to light much earlier. Simultaneously, other Railway Administrations could also have been alerted and all the transactions with the firm could have been looked into expeditiously. It has caused serious concern to the Committee that the Purchase Organisation should have taken three years in ascertaining the position and in reporting the matter to S.P.E. As the Purchase Organisation handled crores of rupees' worth of contracts, Government would be well advised to see that it acted with due alertness and speed to look into the malpractices of unscrupulous contractors.

The Committee are surprised that no criminal case could be instituted against the firm in spite of the fraudulent practices alleged against it. It appears to them that delays in detection due to lack of administrative vigilance both in the indenting and supply organisations, have only facilitated the disappearance of cogent evidence. The Committee note that disputes in respect of 43 contracts with the firm were under arbitration. They may be apprised of the outcome thereof.

14. The Committee enquired as to why the co-ordination machinery between the indenter and the purchase organisation could not immediately throw up cases of 90 per cent payments obtained by the firm against invoices wherein incorrect despatch particulars and fictitious Railway receipt Nos. were quoted. It was explained that detection in the ordinary course, was not possible as the Railway Receipts being fictitious, were never received by the Railways. If so, the Committee feel there is a serious lacuna in the procedure whereby the consignee Railways failed to obtain the data in support of 90 per cent payments made. The Committee would like the Ministry of Economic and Defence Co-ordination to look into this and ensure satisfactory co-ordination so as to obviate recurrence of such cases.

15. The Committee were also informed during the course of evidence that in the earlier stages when the case was referred to the S.P.E. they had not agreed to proceed with the case. On a further reference they investigated the matter and had since advised the filing of a suit in a Civil Court for the recovery of the balance of overpayment. The Committee are surprised to hear this specially in view

of the allegation of forged Railway Receipts being used. They desire that the Ministry of Home Affairs might look into this case and examine the manner in which the case was processed by the S.P.E. at different stages.

As the irregularities brought out in this Audit para are so blatant and serious, and the amount involved is large (to the tune of Rs. 46.61 lakhs), the Committee suggest that there should be a joint inquiry by senior officers of the Railway Ministry and the Ministry of Economic & Defence Co-ordination. They should examine the officials concerned and the relevant documents, ascertain the *modus operandi*, allocate the responsibility between the two Ministries and suggest suitable procedural changes to avoid recurrence of cases of this nature. The Committee would like to be informed of the progress of the civil suit. The performance of the contractor in regard to his contracts with other Ministries should also be carefully scrutinised.

Avoidable expenditure on the purchase of wheel tyres against a limited tender—Para 15.

16. The Railway Board issued a limited tender for procurement of wheel tyres required by the Railways, mainly for their 1961-62 maintenance works. The quotations were opened on the 13th June, 1961. When the purchase arrangements against this limited tender were under way, a global tender for tyres against the 1962-63 requirements was being drawn up. 4474 tyres to be procured through the global tender were identical in type with 3,259 of the tyres included in the limited tender the quotations under which were opened on the 13th June, 1961. The Railway Board considered it advantageous to procure these tyres also against the offers received under the limited tender and negotiated with the tenderers for reduction in price in view of the additional quantity required, but none of them agreed to do so. Thereupon, the prices were accepted as reasonable and orders placed on two of the firms on the 27th September, 1961.

Quotations received against the global tender were opened on the 4th October, 1961. The lowest quotations offered for the items which were common with the limited tender were much cheaper than the price at which orders had already been placed. According to Audit, by placing the order on the basis of limited enquiry without waiting for the results of Global tender already called for and due to be opened within a few days, the Railway Board incurred an extra expenditure of £ 45,351.

It was explained in the course of evidence that due to unavoidable delay at earlier stages, the issue of tender for the 1961-62 requirements

of wheel tyres was delayed. As a result a limited tender enquiry was made and addressed to every firm who had ever responded to global enquiries in the past. But the subsequent global tender brought a new firm into the field. While the rates quoted by other firms were higher than those offered by them against the limited tender the new firm offered rates which were the cheapest. The Committee inquired whether the orders for purchase against the limited tender could not be deferred by a few days till the results of the global tender were known. The Financial Commissioner (Railway Board) explained that although the tenders were opened on 4th October, 1961, it was not until the rates were tabulated, compared and examined from all angles that their real worth could be appreciated. Moreover in this case since the lowest offer was from a new firm, enquiries had to be instituted, to assess its capacity etc. before accepting the offer. In reply to another question the Financial Commissioner admitted that the entire quantity of stores for which the order was placed was not urgently needed by the Railways but he felt that—

“the normal expectation is that it is more advantageous to give a larger order at a particular time.”

He added that the market as tested indirectly by the refusal of the firms during negotiations in July, 1961 to accept reductions of rates due to increase in the order indicated that the result of global enquiry would not be more favourable. It was further stated that orders were placed in this case in the ordinary course and no deliberate decision had been taken to place orders before the opening of global tenders.

The Committee feel that as the firms had not agreed to a reduction in price on account of increase in the quantity to be purchased, there was no material advantage in placing orders for two years' supplies, specially when global tenders had been called for and were due to be opened within a few days. Even if the judgment was that global enquiries would not throw up lower rates, it would have been more prudent merely to reserve the right, if possible, to increase the order on the firm successful against the limited tender. Had the purchase been restricted to the urgent requirements the extra expenditure would have been minimised.

Loss in respect of a purchase, where time was the essence of the contract—Para 16.

17. Global tenders were invited by the Railway Board in June, 1959 for the purchase of Electrical Signalling Equipment. This included 745 Electric Signal Reversers of various types. The tenders were opened on 18th August, 1959, and were considered by the Tender Committee on 3rd November, 1959. Thereafter, negotiations were

conducted with certain selected firms for the supply of 1,139 numbers. At both the stages, the recommendations of the Tender Committee were mainly based on the consideration of obtaining delivery of the material by 30th June, 1960, as the same was stated to be required urgently by the Railways. The result was that technically acceptable lower offers for the supply of indigenous material were passed over in favour of the higher offer of a firm for fully imported and locally assembled material. The firm assured to supply the material by the stipulated date (30th June, 1960) provided the import license was given before 15th December, 1959. The final decision to place the order was, however, taken only on the 3rd February, 1960 and the formal order was delayed further for over seven months and issued on 15th September, 1960. This order stipulated the completion of the delivery by 31st December, 1960. The order did not also indicate that the higher offer had been accepted only in view of the earlier delivery promised and that the firm would be paid only at the lowest acceptable rate obtained in the call of tenders, if the delivery date was not kept up. Actually the firm supplied 914 Nos. in June-July, 1961, 165 Nos. in April, 1962 and left the balance 289 un-supplied.

In evidence the Committee were informed that the order was placed on the firm, ignoring the lower offer for the following main reasons:

- (a) the firm which had offered to supply at lower rate was already heavily booked with other orders of the Railway Board; and
- (b) this was a procurement-*cum*-development tender and the firm had collaboration arrangements with a foreign firm which could have helped it to develop indigenous capacity. Unfortunately the collaboration arrangements failed and the firm was not able to establish the manufacture of the items in the country.

The Committee inquired why such a long time was taken by the Railway Board in processing the tender when the material was urgently required. The Financial Commissioner explained that the contract involved 173 items and there were thousands of items to be tabulated. Besides the tenders were to be technically examined and the capacity of the firms ascertained before placing orders on them. Some time was also spent in negotiating reduction in price consequent on increase in the quantities ordered. He asserted that the time taken in this case was not unreasonable. **The Committee find it difficult to accept this view. In their opinion, the time taken in processing the**

contract at different stages (6 months in scrutinising tender and deciding to place the order and further 7 months thereafter to place the formal order) was not in keeping with the plea of urgency which was the main consideration for accepting higher rates. The Committee would like the Railway Board to take steps to tighten up the procedure to avoid such delays in future, specially when dealing with urgent requirements. The Committee are also unhappy to note that no price preference clause was included in the contract.

18. The Committee also inquired whether any damages had been claimed from the firm for the delay in supply of stores. They were informed that the firm had been asked to explain the reasons for the delay and in the meanwhile the Administrations were assessing the losses suffered by them. In reply to a further question the Railway Board have submitted a note to the Committee (Appendix IV). From this note, the Committee find that the question of levy of liquidated damages from this firm is yet to be decided by the Railway Board, and that in the meantime pending final decision in this regard, 10 per cent of the contract value has been withheld *viz.* Rs. 34,000 (approx.) **The Committee regret to observe the complacent attitude of the Railway Board in considering the question of levying liquidated damages on the supplier. They would like to be informed of the final action taken in this regard.**

Western Railway—Extra expenditure due to extension of zonal contract—Para 17.

19. A zonal contract is usually awarded by this Railway for a period of one year at a time for carrying out all repairs and maintenance works upto a particular value arising in a specified area. According to the orders issued by the Railway Board in October, 1956, if the zonal rates accepted for a new year are lower than the rates of the previous year in force, no fresh work orders should ordinarily be issued to the existing contractor, and the work orders issued earlier but not actually acted upon or not likely to be executed within the contractual period should be cancelled. In respect of civil engineering works, the Railway Administration had also issued instructions in June, 1956 that in case the rates for new zonal contracts happened to be lower, the existing contractors should be asked to carry out the remaining work at the new lower rates failing which the work already done should be measured up and paid for.

The tenders for zonal contracts for electrical works in certain Divisions during the year 1959-60 were opened on the 6th March, 1959. The rates accepted on the 22nd April, 1959 were lower than those of the preceding year which were current upto the 31st March,

1959. Instead of terminating the work orders of the incomplete works on 31st March, 1959, or getting them completed at the new lower rates, the contract for the preceding year was extended upto the 30th April, 1959, and further extended upto 30th June, 1959. Some fresh work orders were also issued against this contract even after the rates for 1959-60, which were lower, were known to the Administration. This irregular procedure resulted in extra expenditure of about Rs. 45,816.

The Committee were informed in evidence that the orders issued by the Railway Administration in June, 1956 were "ill-conceived and absolutely impracticable" and that revised orders were issued by the Administration in 1957 according to which although no fresh orders should be placed on the old zonal contractors beyond the 31st March of the financial year, they might be permitted to complete unfinished work orders by the 30th of June each year. **The Committee consider it unfortunate that the Railway Administration should have issued orders which in their own words were "ill-conceived and absolutely impracticable". The Committee would like the Railway Board to examine the circumstances under which such orders were issued and take steps to avoid recurrence of such cases.**

20. In a subsequent note (Appendix V) the Committee have been further informed of the decision to change the term of zonal contracts to cover the period from 1st of July to 30th of June. This change is intended to enable the contractors to make their arrangements well in advance and to take full advantage of the working season. According to the note further instructions have also been issued to the Railway Administration requiring them to initiate action in such a manner that the contracts for the new year are finalised before the 31st July each year. The Committee suggest that the feasibility of finalising the new contracts before 30th June instead of 31st July each year should be examined. **The Committee would watch the results of these changes introduced and instructions issued through subsequent Audit Reports.**

Loss due to irregular rejection of a lower tender, Para 18 of Audit Report.

21. Against global tenders invited by the Railway Board for the purchase of Iron Wires of various categories, two firms 'A' and 'B' quoted for two types of galvanised Iron Wire. Firm 'A' submitted two offers for supply from Belgium and Japan respectively, both of which were not according to the required specifications, while firm 'B' submitted only one offer for supply from the Continent, which

conformed to the specifications. The rates quoted by firm 'B' were higher for both the types of material. On 21-7-1960 before the quotations were considered by the Tender Committee, firm 'A' submitted another offer for supply from France, which was strictly according to the required specifications. The rates quoted by firm 'A' in its latest offer were cheaper by about £7 per ton for both the items as compared to the rates offered by firm 'B'. The latest offer was, however, neither included in the abstract of quotations nor considered by the Tender Committee. As a result, the only technically acceptable offer of firm 'B' was accepted and orders placed on them for the entire requirement. The consideration of the lower offer could have resulted in a saving of Rs. 30,746 approximately.

The Committee were informed that the earlier offers of firm 'A' were much cheaper than their last quotation and therefore the Railway Officer who examined this tender was of the opinion that there was no particular advantage in putting up the later offer to the Tender Committee. This turned out to be an error because the earlier offers of the firm at lower rates were not technically acceptable. It was admitted that it was a mistake on the part of the official as under the rules all the tenders should have been put up to the Tender Committee for consideration. **The Committee trust that the Railway Board will take a serious note of this mistake and issue suitable instructions to avoid recurrence.**

Eastern Railway—Avoidable expenditure in connection with a goods handling contract—Para 19.

22. A goods handling contractor at Moghalsarai Station was asked to do the E.P. locking and rivetting of wagons during the period September, 1949 to January, 1953. The rates were, however, not fixed for this work until the contract expired on 31st January, 1953. In August, 1956, i.e., more than three years after the expiry of the contract, the Chief Commercial Superintendent sanctioned a rate of four annas per wagon for each of these operations, against Re. 1/- and Rs. 2/3/- respectively as claimed by the contractor. On this basis, the Railway admitted a sum of Rs. 27,550 against Rs. 66,960 claimed by the contractor for E.P. locking and rivetting of wagons. The matter was referred to arbitration in 1960 and the Railway had to pay an additional amount of Rs. 38,415 over and above the amount initially admitted by the Administration as actually payable to the contractor on the basis of the records of the Railway. These records had not been preserved and could not, therefore, be produced before the arbitrator to sustain the Railway's contention.

The Committee inquired the reasons for the allotment of work to the contractor without settlement of the terms in advance. It was pleaded in evidence that negotiations for rates would have taken time and the work could not be suspended in the meantime. In further support of this the Chairman, Railway Board stated that in such cases it was not always possible to fix the rates in advance as these were settled after proper work study. The Committee are surprised at this explanation. It had been stated that the work of E.P. locking and rivetting of wagons was hitherto being done by the watch and ward staff. If so they could have been asked to continue to do it till the rates were settled with the contractor. There was no justification for not fixing the rate even during the currency of the contract i.e. for three years. They feel that this was a serious lapse on the part of the Railway Administration. They should have acted in a business-like manner in this case. They desire that it should be impressed on the Administration that, as far as possible, no work should be entrusted to a private party without settlement of the terms and execution of proper agreement in advance.

The Committee also regret to note that the Station records which were relevant in this case had been destroyed as a matter of routine after 3½ years. The Chairman, Railway Board also agreed that this was not proper and was not in accordance with the existing instructions. The Committee regret that they have to emphasise that instructions have no meaning if non-observance thereof is acquiesced in as a matter of course.

N.E.F. Railway—Wasteful expenditure on old and defective earth-moving plant, para 20.

23. An earth-moving plant unit, originally acquired for the Ganga Bridge Project, was transferred under orders of the Railway Board for use on the Rangapara North-North Lakhimpur Project. According to Audit the scope of work for the unit and the comparative economics of its output *vis-a-vis* the maintenance and operation costs were not considered in detail by the Railway Administration before the transfer although they were aware that the condition of the unit was not satisfactory. The unit turned out about 2 crores cft. of earth work during December, 1960 to April, 1961 after which most of the machinery had been lying idle. Although the Railway Administration were convinced in August, 1961 that the unit could not be put to any further use by them a recurring expenditure of about Rs. 40,000 p.m. continued to be incurred on the staff upto February, 1962, when by retrenching some staff this amount was reduced to Rs. 10,000 p.m. In January, 1962 the Railway Board decided to sell the unit by auction. According to Audit the Project incur-

red expenditure of approximately Rs. 27.80 lakhs on the plant unit upto August, 1962 against an output valued at about Rs. 10 lakhs besides freight and other incidental charges.

The Committee were informed in evidence that the plant had served its purpose. The construction of the line was completed in time. Besides the presence of the machines had a healthy effect on the contractors who quoted reduced rates for earth work. Thus the plant resulted in indirect benefits to the Project. It was also pleaded that the earthwork turned out by the plant related to difficult reaches where no contractor was willing to work. The value of the work done should be computed at a higher rate than that calculated by Audit.

The Committee inquired the reasons for the retention of the staff beyond August, 1961 when the Administration was convinced that the plant would not be put to further use. In reply it was stated that the question of transferring the plant to another Project was under consideration and it was felt that the trained personnel might not be retrenched pending a decision in this regard.

In this connection, the Committee desired to be furnished with the following information:

- (i) Particulars of staff employed by the N.E. Railway Administration to work on the earth moving plant during the period August, 1961 to February, 1962;
- (ii) A list of machinery of the plant showing the number of units which have since been disposed of;
- (iii) Names of the parties to whom surplus machinery has been sold; and
- (iv) The purchase and sale prices of these machines.

The above information has since been furnished by the Ministry and is enclosed in Appendix VI from which the Committee note that the number of staff was brought down from 249 in February, 1962 to 64 in March, 1962. (The latter number was retained for overhauling the plant and to bring it in running condition so that it could be demonstrated for use before prospective buyers and derive the best financial advantage by its disposal. This number was disbanded after the disposal of most of the plant by auction.)

The Committee feel that there was no valid reason for the continuance of the surplus staff beyond August, 1961. By taking prompt action the Railway Administration could have avoided the infructuous expenditure to the tune of Rs. 30,000 p.m. during the period August, 1961 to February, 1962.

The Committee note that some of the machinery valued at Rs. 4.70 lakhs has been retained and is proposed to be utilised by various consuming departments of the Railway. The Committee are unable to appreciate the abnormal delay in its utilisation. They would like to be informed when these items of machinery are actually put to use.

Western Railway—Infructuous Expenditure on an additional loop at Gandhigram, Para 23.

24. The provision of an additional loop at Gandhigram at an estimated cost of Rs. 2.01 lakhs was sanctioned in June, 1958. In March, 1959, the abandonment of this station was envisaged, as the State Government had suggested a realignment and diversion of the Railway line outside the Gandhigram area, and the Ahmedabad Municipal Corporation had deposited the necessary cost of survey. However, the contract for earthwork for providing the additional loop at Gandhigram was finalised in August, 1959, and the work was progressed further. In March, 1960, the Divisional Superintendent reported that the expenditure on the work at Gandhigram might be rendered infructuous as it was quite likely that the realignment proposal might come through; he, therefore, held the work in abeyance. Final orders cancelling the estimate for the work were issued by the Chief Engineer in December, 1960. In the meantime, an expenditure of Rs. 27,211 on earthwork had already been incurred.

It was urged in evidence before the Committee that the question of shifting the alignment near about Gandhigram had been under consideration ever since 1955. It became a live issue only after the bifurcation of the State of Bombay. Even so, no decision had been taken so far. It was further pleaded that urgent works for the clearance of traffic on the existing lines could not be stopped for long when alternative proposals remained under consideration indefinitely. The Committee are not satisfied with this explanation. It was reported to them that as early as in March, 1959 the Executive Engineer had specifically stated that the station was being abandoned. The commencement of the earthwork on the loop was, therefore, ill-advised and not based on proper assessment of the situation. The Committee are also not satisfied with the plea that the earth work had come in handy for unloading and stacking of goods at the station because the necessity for such a work was not felt earlier by the Railway Administration; therefore, it appears to be an after-thought to justify the expenditure of Rs. 27,211, which became infructuous.

South Eastern Railway—Shortage of Coal, para 25.

25. Appreciable shortages in the weight of coal received at the Loco-sheds on the South Eastern Railway were noticed during the year 1961-62. Such shortages were particularly heavy in the case of coal received in Box type wagons, where shortages were noticed ranging from 5% to 54%. Box type wagons with a carrying capacity of 56 tonnes for transport of coal were introduced for service in the South Eastern Railway from April, 1961. In the absence of suitable weigh bridges for weighment of these wagons their carrying capacity was converted into volume, and the heights upto which coal should be loaded in the wagons to accord with the weight of coal were marked with 1" wide white painted loading lines. In April 1961, the S.E. Railway reported to the Railway Board a case in which a shortage of about 47 percent was noticed and where coal loaded was much below the marked line. Subsequently, the Eastern Railway reported another case in April, 1962 in which there was under loading to the extent of 3—5 tonnes per wagon, even when coal was loaded to the marked height. Instructions were issued by the two Railways (Eastern and South Eastern) in April, 1962 and July 1962 respectively to revise the markings in these wagons.

The two factors *viz.*, loading by collieries below the marked line and the incorrect markings of the lines themselves had largely contributed to the shortage of about 17,000 tons of coal costing over Rs. 3.7 lakhs noticed at seven loco sheds of the South Eastern Railway during the period July, 1961 to March, 1962. The Committee were informed that immediately on receipt of the complaints instructions were issued to the loco sheds to take measurements and keep proper accounts of all shortages. The Coal Controller was also approached to warn the Collieries to load the wagons properly. A little later the Vigilance Branch was asked to keep a watch on the collieries which were found to be making short supplies. As regards instructions to the forwarding stations it was stated that these were issued in November, 1962 on receipt of the complaint from the private party and after further trials of measurements in the Box type wagons were conducted. In the opinion of the Committee since the price of coal was to be paid on the basis of notes recorded by the Railway officials at the forwarding stations, the Railway Board and the Administration should have taken immediate steps to ensure that proper checks were exercised at the forwarding stations. They regret to note that prompt action was not taken in this regard, and meanwhile the collieries continued to make short supplies. The Committee were further informed in evidence that the question of claiming suitable damages from the collieries

was under examination of the authorities concerned. They would like to be informed of the final outcome.

26. As regards the incorrect markings in the wagons it was explained to the Committee that these were due to a genuine mistake on the part of the Railway staff for which no one could be held responsible. Since the staff had no working experience the extent to which coal subsided in movements in this type of wagons was not known to them. The Committee find it difficult to accept this explanation. They feel that suitable trials should have been conducted and due allowance made for subsidence etc. to ensure that the markings were correctly made. The Committee hope that such mistakes will be scrupulously avoided in future.

Southern Railway—Unnecessary haulage of sleepers, para 26.

27. Orders for the supply of Cast Iron Sleepers to the Railway were placed by the Railway Board on a firm in Bhadravati and some firms in Calcutta. The instructions issued by the Railway Administration for the despatch of 15,400 tons of sleepers during the year 1961 indicated that sleepers from Bhadravati instead of being sent to nearby stations in Mysore Division were actually despatched to more distant destinations, which could have been better served from Calcutta sources. Similarly, sleepers from Calcutta were sent to stations in Mysore Division instead of to destinations nearer to Calcutta. The unnecessary longer haulages entailed an avoidable extra expenditure of Rs. 2.35 lakhs towards freight charges.

It was pleaded in evidence that the haulage of sleepers from one place to another depending on priority and progress of works was inevitable. In this case sleepers from sources near Calcutta were obtained as the works were of urgent nature and the capacity of the firm at Bhadravati was fully booked with orders for other works on the same Railway. Had the Administration waited for supplies from Bhadravati the completion of works would have been delayed by 6 to 8 months. At the instance of the Committee the Ministry of Railways (Railway Board) have furnished a note giving details of despatches of sleepers from both the sources. (Appendix VII). The Committee observe from the note that the supplies were made from both the sources almost concurrently. The Committee are, therefore, unable to accept the plea of urgency and feel that this is a case of lack of proper planning. With a little better planning, the Railway Administration could have minimised the longer haulages and the resultant extra expenditure. They note that further instructions have been issued by the Railway Administration suggesting a periodical review of the consignee instructions

to ensure that freight incurred on movements is reduced to the minimum. The Committee suggest that similar instructions may be issued in the other Railway Administrations also.

Eastern Railway—Loss due to heavy purchases and non utilisation of stores and their eventual scrapping, para 27.

28. Orders for supply of components of sectional battery cells to be fitted to the coaches were being placed by the Railway Administration after 1953 side by side with orders for complete sealed cells, as a decision had been taken to replace gradually the sectional cells with complete sealed cells. The purchases of components of sectional battery cells were much in excess of the quantity justified by the contemplated changeover. The actual supplies continued coming in upto the year 1958. The changeover was completed in 1957 and as a result components costing Rs. 3.19 lakhs became surplus and went out of demand.

It was admitted in evidence that the requirements of sectional battery cells were initially over-estimated. By subsequent utilisation the surplus stock had since been reduced to the value of Rs. 1.42 lakhs. Attempts were being made to utilise the balance. The Committee feel concerned to note that the assessment of requirements by the Railway was so wide off the mark. The Committee hope that suitable measures will be adopted to obviate the recurrence of such cases. They would like to be informed of the final disposal of the excess stock and the amount of loss suffered on this account.

Loss on account of damages and missing parts in wagons supplied to collieries etc., para 30.

Eastern Railway

29. It was reported in para 8 of Audit Report, 1957, that heavy damages were noticed in the wagons returned by certain colliery sidings and that in the absence of an effective procedure for allocation of responsibility between the collieries and the Railway recurring losses were being sustained by the Railway. A system of making and taking over of wagons to and from colliery sidings was introduced by the Eastern Railway Administration in March, 1957, but discontinued in March, 1959 on the ground that there was a substantial reduction in the losses and the cost of staff for implementing the procedure would be higher than the losses. When the losses subsequently showed an upward trend the reintroduction of the checks was suggested by Audit in July, 1959. The Railway Administration, however, stated that it was difficult to take a final

decision in the matter without watching the results over a reasonable period of time. According to Audit the average loss due to damages and missing parts during the period 1961-62 was about Rs. 36,400 per month.

South Eastern Railway

In regard to the assessment of the loss due to damages and missing parts in wagons returned from a factory siding at Tatanagar, the instructions issued by the Railway Board in December, 1957, to fix a rate per wagon at an average of the last 6 months figures, and to be revised once a year, had not so far been implemented. Only a lump sum recovery had been made on an *ad hoc* basis at the rate of Rs. 1,000 per month upto 31st March, 1960, and Rs. 2,500 per month from April, 1960 onwards which was very much lower than the average loss suffered by the wagons while in the factory's siding. The net loss to the Railway had been estimated at Rs. 1.20 lakhs during the years 1958-61. In the case of Bhilai and Rourkela Steel Plants, a joint inspection was arranged in November-December, 1961 and March, 1962, respectively, and on the basis of the damages and missing parts noticed in the wagons at these inspections, an average rate per wagon was arrived at. The amounts to be recovered were still under negotiation between the Railway and the Steel Plants.

The Committee were informed that spot checks made by the Eastern Railway Administration had confirmed the experience gained during 1957 to 1959, *viz.*, that a major part of the losses and damages sustained by wagons did not occur in colliery sidings but elsewhere. At the suggestion of the Committee the Member (Transportation) undertook to get the position further reviewed on the basis of investigation of actual losses suffered by the wagons for a period of three months. The Committee would await the result of this review.

As regards the position on the South-Eastern Railway the Committee were informed that the basis for and quantum of recoveries to be effected from the three steel projects were still under negotiation. The Committee may be informed of the final settlement reached in this regard. Meanwhile, they suggest that the Railway Administration should in consultation with the Project authorities devise suitable measures to reduce the incidence of losses due to damages and missing parts of wagons whether in the jurisdiction of the Railways or the Steel Plants as the present position in this respect is far from satisfactory.

Non-utilisation of chlorine tank wagons, para 31.

30. A contract for the purchase of 10 chlorine tank wagons for transport of liquid chlorine was entered into with a British Firm in July, 1963, on the basis of requests for such wagons from some chemical manufacturers and consumers. The Railway Board were aware that in U.K. the tank portion of these wagons was owned by the users themselves, and that their inspection, testing and maintenance required specialised staff and equipment. They had, however, decided not to allow private ownership of tank wagons but to provide such special type of wagons as part of their own stock. Nevertheless, after the contract was entered into, a suggestion was put across to the Indian users to purchase the tank portion from the Railways. This, however, did not find favour with the users. It was too late at that stage to either cancel the orders or to reduce the number of wagons and the order was allowed to stand. The ten chlorine tank wagons were delivered in India during the period from April, 1959 to July, 1960. It was found that none of the manufacturers or users of liquid chlorine were in a position to offer traffic in these wagons for want of proper arrangements at the consuming end for discharging and storing the liquid chlorine received in the tank wagons. Thus the wagons costing in all Rs. 8.5 lakhs remained unutilised for nearly two to three years.

It was urged in evidence that the Railways had all along been against private ownership of wagons because it involved a lot of wasteful effort in shunting and sorting out and empty haulage of wagons. It was only at the instance of one of the private parties that the Railway Board had expressed their willingness to allow the ownership of only the tank portion of the wagon by the firm; the underframe being retained by the Railways. However, in view of the high cost involved the firm backed out of its offer.

The representative of the Ministry, however, informed the Committee that five of these tank wagons had already been put to use and the other five were likely to be brought into use before the end of this year, as chlorine production was going up at various places.

The Committee are not convinced that the Railway Board had taken all reasonable precautions to ensure that, on availability, the wagons were duly utilised. As the order was placed at the instance of the users, it should have been possible to obtain from them guarantees of a minimum amount of traffic. Had this been done, the users would doubtless have made timely arrangements at their end for the discharging and storing of liquid chlorine.

Delay in recovery of advances granted to staff—Para 32

31. On several Railways the advances granted to staff on various accounts, aggregating Rs. 32.62 lakhs had remained unrecovered for a number of years after the expiry of the period prescribed for their recovery, as indicated below:

| Advance | Period to which relates | | | | Total out- standing over 2 years as on 31-3-1962 |
|---|-------------------------|----------|----------|-----------|---|
| | upto 1957-58 | 1958-59 | 1959-60 | 1960-61 | |
| Advances for the purchases of conveyance (other than motor car, motor boat or motor cycle) | 2,12,204 | 1,05,503 | 2,65,222 | | 5,82,929 |
| Advances to non-gazetted staff residing in areas affected by floods, cyclones and other natural calamities of exceptional severity. | 5,64,690 | (—)6,405 | 630 | 6,522 | 5,65,437 |
| Festival Advances | 2,18,441 | 1,23,989 | 1,82,820 | 15,38,257 | 20,63,507 |
| Advances of pay and travelling allowance on transfer | 17,129 | 4,310 | 10,858 | 18,926 | 51,223 |

It was stated in evidence that the outstanding amount to be recovered from the staff had been reduced from Rs. 36.63 lakhs to Rs. 16.2 lakhs. In certain cases, it was explained, when staff was transferred from one place to another the recovery of amount as well as the adjustment thereof got delayed. However, there was no difficulty in recovering the outstanding dues.

The Committee feel that recovery of advances given to the staff should be ensured strictly in accordance with the rules. Laxity in this regard, besides entailing substantial loss of interest to Government also engendered unnecessary risk of some of the outstandings becoming irrecoverable. The Committee, therefore, disapprove of such heavy arrears being allowed to accumulate. The Committee

note that action on the part of the Railway Board has resulted in considerable reduction of the arrears. They hope that such heavy arrears of recoveries will not be allowed to recur.

Northern Railway—Encroachment on Railway land—para 36.

32. A firm in New Delhi had encroached on Railway land on various occasions in 1942 and 1943. The encroachments were subsequently regularised by the Railway Administration. After relinquishing some area the firm executed an agreement in January, 1947 for 1,152 Sq. Yds. at an annual rent of Rs. 2,074. In July, 1950, the firm sublet a portion of the land to another sister concern in violation of the agreement, and also encroached on a further 2,246 Sq. Yds. of land, and built thereon a factory with roads etc. The Committee were also informed during evidence that the Railway land encroached upon was adjacent to a plot of land which had been leased for 99 years by the C.P.W.D. to the firm for the same purpose which was considered a public purpose and the Railway Board felt awkward in taking stringent action. Notices for removal of the encroachment were served by the Railway Administration in November, 1950, and April, 1951, and the agreement was terminated in June, 1951. The filing of a civil suit was considered inadvisable by the Railway Administration on the ground that it would be very lengthy and expensive.

It was after a lapse of more than two years in June, 1953, that the Senior Deputy General Manager of the Railways could be appointed as the "competent authority" under the Government Premises (Eviction) Act, 1950. Even after the "competent authority" was appointed an application for eviction was submitted to him by the Railway Administration only in September, 1954, after a further delay of more than a year.

After protracted correspondence with the firm which took a further period of nearly two years the "competent authority" ordered their eviction in June, 1956. The firm appealed to the Chairman, Railway Board, who was the appellate authority under the Act, and he stayed the eviction order in July, 1956, till the appeal was finally decided. Thereafter, the matter remained under correspondence between the Railway Board and the Railway Administration, and in the meantime the Government Premises (Eviction) Act, 1950, was declared *ultra vires* by the High Courts in 1957.

A new Eviction Act was promulgated by Government in 1958 but notices under this Act for vacation of the land and payment of damages were served by the Railway Administration only in October, 1959 again after a delay of one year. Proceedings under the Act were started in January, 1960, but were again stayed in February, 1962 on the orders of the Chairman, Railway Board. In November, 1962, the Railway Board decided that arrears of rent should be recovered from the firm at "6 per cent of the lease hold value of the land" (though the standing orders stipulate that the 6 per cent of the market value should be charged as rent) and after these are paid, the land may be leased to the firm for a further period of twenty years, the rent being assessed at 6% of the present day value subject to revision every five years to accord with the prevailing market price. In December, 1962, the Northern Railway offered these terms to the firm for acceptance *in toto* and demanded a total payment of Rs. 2,04,815 towards the arrears of rent for a period of 12½ years, advance rent for one year, security deposit and other charges. The firm paid only a sum of Rs. 1,06,037 to cover the arrears of rent upto 31st December, 1962, and made counter proposals for outright sale of the land without agreeing to fresh lease for a further period of twenty years from 1st January, 1963.

The whole episode spread over a period of more than twenty years has left a painful impression on the Committee. It reflects credit neither on the firm nor on the Railway Board and Railway Administration. The firm made a series of encroachments on the Railway land and violated agreements, but the Railway Administration proved quite ineffective in preventing the party from making these encroachments and violating agreements from time to time. There were reluctance and inordinate delays in applying whatever remedies legal or administrative were available to them. Whether it was mere incompetence or worse requires to be fully enquired into and responsibility fixed.

33. As regards the terms of settlement reached with the firm the Committee were informed that the firm had agreed to a fresh lease of the land and to pay rent at the rate of 6% of the present day value of the land which was estimated at Rs. 186 per Sq. Yd. by the Land and Development Office. The Committee were informed that under the standing rules the rent for the land should have been recovered at 6% of the market value of the land. The Committee understand that the normal practice is to take the market value as the free-hold value whereas in this case the Railway Board adopted the "lease-hold value" as the basis for determining the arrears of rent (Free-hold value is understood to be about 1½ times of the lease-hold value). As

is well known, the current market value of the land in this locality would be very much higher than Rs. 186 per Sq. Yd. The Committee, therefore, desire that the position may be reviewed in consultation with Audit to ensure that the settlement is in keeping with the standing rules and does not involve any financial loss to the Railways.

Northeast Frontier Railway—Loss in acquisition of land—para 37.

34. On a request from the Railway Administration, the State Government issued a notification in February, 1952, for permanent acquisition of a plot of land, already under occupation of the Railway on a rental basis. The Civil Authority fixed the compensation at Rs. 10,000 per bigha but this was considered very high and hence not accepted by the Railway. In February, 1954, the owners offered a reduced price of Rs. 8,000 per bigha, but this also was considered to be on the high side. Therefore, instead of acquiring the land, it was decided with the approval of the Railway Board to increase the annual rent from Rs. 90.00 to Rs. 200 per bigha from 1st April, 1954 till the release of the land by the Railway Administration by securing an alternate plot of land. The acquisition proceedings were withdrawn by the State Government in February, 1956. In October, 1955, however, the rate of Rs. 8,000 per bigha was considered reasonable and recommended by the District Engineer for acceptance. The Railway Administration approached the Board in September, 1956, who pointed out in March, 1959, that the General Manager himself was competent to sanction the acquisition of land. The land owner's offer of Rs. 8,000 per bigha had, however, expired on the 3rd December, 1956. Fresh acquisition proposals were submitted to the State Government in September, 1959, and the compensation at Rs. 10,000 per bigha fixed again by the Civil Authority in February, 1960, was accepted by the Railway involving payment of an additional sum of Rs. 34,155. The valuation had been accepted by the land owners under protest and references filed by them were pending in the court.

The representative of the Ministry of Railways explained to the Committee in evidence that about the period 1952 land in a nearby village had been acquired by the Industrial Corporation at Rs. 3,000 per bigha. The Railway Administration, therefore, felt that the assessment made by the Revenue Authorities was high. Subsequently, however, heavy floods and erosion of land took place in 1953-54 which affected availability of suitable plots of land and raised their value. That was why in the year 1956 the Railway Administration accepted the offer of Rs. 8,000 per bigha. The Committee are, however, not satisfied with the manner in which this case was processed both in the Railway Administration and the Railway Board. When the recommendation of the District Engineer was available in

October, 1955 and it was still under consideration the Committee do not understand why no attempt was made by the Railway Administration to stop the withdrawal of proceedings by the State Government in February, 1956. The Committee, further, understand that in November, 1956 when the High Court wanted to know before 3-12-1956, whether the Railway Administration still wanted to pursue the acquisition proceedings, there was no response from the Railway Administration. The Committee note with regret these lapses on the part of the Administration. They are also surprised at the delay of 2½ years on the part of the Railway Board in replying to the reference from the Railway Administration.

Eastern Railway—Undercharges and freight outstanding against a firm—para 38.

35. Undercharges and freight amounting to over Rs. 60,000 were outstanding for over 9 years against a firm enjoying credit note facilities.

Although the chargeable rate of petroleum coke from Digboi to Anupnagar Siding was increased from Rs. 18-10-5 to 84-14-9 per ton from 1st July, 1951 the forwarding station continued to book it at the old rate upto June, 1952. The destination station could not detect the undercharges before delivering the consignments to the party, as it came to know of the revised rate only on 29th September, 1951. In a few cases, there was also failure of the staff to recover the correct undercharges even during the subsequent period. The total undercharges for the period from July, 1951 to June, 1952, amounted to Rs. 45,037. In addition, freight and undercharges amounting to about Rs. 15,000 relating to this and other commodities consigned to the firm's siding mainly pertaining to the period 1951-52 were also outstanding. The advisability of filing a suit against the firm was considered but the Law Officer of the Railway opined in May, 1959, that the Railway could file a suit for recovery of the freight charges but not for the recovery of undercharges. According to the opinion of the Ministry of Law, however, which was communicated to the Railway Administration in October, 1961, the Railway was free to recover all its dues from the firm.

The Committee were informed that the correction slip notifying the change in freight rate was issued by the Indian Railway Conference Association in June, 1951, but its circulation was delayed in different offices. The actual dates of receipt of the communication at the Stations concerned were not ascertainable as there was no proper system of recording receipt and despatch of communications on the Railway at that time and that was why no responsibility

could be fixed for the delay in this case. The Committee were assured that the procedural defects had since been rectified. **The Committee regret to observe the delays at different stages in the circulation of the correction slip and in enforcing revised freight rates by the Railway Administration, which placed them in an unenviable position, making the recovery of dues difficult. They were surprised to learn that there was no proper system of recording receipt and despatch of communications on the Railway in the past. They trust that with the adoption of suitable remedial measures such contingencies will not arise in future. The Committee suggest that the Railway Board should issue suitable instructions to the Railway Administrations to make periodical checks to ensure that correction slips incorporating changes in freight etc. are received by all the stations well in time.**

36. As regards the recovery of the amount, the Committee were informed that the matter was still under negotiation between the Railway Administration and the firm. A civil suit had not been filed so far. **The Committee do not understand the need for such prolonged negotiations with the firm who had already stalled recovery for more than a decade. They are of the opinion that legal action should not be delayed any further.**

Eastern Railway—Delay in recovery of Railway dues—para 39.

37. A sum of Rs. 26,386 pertaining to the period December, 1950, to October, 1956, on account of supply of water and the cost of gate-keepers employed at the level crossing was outstanding against a private distillery. Although the firm failed to pay these dues from December, 1950, onwards apart from routine correspondence, no action was taken either to discontinue the services or initiate legal proceedings for the recovery of the dues. Supply of water was discontinued in October, 1955, but was resumed in March, 1956, when a part payment of Rs. 2,000 was received in February, 1956, and the firm promised to clear the arrears in monthly instalments of Rs. 2,000 each. As the firm failed to fulfil this promise, the supply was finally discontinued in June, 1956. The distillery closed down in November, 1956 and subsequent efforts brought forth a further remittance of only Rs. 2,500 in August, 1958; the balance of Rs. 23,886 still remained outstanding. A sum of Rs. 968 was also due from this firm towards interest and maintenance charges on the siding for the period from 1948-49 to 1960-61.

The case was referred to the Law Officer for the first time in April, 1958 and a legal notice was served after another year, in April, 1959.

The representative of the Railway Board admitted in evidence that there had been a delay in taking action to effect recovery of Railway dues in this case. He added that the only consideration perhaps was that for a period of 35 years upto 1951 the firm had been paying their dues regularly. A civil suit had since been filed and the Court's decision was awaited.

As for the delay in making a reference to the Law Officer, it was stated that the original agreement pertaining to the year 1916 was not readily available.

The Committee regret to observe the continued failure on the part of the Railway Administration to take suitable action against the firm which resulted in accumulation of dues for about six years and their non-recovery during a further period of seven years. The Committee trust that the Railway Administration will be more prompt and vigilant in collecting their dues in future.

South Eastern Railway—Arbitration cases—Para 40.

38. In this Railway, as many as 107 cases, involving claims for about Rs. 140 lakhs by the contractors, were referred to arbitration during a period of about three years upto September, 1962. Awards given in 52 cases, covering a claim of Rs. 41.66 lakhs resulted in a payment of Rs. 18.29 lakhs to the contractors.

The two main types of cases in which arbitration was resorted to were:—

- (i) recoveries made from the contractors on account of subsequent upward revision of the classification of soils made by the District Engineers, the contractors' claim being that in terms of agreements, the classification once made by the District Engineers was final and could not be revised subsequently; and
- (ii) contractors claiming damages, or enhanced rates stipulated in the agreements for accelerated completion of certain works, (although the works were not completed by the stipulated target dates) on the ground that the delays in completion were due to defaults on the part of the Railways.

An expenditure of about Rs. 12,500 had so far been incurred by way of arbitration fees, lawyer's fees etc. in addition to maintaining a special establishment to deal with these cases.

The Committee were informed that most of the disputes pertained to the first category. The Railway officials who were found responsible for the irregular classification of earth-work had since been dealt with suitably. The future contracts had also been modified suitably to avoid these disputes. In the opinion of the Committee the fact that as much as 43% of the amounts claimed by the contractors were allowed by the arbitrators inspite of the fact that the arbitrators appointed were either retired Railway officers or senior officers serving other Railway Administrations. Indicates that either the claims of the contractors were not examined properly at the initial stages or the Railways' case was not put forward properly before the arbitrator. They would like the Railway Board to review these cases decreed against the Railways with a view to find out weaknesses to be remedied and to fix responsibility, where necessary.

39. In order to get an idea about the general trend of the number of cases referred to Arbitration, the Committee desired to have details of such cases, railwaywise during the last three financial years. The statement furnished by the Railway Board is enclosed as Appendix VIII. From the perusal of this statement, the Committee find that in addition to the South Eastern Railway, the position on the Northern Railway is also unsatisfactory. The proposed review should apply to the Arbitration cases on the Northern Railway also.

North Eastern Railway—Suspected fraudulent payment of stores bills—para 42.

40. 16 bills amounting to Rs. 1.69 lakhs were paid to a firm in respect of supplies which were neither ordered nor received by the Railway. The payments were spread over a period of more than 10 years starting from November, 1951. The fraud was detected during the course of re-conciliation of Registers in December, 1961, arrears in which were being overtaken in pursuance of directions issued by the Railway Board in October, 1960, to clear the difference between balances as per general books and as per the purchase accounts. The Clerk who was checking all these bills was under suspension and criminal prosecution had been launched against him as a result of investigation by the Special Police Establishment.

According to Audit the perpetration of the fraud had been facilitated by the fact that purchase accounts were not being reconciled properly with the General Books and consequently the proving of balances against individual items in the purchase accounts was in arrears. The generally unsatisfactory state of Stores Accounts, on the North Eastern (ex O. T.) Railway was brought out in Paragraph

22 of the Railway Audit Report, 1955. The Railway Board had then explained to Audit that the Accounts Staff had been augmented since January, 1954 at a cost of Rs. 6000 per month, for overtaking the arrears and maintaining the new registers upto-date. Apparently this was not done properly. **The Committee feel concerned to note that the unsatisfactory state of Accounts was allowed to continue for such a long period which facilitated the fraud. They would like to be informed of the final outcome of the case. That the fraud of this magnitude was allowed to be committed for over a long period of 10 years shows a deplorable lack of vigilance on the part of the Administration.**

IV

OUTSTANDING RECOMMENDATIONS

41. The Committee will now proceed to deal with some of the more important items outstanding from their previous Reports on Railway Accounts.

42. Replies received from the Ministry of Railways (Railway Board) and other Ministries/Departments showing action taken or proposed to be taken on the recommendations of the Committee pertaining to Railway Accounts have been included in Part III to this Report. **The Committee note that in the following cases the replies furnished by the Ministry are of an interim nature and would therefore await a further report thereon:**

1. Para 48 of 40th Report (1961-62).
2. Para 58 of 40th Report (1961-62).
3. Para 21 of 1st Report (1962-63).
4. Para 26 of 1st Report (1962-63).
5. Para 58 of 1st Report (1962-63).
6. Para 60 of 1st Report (1962-63).
7. Para 65 of 1st Report (1962-63).
8. Para 78 of 1st Report (1962-63).
9. Para 82 of 1st Report (1962-63).

Import of wooden sleepers—defective supplies—Imports from U.S.A. Para 16 of 40th Report of PAC (1961-62).

43. In this case wooden sleepers costing about Rs. 65 lakhs supplied by a firm in U.S.A. were reported to be defective. The Committee (1961-62) were informed that the question of claiming suitable damages from the suppliers was under consideration of the Government. In a *note furnished by the Ministry of Railways (Railway Board) it was stated that the case was referred to an arbitrator appointed under the terms of the contract. The firm having refused to take part in the proceedings the arbitrator proceeded *ex parte* and had upheld the Railway's claim on all the counts. In evidence the Committee were further informed that there was no response from

*Appendix IX.

the suppliers in regard to the award given by the arbitrator and the Railway had filed a petition in a law court for the grant of a decree to enable them to enforce their claims. Meanwhile the sleepers which were hitherto being kept in storage were being utilised after suitable treatment. **The Committee would like to be informed of the final outcome of this case.**

Loss of revenue in the absence of proper weighment facilities paras 65-66 of 40th Report (1961-62).

44. A case of leakage of revenue due to overloading of wagons in the absence of weighbridge facilities was examined by the Committee (1961-62). The Audit Report (Railways), 1961 brought out the following aspects:—

- (i) The staff who were expected to put a loading mark on each wagon to adjust the cubical contents had seldom done so.
- (ii) The Distt. Mechanical Engineer had reported that excess loading was as much as 6 to 7 tons per wagon in some cases. He also recommended that strong action should be taken against the staff responsible for the overloading, particularly as the overloading was likely to result in serious accidents.

The Committee therefore felt that this case disclosed gross neglect of the financial interest of the Railways which required investigation and fixation of responsibility. In a note* submitted to the Committee it has been pleaded that over-loading was to the extent of 1 to 2 tons per wagon and that chances of accidents were insignificant. On further examination, it was stated before the Committee in evidence that in certain cases markings could not be put in the wagon because sufficient staff was not available at the station. Besides, the density of the ore varied to such an extent that it was not possible to have exact loading. **The Committee are not satisfied with this explanation. In their opinion the Railway staff could mark different scales of measurement in each wagon for loading different types of material and insist on the consignors to load according to scale. The witness stated that the best solution to the problem would be to provide weighbridges. In the cases where weighment was not feasible, he agreed to issue suitable instructions on the lines suggested. The Committee have come across another case of loss resulting from incorrect markings in wagons which they have commented in paras 25-26 of this Report. They trust that the Railway Board will ensure that such mistakes do not recur.**

*Appendix X.

Irregular classification of earth work para 92 of 40th Report

45. The Public Accounts Committee (1960-61), while commenting upon three cases of overpayments to contractors in certain construction projects as a result of upward revision of classification of the soil had recommended that the Railways should procure the services of suitable non-Railway Engineers for appointment on their Vigilance Cells. The Committee (1961-62) further stated that considering the widespread nature of irregularities and the extent of losses suffered by the Railway Undertaking, it is in the interests of Government as a whole to arrange for the services of competent non-Railway engineers to serve on the Railways Vigilance Organisation. In the course of evidence the Committee were informed of the efforts made by the Railway Board to secure the services of non-Railway engineers. They could not so far get the right type of persons. It had since been decided to upgrade the posts and it was expected that officers with the requisite experience would be found to fill them. **The Committee would like to be informed of the progress made in this regard.**

V

GENERAL

46. While dealing with the matters contained in the Audit Report Railways—1963, the Committee came across a number of instances* where references made to the Railway Board were considerably delayed. The Committee, therefore, suggest that the procedure for dealing with references made to the Railway Board should be studied by the O. & M. team or the Efficiency Bureau in the Railway Board's Office, who should thereafter fix suitable time-limits for disposal of such cases. Separate time-limits may be fixed for cases involving references to (i) one Railway Directorate only, (ii) more than one directorate, and (iii) inter-Ministerial references. Cases which are delayed beyond these limits should automatically come for review before the full Board.

NEW DELHI;

MAHABIR TYAGI,

Dated, the 3rd September, 1963.

Chairman,

Bhadra, 12, 1885 (Saka).

Public Accounts Committee.

*See for instances, paras 16, 36, 37, of Audit Report.

APPENDICES

SECRET

APPENDIX I
MINISTRY OF RAILWAYS

(RAILWAY BOARD)

Explanatory Notes on Excesses over Voted Grants and Charged Appropriations during 1961-62 shown in para 9 (pages 6-7) of Audit Report, Railways, 1963.

In the year 1961-62, the actual expenditure exceeded the grants voted by Parliament only in two cases, and the charged Appropriations in four cases. The table below gives a comparison with the previous four years, giving the aggregate amount of the excesses:

(Figures in thousands of rupees)

| Year | Voted Grants | | Charged Appropriations | |
|---------|------------------------|--|---------------------------------|--|
| | No. of Grants Affected | Aggregate Amount of Excesses in Thousands of Rupees. | No. of Appropriations Affected. | Aggregate Amount of Excesses in thousands of Rupees. |
| 1957-58 | 9 | 17,34.83 | 3 | 1.06 |
| 1958-59 | 3 | 58.02 | 3 | 30 |
| 1959-60 | 3 | 51.99 | 4 | 3.03 |
| 1960-61 | 1 | 13,58.90 | 6 | 2.20 |
| 1961-62 | 2 | 7,18.49 | 4 | 1.23 |

2. Broadly it will be seen that there is not only an improvement, on the whole, in 1961-62, as compared to 1960-61, but also that the more significant of the two excesses over the voted grants, as explained in the following sub-paragraph, is the net effect of gross earnings and revenue expenses i.e. net railway surplus appropriated to Development Fund and is not an excess over an expenditure grant as such.

Of the two excesses over voted grants, in 1961-62, one is a minor excess of about Rs. 14 thousands over 'Grant No. 3—Payments to Worked Lines and Others'; the other is an excess of Rs. 7,18,35 thousand over 'Grant No. 20—Appropriation to Development Fund', which covers the transfer of the net surplus of the Railway Undertaking, for the year, to the Railway Development Fund.

3. Detailed explanations for the various excesses under both voted grants and under charged appropriations, are given in the succeeding paragraphs. These explanations have reference to the figures shown in para 62 of App. Accounts 1961-62-Part I—Review and Para 9 of the Audit Report, Railways, 1963. These are reproduced, for facility of ready reference, in Annexures 'A' and 'B' to these Notes. The excesses as appearing in the aforesaid publications require to be regularised. It may be added that there were no misclassifications under these grants and appropriations affecting the excesses under consideration.

I.—Excess of Rs. 13,926 under Grant No. 3—Revenue—Payments to Worked Lines and Others.

This grant relates to expenditure on (i) payments to owners of branch lines worked by and as part of the Indian Government Railways system, of their net earnings and (ii) payment of 'subsidy' in respect of lines owned and worked by certain private companies when their share of earnings does not give the return guaranteed to them on their capital. These payments are regulated by the relevant contracts.

The excess of about Rs. 14 thousand works out to less than 0.5% of the final grant of Rs. 29,35 thousand, and consists of a small excess of about Rs. 39 thousand under 'net earnings payable to worked lines' and a minor saving of about Rs. 25 thousand under 'Subsidy and Rebate'. These variations are the aggregate of minor excesses/savings resulting from small un-avoidable fluctuations in the earnings and working expenses of a number of lines and call for no special remarks.

II.—Excess of Rs. 7,18,35,041 under Grant No. 20—Appropriation to Development Fund.

This grant relates to the annual appropriation to the Development Fund out of the surplus for the year. In dealing with the excess over this grant, therefore, allowance has to be made for the fact that the quantum of the net Railway surplus represents the net effect of the various factors affecting the Railway Budget, precise control over which is not practicable. In other words, the increase in the amount of actual surplus, over the anticipations, although technically an excess over the grant, is in fact the net result of short fall in revenue working expenses and improvement in gross traffic receipts.

In the original budget, a surplus of Rs. 8,64 lakhs was anticipated for the year, which was proposed to be appropriated to the Develop-

ment Fund. Besides this surplus, this grant also provided for further appropriation to the Development Fund by withdrawal from Revenue Reserve Fund Grant No. 22 in accordance with the accepted recommendations of the Railway Convention Committee, 1960, according to which the aggregate outstanding liability of the Railway Development Fund to the General Revenues as on 31st March, 1961, on account of temporary loans obtained from General Finance in the years 1958-61 was to be liquidated in 1961-62 so that the Third Plan period should start with a clean slate. This liquidation of liability to General Finance was to be effected by an *ad hoc* write back adjustment (*i.e.* transfer) of expenditure from Development Fund to Capital, on "un-remunerative" new lines (*i.e.* not directly remunerative in the sense of being expected to yield 5 per cent net return on outlay) under construction on 1st April, 1955 which was hitherto charged to Development Fund; any residual liability of this fund to the General Finance, still remaining after the aforesaid transfer, was to be repaid from out of the balances in the Revenue Reserve Fund. The original Budget provided for a withdrawal, from the Revenue Reserve Fund of Rs. 8.57 lakhs to the Development Fund together with the original anticipated surplus of Rs. 8.64 lakhs to be directly appropriated to the Development Fund, so that the anticipation of total appropriation to Development Fund, at the time of original budget, was about Rs. 17.22 lakhs.

The actual surplus for the year, however, came to the higher figure of Rs. 24.40 lakhs; this amount was appropriated wholly to the Development Fund, thus causing an excess of about Rs. 7.18 lakhs over the voted grant without the need to effect a transfer from the Revenue Reserve Fund to Development Fund as provided in the original Budget.

The aforesaid increase of Rs. 7.18 lakhs resulted chiefly from:—

- (i) Shortfall in ordinary working expenses (Rs. 7.15 lakhs), owing to a variety of reasons such as:—
 - (a) Shortfall in expenditure on repairs and maintenance of rolling stock and other railway installations etc., due to utilisation of reconditioned and reclaimed materials; strict regulation of staff expenditure in relation to actual requirements of traffic etc. and also due to the effect of economy measures being greater than anticipated.
 - (b) shortfall in payments of compensation claims for goods lost or damaged, which resulted from the fact that the common carrier liability was assumed from 1st Janu-

ary, 62 against 1st April, 1961 as originally anticipated, due to the time that was actually taken in putting through the necessary legislation;

- (ii) Less payment to the General Revenues by way of dividend on loan Capital (Rs. 2,49 lakhs) resulting mainly from the fact that the Capital Outlay going into the calculation of the aforesaid dividend, was less than anticipated in the original budget. The shortfall in capital outlay during 1961-62 was due chiefly to progress of structural works and procurement of certain rolling stock on additional account not coming upto original anticipations, due to time unavoidably taken in the negotiations, etc. There was also a shortfall of Rs. 12.45 crores in the expenditure on the D. B. K. Railway Project partly due to substantial changes in alignment and regrading, revision in the designs of bridges etc. (Rs. 6.50 crores) and partly due to retardation of works in the prolonged monsoon period, non receipt of materials, delay in finalisation of contracts etc. (Rs. 5.95 crores).
- (iii) Reduced expenditure on Revenue Open Line Works (Rs. 2,40 lakhs), as a result of postponement or rephasing of works, non-finalisation of plans and estimates and shortfall in supply of materials etc.
- (iv) Improvement in Misc. Railway Receipts (Rs. 2,30 lakhs), due chiefly to the fortuitous accretion to this head, during the year, of the Government Contribution to the Provident Fund accounts of staff opting for the pension scheme of retirement benefits consequent on the post-budget extension of the period within which the staff could exercise an option to be governed by either the contributory provident fund or the pension scheme.
- (v) Improvement in gross traffic receipts (Rs. 1,49 lakhs), and increase in miscellaneous expenditure (Rs. 7 lakhs).

III.—Excess of Rs. 451 over charged Appropriation No. 5—Revenue Working Expenses—Repairs & Maintenance.

For the purpose of covering payment in respect of certain court decrees arising during the course of the year, a provision rounded off to Rs. 14,000 (Rs. 1,000 for the Central Railway and Rs. 13,000 for the Northern Railway) was made through Supplementary appropriation. The actual expenditure books up to the close of the year's accounts was, however, Rs. 14,451 (Rs. 1,165 on the Central Railway and Rs. 13,286 on the Northern Railway) which resulted in

a small excess of Rs. 451 over the rounded off supplementary appropriation.

IV (i) *Excess of Rs. 20,307 over App. No. 6—Revenue Working Expenses—Operating Staff.*

(ii) *Excess of Rs. 3,972 over App. No. 7—Revenue Working Expenses—Operation (Fuel).*

Bills in respect of payments in satisfaction of court decrees, were booked in the first instance erroneously under 'voted' instead of 'charged', during the course of the year; the errors came to notice only during the closing month of the year and in certain cases after 31-3-62, and amounts were not included in the supplementary demands. The mistakes in classification were, however, set right, and the expenditure transferred under 'charged' before the final closing of the accounts for the year 1961-62, despite the absence of provision under charged appropriations, in pursuance of the rule that the correct classification has to be followed in the accounts irrespective of whether or not the budget provision was made under the correct head.

V.—*Excess of Rs. 98,679 over Appropriation 17—Open Line Works—Replacements.*

Certain payments amounting to Rs. 2,72 thousand were made during the year to contractors on 'Godhra Ratlam Doubling Project' in satisfaction of arbitrator's awards but the provision therefor was omitted to be made through inadvertence. Another amount of Rs. 62 thousand was similarly paid towards the end of March, 1962, but the necessary provision to cover this expenditure was also not asked for by the Railway Administration. A part of this aggregate amount of Rs. 3,34 thousand was covered by a saving of about Rs. 2,36 thousand on another Railway leaving the aforesaid excess of Rs. 98,679.

This has been seen by Audit.

Director, Finance, Railway Board.

ANNEXURE 'A'

Statement showing Excesses over Charged Appropriations as shown in Para 9 of the Railway Audit Report, 1963 as well as excesses worked out after taking into account, items of Misclassifications.

(Figures in Units of Rupees)

| Sl. No. | No. and name of Grant | Original Grant | Supplementary Grant | Final Grant | Expenditure | Excess | Real Excess after taking into account Misclassifications | %age of excess |
|---------|---|----------------|---------------------|--------------|--------------|-------------|--|----------------|
| 1. | 3—Revenue—Payments to Worked Lines and others | 23,79,000 | 5,56,000 | 29,35,000 | 29,48,926 | 13,926 | 13,926 | 0.5 |
| 2. | 20—Appropriation to Development Fund | 17,21,57,000 | .. | 17,21,57,000 | 24,39,92,041 | 7,18,35,041 | 7,18,35,041 | 41.7 |

NOTE :—There was no misclassification relating to the Voted Grants enumerated above.

ANNEXURE 'B'

Statement showing Excesses over Charged Appropriations as shown in Para 9 of the Railway Audit Report, 1963 as well as excesses worked out after taking into account, items of Misclassifications.

(Figures in Units of Rupees)

| Sl. No. | No. and name of Ap-propriation | Original Appropriation | Supplemen-tary Appropriation | Final Appropriation | Expenditure | Excess | Real excess after taking into account misclassifica-tions | %age of Excess |
|---------|--|------------------------|------------------------------|---------------------|-------------|--------|---|----------------|
| 1. | 5—Revenue— Working Expenses — Repairs and Main- tenance . . . | .. | 14,000 | 14,000 | 14,451 | 451 | 451 | 3.2 |
| 2. | 6—Revenue— Working Expenses— Operating Staff . . | .. | 42,000 | 42,000 | 62,307 | 20,307 | 20,307 | 48.4 |
| 3. | 7—Revenue— Working Expenses— Operating (Fuel) . . | .. | .. | .. | 3,972 | 3,972 | 3,972 | 100 |
| 4. | 17—Open Line Works— Replacements . . . | .. | 3,15,000 | 3,15,000 | 4,13,679 | 98,679 | 98,679 | 31.3 |

NOTE :—There was no misclassification relating to the charged Appropriations enumerated above.

APPENDIX II
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

Note

Para 10 of Audit Report (Railways)—1963—Interest free overdrafts to Branch Line Companies.

The Committee have asked for a detailed Note on the feasibility and financial implications of purchase of the light railways by the Government for operation as part of the Indian Government Railway system.

2. Statements 'A' & 'B' attached herewith are self-explanatory.

Statement 'A' brings out the financial implications of the purchase of the three light railways by the Government if these railways are to be worked in their present form as narrow gauge railways.

In the past, the Ministry of Railways had also considered the financial implications of the alternative of purchase of the light railways by the Government for the purpose of conversion to broad gauge and running as part of the Indian Government Railways Broad Gauge System. The financial implications of this alternative, bringing the figures upto date with reference to the accounts of the latest year for which final figures are available (1961-62), are brought out in Statement 'B'.

Annexure 'A', 'B' & 'C' to Statement 'A' equally apply to Statement 'B', and indicate the interest on overdrafts allowed to these branch line companies which, it was suggested by the Public Accounts Committee, should be formally charged in the accounts. The financial effect of such a charge of interest on overdrafts is brought out in both statements 'A' & 'B'.

3. Relevant extracts are also enclosed from a note—containing certain general observations in regard to these three light railways—which was supplied in 1960-61 by the Eastern Railway authorities to the Committee on Transport Policy and Co-ordination. It will be seen that, according to these observations, the BK and AK Light Railways can be conveniently replaced by organised road transport

services when road services are instituted in the region of the A.K. Light Railway; also the provision of road transport services as an alternative to B.K. Light Railway is to be examined by the State Government of West Bengal towards the end of Third Plan Period. As regards the BDR Light Railway, it will be seen that, according to the observations furnished to the Committee on Transport Policy and Co-ordination, the best solution is for dismantlement of the Railway and its replacement by organised road transport service.

Encl: Statements 'A' & 'B'.

STATEMENT 'A'

Financial implications of purchase by the Government, from the owning private railway companies concerned, of the

- | | |
|--|----------------|
| (1) Ahmedpur-Katwa Railway | (A.K. Railway) |
| (2) Burdwan-Katwa Railway | (B.K. Railway) |
| (3) Bankura Damodar River Rly. | (B.D.R. Rly.) |
- for working by the Government as Narrow Gauge (light) railways.*

| | A.K. Railway | B.K. Railway | B.D.R. Railway | |
|---|-----------------|------------------|-------------------|----|
| | Rs. | Rs. | Rs. | |
| I. Existing position : | | | | |
| (1) Capital outlay of the Railway Company upto the end of March, 1962 which is the purchase price payable for 'ordinary purchase' if made on the dates and after the intervals stipulated under the contract | 22,31,986 | 23,84,055* | 44,14,069 | 52 |
| (2) Gross earnings (1961-62) | 7,30,080 | 5,68,580 | 8,60,421 | |
| (3) Working expenses of the Light Railways (1961-62) | 9,82,504 | 8,75,756 | 1,32,645 | |
| II. Basis on which Working expenses under Government ownership & management can be worked out. | | | | |
| (4) (a) Working expenses, per train km. of the Narrow Gauge section of S.E. Railway—taken as a basis to compute what the working expenses of the private railways will be when owned and worked by the Government (on Government standards of maintenance and operation and Government rates of remuneration to staff). | 6.19 | 6.19 | 6.19 | |
| (b) Total train Kms. (1961-62) | 2,34,498 kms | 2,35,029 kms. | 2,30,613 kms. | |

III. *Position as it is likely to be under Government ownership and management*

| | | | |
|--|-----------|-----------|-----------|
| (5) (i) Adjusted working expenses, excluding contribution to Depreciation Reserve Fund, of the Light Railways if owned and worked by the Government, on the basis of items 4(a) and (b) above— as against the existing working expenses shown vide item (3) above. | 14,51,543 | 14,54,829 | 1,27,494 |
| (ii) Contribution to Depreciation Reserve Fund at 1/40th of the capital outlay. | 55,800 | 59,601 | 1,10,352 |
| (iii) Adjusted total working expenses, including depreciation provision, of the Light Railways if owned and worked by the Government. Item 5(i) plus item 5(ii) | 15,07,343 | 15,14,430 | 15,37,846 |
| (6) Estimated annual loss of the Light Railways if owned and worked by the Government. Item 5(iii) less item (2) | 7,77,263 | 9,45,850 | 6,77,425 |

IV. *Compariso :*

| | | | |
|---|----------|----------|----------|
| (7) (a) Subsidy now paid by the Government to the Light Railway Companies (1961-62) | 3,38,099 | 4,06,576 | 6,20,443 |
| (b) Income tax now paid by the Railway Companies to the Government (1961-62) | 30,170 | 31,150 | 59,500 |
| (c) Dividend now paid by the Railway Companies on the shares held by the Government (Railway Board) in the Companies' capital structure (1961-62) | 3,500 | Nil | 5,000 |

N.B.—Explanatory notes to this statement are appended in separate sheets.

*In addition to this amount, a sum of Rs. 1,50,157 is borne as "Current Assets" under stores and spare parts.

| | A. K. Railway | B.K. Railway | B.D.R. Railway |
|---|----------------------------|-----------------------------|-----------------------------|
| | Rs. | Rs. | Rs. |
| (8) Present net cost to Government as a whole. Item 7 (a) less item 7(b) + 7(c). | 3,04,429 | 3,75,426 | 5,55,943 |
| (9) Additional liability (over and above working expenses and depreciation) that will devolve on the Government by the acquiring of the Light Railways by way of interest on the capital investment of purchase at the average borrowing rate of 3.77% applicable at present**. | 84,150 | 89,877 | 1,66,410 |
| (10) Estimate of net aggregate financial disadvantage to the Government annually by the purchase of the Light Railways, — as compared to the payment of subsidy to Light Railway Companies under the existing arrangements. Item (6) plus item (9) less item (8). | 5,56,984 less 2,744† | 6,60,301 less 10,381† | 2,87,892 less 30,974† |

**Interest has been taken merely at Government's borrowing rate of 3.77% and not at 4½% as the Railways would in fact have to pay to General Revenues, if these railways were acquired by increasing the capital at charge of the Railway.

†Computed interest on overdrafts allowed to the Branch Line Companies, which will increase the figure of subsidy payable by the Government to the Company Railways, and thus correspondingly reduce the financial disadvantage of purchase of these Railways by the Government.

Explanatory foot-notes to Statement 'A'

(a) The above calculations are from the point of view of the Government of India as a whole, taking the additional liability by way of interest on the capital investment at government's average borrowing rate—by purchase of these private Railways, though strictly even a higher rate of interest—at the current rate of about 4 per cent—can be adopted in which case the financial disadvantage to the government, through purchase & working of these Railways, will further increase. In addition to the interest liability, the Government of India will lose (i) income-tax now received from the Railway Companies, and (ii) dividend on shares of the Railway Companies held by the Government.

(b) Taking the position only with reference to Railway Revenues, loss of income-tax will not figure in the Railway's accounts; but against this, there will be a higher liability than just interest charges, on account of dividend on railway capital at $4\frac{1}{2}\%$ payable by Railway Revenues to the General Exchequer. The net result will not, therefore, substantially differ from the financial effect shown in note (a) above.

(c) In this statement, the gross earnings accruing on the Light Railways at present, namely, the figures shown against item (2), have been retained also as the gross earnings that will accrue from these Railways after their purchase by the Government. This is on the consideration that, while the working expenses will increase under government management by the adoption of Government Railways' scales of pay & allowances, improved standards of maintenance & operation etc., there will be no appreciable overall alteration in the gross earnings. Passenger earnings constitute about 70% of the total earnings on the A.K. and B.D.R. Railways, and about 85% in the case of B.K. Railway. The passenger fares on the light railways are somewhat higher than on the Indian Government Railways and to that extent there will be a reduction in the earnings as a result of nationalisation of the Railways; but this is expected to be made up by a small increase in earnings through improved management leading to increased traffic, less leakage of revenue, etc.

(d) The "adjusted working expenses" of the light railways under Government ownership and management have been computed by taking the working expenses per train kilometer of comparable sec-

tion, viz., *narrow gauge* section of South Eastern Railway. Even if allowance is made for the reduction in the overhead expenses of the Light Railways, on their purchase by the Government and their merger in existing Indian Government Railways & even if allowance is made for some economies through improved management & operation, etc., the estimate of the annual financial disadvantage to the Government by the purchase of the Light Railways will not disappear.

A relevant point in this context was raised by the Public Accounts Committee and the Comptroller & Auditor General, during the sittings of the Committee from 9th to 12th July, 1963, namely, that interest on overdrafts allowed to the railway companies should be charged. The finances of the Government will not be affected thereby as the subsidy payable by the Government will correspondingly increase, but a view was expressed that such interest should be formally charged in the Accounts. The assessment of this interest figure for 1961-62, in the case of A.K., B.K., and B.D.R. Railway Companies Limited, will be Rs. 2,744; 10,381; and 30,974 respectively *vide* statements attached as Annexures 'A', 'B' & 'C' to this statement. To the extent of the aforesaid interest figures, subsidy payable by the Government to the Railway Companies will increase and to same extent there will be increase in the financial saving to the Government by acquiring light railways shown against item (8) (d). In other words, the foregoing amounts of interest will reduce the annual financial disadvantage to the Government by the purchase of the light railways. As, however, the interest on overdrafts is only of the order of Rs. 30,000 and less, the estimate of annual financial disadvantage to the Government, by the purchase of the light railways, shown in this statement, running into a few lakhs of rupees per year, is not substantially reduced.

(e) Depreciation provision is calculated at 1/40th of the Capital as is reasonable for such Railway assets, (though even a higher figure could be justified in which case the financial disadvantage to the government as a result of nationalisation of these railways will further increase).

STATEMENT 'B'

Financial implications of purchase by the Government, from the owing private railway companies concerned, of the

- (1) Ahmedpur-Katwa Railway (A.K. Rly.)
 (2) Burdwan-Katwa Railway (B. K. Rly.)
 (3) Bankura Damodar River Rly. (B.D.R. Rly.)

for conversion into broad gauge lines and operating them as part of the broad gauge system of the Indian Government Railways.

| | A.K. Railway | B.K. Railway | B.D.R. Railway |
|---|-----------------|-----------------|-------------------|
| | Rs. | Rs. | Rs. |
| (1) (a) Capital outlay of the Railway Company upto the end of March, 1962, which is the purchase price payable for 'ordinary purchase' if made on the dates and after the intervals stipulated under the Contract | 22,31,986 | 23,84,055* | 44,14,069 |
| (b) Estimate of present day cost of conversion of the Light Railway, on the 'basis' of utilisation of second hand broad gauge permanent way materials, including interest on Capital during construction, less credit for value of materials released | 1,35,40,080 | 1,19,05,652 | 2,74,86,589 |
| (c) Total capital investment—(a) + (b). | 1,57,72,066 | 1,42,89,707 | 19,00,658 |
| (2) Gross earnings of the Light Railway (1961-62): | | | |
| (a) Passenger | 5,02,386 | 4,75,136 | 5,76,297 |
| (b) Other coaching (<i>viz.</i> parcels, livestock etc.) | 20,859 | 18,412 | 25,117 |
| (c) Goods (including a small amount representing miscellaneous earnings. | 2,06,835 | 75,032 | 2,59,007 |
| TOTAL | 7,30,080 | 5,68,580 | 8,60,421 |

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*In addition to this amount, a sum of Rs. 1,50,157 is borne as "Current Assets" under stores and spare parts.

| | A. K. Railway | B. K. Railway | B. D. R. Railway |
|--|------------------|------------------|---------------------|
| | Rs. | Rs. | Rs. |
| (3) Anticipated earnings after the Light Railway section becomes part of the Indian Government Railway's broad gauge system — allowing for reduction of earnings through the application of rates and fares on continuous distance but allowing also for some increase, mainly in goods traffic on conversion of the line to broad gauge : | | | |
| (a) Passenger and other coaching earnings over the existing Light Railways' section | 4,34,335 | 4,19,684 | 5,06,054 |
| (b) (i) Goods earnings over the existing Light Railway section | 1,42,500 | 70,253 | 1,84,333 |
| (ii) Additional goods earnings likely to accrue over the main line after conversion of the present Light Railway to broad gauge | Nil. | 50,330 | 25,456 |
| (c) Total adjusted gross earnings after conversion to broad gauge | 5,76,835 | 5,40,267 | 7,15,843 |
| (4) Working expenses of the Light Railway (1961-62) | 9,82,504 | 8,75,756 | 13,26,455 |
| (5) (a) Adjusted working expenses of the Light Railway after conversion to broad gauge, taking the total train kms. of the Railway, on the basis of cost per train Km. on the Eastern/South Eastern Railway broad gauge system for the year 1961-62 (excluding Depreciation Reserve Fund) reducing the aforesaid unit cost suitably to reflect the reduction in the over-heads, etc., when the Light Railway is worked as part of the Indian Government Railways' broad gauge system | 9,85,439 | 10,44,899 | 9,60,344 |
| (b) Hire charges on Rolling Stock at 8% of the Gross earnings | 46,147 | 39,194 | 57,277 |
| (c) Depreciation provision at 1/40th of the capital outlay | 3,94,302 | 3,57,243 | 7,97,526 |
| (d) Increase in operational expenses of the main line on account of the additional traffic expected to accrue by conversion of the | | | |

| | | | |
|---|-----------|-----------|-----------|
| Light Railway to Broad gauge. This is derived by taking the additional earnings expected to accrue on the main line, namely, item 3(b) (ii), and computing therefrom, on the basis of 50% of the average operating ratio of the contiguous Indian Government Railway (E. Rly./S.E. Rly) for the last five years | Nil. | 19,905 | 8,459 |
| (e) Total working expenses including depreciation provision. Items 5(a) + 5(b) + 5(c) + 5(d) | 14,25,888 | 14,61,241 | 18,23,596 |
| (6) Estimated direct loss in working of the converted broad gauge section i.e., adjusted total working expense less anticipated earnings. Item 5(a) less item 3(c) | 8,49,053 | 9,20,974 | 11,07,753 |
| (7) Additional liability to the Government by way of interest at 3.77% (average borrowing rate at present) on the capital investment shown against item (1) (c) | 5,94,607 | 5,36,722 | 12,02,654 |
| (8) (a) Subsidy now paid by the Government to the Light Railway Companies (1961-62) | 3,38,099 | 4,06,576 | 6,20,443 |
| (b) Income tax now paid by the Railway Companies to the Government (1961-62) | 30,170 | 31,150 | 59,500 |
| (c) Dividend now paid by the Railway Companies on the shares held by the Government (Railway Board) in the Companies' capital structure (1961-62) | 3,500 | Nil. | 5,000 |
| (d) Financial saving to the Government by the purchase of the Light Railways for conversion to broad gauge. Item 8(a) less Items 8(b)+8(c) | 3,04,429 | 3,75,426 | 5,55,943 |
| (9) Estimate of net aggregate financial disadvantage to the Government annually by the purchase of the Light Railways for conversion to broad gauge and operating them as part of the Indian Government Railways' broad gauge system—as compared to the payment of subsidy to the Light Railway Companies under the existing arrangements. Item (6) + item (7) less item 8(d) | 11,39,231 | 10,84,270 | 17,54,464 |

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N.B.—The Explanatory Notes to this statement as are appended in separate sheets.

Explanatory Notes to Statement 'B'.

Apart from the general considerations covered by the Explanatory Notes to Statement 'A'—the statement showing the financial implications of purchase of the Light Railways by the Government for working as Narrow Gauge Railways—the following remarks are given in regard to this statement 'B' which sets forth the financial implications of purchase of the Light Railways by the Government for the purpose of conversion to broad gauge lines and operation as part of the Indian Government Railways' Broad Gauge System:

(a) In computing the anticipated gross earnings of the Railways, after their conversion to broad gauge and their merger in the Indian Government Railways' broad gauge system, allowance has been made for the additional traffic that will develop on the broad gauge line; against this, however, allowance has also been made for the estimated loss of earnings through road competition already felt in the case of the B.K. Railway which runs parallel to a good road and similar loss of earnings likely to be felt on the A.K. Railway also within the next two or three years after road services operated on the road, the construction of which parallel to the A.K. Railway has already been sanctioned by the State Government of West Bengal.

Whatever increase in passenger traffic is expected by converting the lines into broad gauge, will be offset by the fact that there will be fewer broad gauge trains than the present number of narrow gauge trains.

(b) As the cost of conversion of the Light Railways to broad gauge will involve heavy capital investment of the order of Rs. 1½ crores for each of the three Light Railways, the additional earnings that will result from the conversion of the Light Railways to broad gauge will be more than offset by the interest on the large capital investment as well as the depreciation provision thereon (together aggregating to 7% on the capital investment, namely, 4½ dividend on capital and 2½% depreciation provision on capital).

Annexure 'A'

A. K. RAILWAY COMPANY LTD.

Statement of overdrawals, showing interest thereon

| | Opening balance of overdrawal | Credit remit- tances into treasury (earnings) | Debt <i>i.e.</i> with- drawals for expenses | Balance <i>i.e.</i> net overdrawal at the end of each month | Interest on the net overdrawal at the end of each month (at the year's borrowing rate) |
|---------------------|-------------------------------------|--|--|--|--|
| | 1 | 2 | 3 | 4 | 5 |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1958-59 | 56,966 | | | | |
| April | .. | 50,385 | 27,911 | 79,440 | .. |
| May | .. | 57,204 | 70,837 | 65,806 | .. |
| June | .. | 55,799 | 49,326 | 72,279 | .. |
| July | .. | 67,259 | 87,749 | 51,789 | .. |
| August | .. | 38,446 | 58,987 | 31,248 | .. |
| September | .. | .. | 59,904 | — 28,656 | 96 |
| October | .. | 45,564 | 53,555 | — 36,647 | 122 |
| November | .. | 51,780 | 32,970 | — 17,836 | 59 |
| December | .. | 75,447 | 82,337 | — 24,726 | 82 |
| January | .. | 47,332 | 72,411 | — 49,805 | 166 |
| February | .. | 44,218 | 34,816 | — 40,402 | 135 |
| March | .. | 62,361 | 38,441 | 49,148 | .. |
| Do. | .. | 65,630 | .. | | |
| | | TOTAL | | | 660 |

| | 1 | 2 | 3 | 4 | 5 |
|---------------------|--------|-----------------------|------------------------|-----------|-------|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1959-60 | 49,148 | | | | |
| April | .. | .. | 38,040 | 11,108 | .. |
| May | .. | 23,071 | 48,328 | -14,149 | 44 |
| June | .. | 65,074 | 49,118 | 1,807 | .. |
| July | .. | 71,693 | 57,263 | 16,237 | .. |
| August | .. | 59,453 | 52,210 | 23,480 | .. |
| September | .. | 48,118 | 89,653 | -18,056 | 56 |
| October | .. | 42,690 } 29,906 } | 39,258 | 15,283 | .. |
| November | .. | 68,947 | 73,792 | 70,438 | .. |
| December | .. | 49,089 | 37,747 | 21,781 | .. |
| January | .. | 44,593 | 74,338 | -7,964 | 25 |
| February | .. | .. | 35,333 | -43,297 | 135 |
| March | .. | 51,542 } 68,876 } | 12,485 | 44,636 | .. |
| Do. | .. | | | | |
| TOTAL | | | | | 260 |
| 1960-61 | 44,636 | | | | |
| April | .. | 34,540 | 37,235 | 41,941 | .. |
| May | .. | 48,106 | 72,972 | 17,075 | .. |
| June | .. | 64,293 | 59,457 | 21,912 | .. |
| July | .. | 35,665 | 62,743 | -5,167 | 17 |
| August | .. | .. | .. | -5,167 | 17 |
| September | .. | 53,216 | 51,702 | -3,653 | 12 |
| October | .. | 1,08,581 } 8,745 } | 66,747 } 92,305 } | -45,379 | 151 |
| November | .. | .. | .. | -45,379 | 151 |
| December | .. | 65,033 } 47,619 } | 37,005 } 1,03,534 } | -73,265 | 244 |
| January | .. | 60,400 | 85,054 | -97,919 | 326 |
| February | .. | .. | .. | -97,919 | 326 |
| March | .. | 63,456 } 55,411 } | 78,070 } 66,887 } | -1,24,009 | 413 |
| Do. | .. | | | | |
| TOTAL | | | | | 1,657 |

| | 1 | 2 | 3 | 4 | 5 |
|-----------|-----------|--------|----------|-----------|-------|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1961-62 | -1,24,009 | | | | |
| April | .. | 64,811 | 24,603 | -83,801 | 279 |
| May | .. | 65,130 | 31,830 | -50,501 | 168 |
| June | .. | 66,956 | 24,338 | -7,883 | 26 |
| July | .. | 56,626 | 33,029] | 15,713 | .. |
| August | .. | 47,862 | 67,800 | -4,225 | 14 |
| September | .. | 50,619 | 69,625 | -23,232 | 74 |
| October | .. | 63,507 | 60,411 | -20,136 | 67 |
| November | .. | 73,275 | 93,037 | -39,898 | 133 |
| December | .. | 53,416 | 1,07,044 | -93,526 | 312 |
| January | .. | 62,861 | 42,318 | -72,982 | 243 |
| February | .. | 65,413 | 1,98,382 | -2,05,952 | 687 |
| March | .. | 72,625 | 91,951 | -2,22,278 | 741 |
| | | | | | 2,744 |
| | | | | | 2,744 |

NOTE :—Where *no withdrawals* are shown against some months, it is an indication that the "Subsidy" received by the Company Railway, under the terms of the contract with the Government of India, has been utilized for their expenses, obviating the need for withdrawals to that extent. The subsidy has thus been taken into account in the above computation of interest on overdrawals. Where *no remittances* are shown in certain months, it is an indication of the total remittances having been accounted for by the bank in the following month.

Annexure 'B'

B. K. RAILWAY COMPANY LTD.

Statement of overdrawals, showing interest thereon.

| | Opening balance of overdrawal | Credit i.e. remit- tances into treasury (earnings) | Debit i.e. with- drawals for expenses. | Balance i.e. net overdrawal at the end of each month. | Interest on the net overdrawal at the end of each month (at the year's borrowing rate) |
|---------------------|-------------------------------------|--|--|--|--|
| | 1 | 2 | 3 | 4 | 5 |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1958-59 | (—) 2,74,390 | | | | |
| April | | 43,128 | 33,544 (—) | 2,64,806 | 883 |
| May | | 57,272 | 44,122 (—) | 2,51,656 | 839 |
| June | | 54,657 | 42,418 (—) | 2,39,417 | 798 |
| July | | 70,270 | 35,212 (—) | 2,04,359 | 681 |
| August | | 48,054 | 34,449 (—) | 1,90,754 | 636 |
| September | | .. | 38,799 (—) | 2,29,554 | 765 |
| October | | 50,512 | 44,721 (—) | 2,23,763 | 746 |
| November | | 51,575 | 24,048 (—) | 1,96,236 | 654 |
| December | | 55,965 | 45,773 (—) | 1,86,044 | 620 |
| January | | 38,768 | 48,499 (—) | 1,95,776 | 653 |
| February | | 36,669 | 32,676 (—) | 1,91,783 | 639 |
| March | | 49,944 | 71,016 } (—) | 1,58,501 | 528 |
| Do. | | 54,354 | .. } | | |
| TOTAL | | | | | 8,442 |

| | 1 | 2 | 3 | 4 | 5 |
|----------------------|----------------------|-----|------------------------|----------|-------|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1959-60 (—) 1,58,501 | | | | | |
| April | .. | | 30,152 (—) | 1,88,653 | 589 |
| May | 21,837 | | 31,699 (—) | 1,98,516 | 620 |
| June | 53,212 | | 42,497 (—) | 1,87,800 | 587 |
| July] | 56,441 | | 66,906 (—) | 1,98,265 | 620 |
| August | 46,949 | | 41,355 (—) | 1,92,671 | 602 |
| September | 42,908 | | 48,877 (—) | 1,98,639 | 621 |
| October | 33,720 } 33,843 } | | 44,716 (—) | 1,75,792 | 549 |
| November | 43,612 | | 39,114 (—) | 1,71,294 | 535 |
| December | 36,953 | | 29,880 (—) | 1,64,221 | 513 |
| January | 30,310 | | 34,550 (—) | 1,68,461 | 527 |
| February | .. | | 39,673 (—) | 2,08,134 | 650 |
| March | 48,073 } 54,578 } | | 72,714 } (—) | 1,78,197 | 557 |
| Do. | | | | | |
| TOTAL : | | | | | 6,970 |
| 1960-61 (—) 1,78,197 | | | | | |
| April | 32,358 | | 9,582 (—) | 1,55,421 | 518 |
| May | 43,251 | | 54,071 (—) | 1,66,241 | 554 |
| June | 60,523 | | 25,285 (—) | 1,31,004 | 439 |
| July | 32,818 | | 23,941 (—) | 1,22,126 | 407 |
| August | .. | | .. (—) | 1,22,126 | 407 |
| September | 64,205 | | 30,230 (—) | 88,152 | 294 |
| October | 90,985 | | 41,472 (—) | 67,371 | 224 |
| November | 4,408 | | 33,140 | | |
| December | .. | | .. (—) | 67,371 | 224 |
| December | 45,989 } 43,568 } | | 33,956 } 1,43,145 } | 1,54,915 | 516 |
| January | 48,010 | | 79,911 (—) | 1,86,816 | 629 |
| February | .. | | .. (—) | 1,86,816 | 629 |
| March | 54,558 } 47,352 } | | 80,850 } (—) | 2,23,615 | 745 |
| Do. | | | 57,859 } | | |
| TOTAL | | | | | 5,586 |

| | 1 | 2 | 3 | 4 | 5 |
|---------------------|----------|--------------|----------|--------|-----|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1961-62 () | 2,23,615 | | | | |
| April | 50,425 | 20,029 (—) | 1,93,220 | 644 | |
| May | 58,371 | 24,521 (—) | 1,59,370 | 591 | |
| June | 52,348 | 21,345 (—) | 1,28,366 | 428 | |
| July | 53,575 | 34,463 (—) | 1,09,254 | 364 | |
| August | 40,193 | 88,298 (—) | 1,57,359 | 524 | |
| September | 34,982 | 81,205 (—) | 2,03,582 | 678 | |
| October | 42,889 | 36,458 (—) | 1,97,151 | 657 | |
| November | 49,658 | 1,18,907 (—) | 2,66,401 | 888 | |
| December | 38,473 | 1,25,018 (—) | 3,52,946 | 1,176 | |
| January | 43,224 | 89,086 (—) | 3,98,809 | 1,329 | |
| February | 41,824 | 93,529 (—) | 4,50,514 | 1,502 | |
| March | 55,266 | 84,831 (—) | 4,80,079 | 1,600 | |
| TOTAL | | | | 10,381 | |

NOTE:—Where *no withdrawals* are shown against some months, it is an indication that the "Subsidy" received by the Company Railway, under the terms of the contract with the Government of India, has been utilised for their expenses, obviating the need for withdrawals to that extent. The subsidy has thus been taken into account in the above computation of interest on overdrawals. Where *no remittances* are shown in certain months, it is an indication of the total remittances having been accounted for by the bank in the following month.

Annexure 'C'

B. D. R. RAILWAY COMPANY LTD.

Statement of overdrawals, showing interest thereon.

| | Opening balance of overdrawal. | Credit i.e. remit- tances into treasury (earnings) | Debit i.e. with- drawals for expenses. | Balance i.e. net overdrawa at the end of each month. | Interest on the net drawa at the end of each month (at the year's borrowing rate) |
|---------------------|--------------------------------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1958-59 (—) | 1,46,952 | | | | |
| April | | .. | .. | —1,46,952 | 490 |
| May | | .. | .. | —1,46,952 | 490 |
| June | | 1,55,037 | 1,33,494 | —1,25,409 | 418 |
| July | | 70,860 | 91,952 | —1,46,502 | 488 |
| August | | 88,564 | 1,09,638 | —1,67,575 | 559 |
| September | | 90,169 | 1,02,848 | —1,80,254 | 601 |
| October | | 62,736 | 76,643 | —1,94,160 | 647 |
| November | | 66,520 | 1,02,768 | —2,30,408 | 768 |
| December | | .. | .. | —2,30,408 | 768 |
| January | | 1,74,928 | 1,52,047 | —2,07,527 | 692 |
| February | | 2,16,037 | 1,62,449 | —1,53,939 | 513 |
| March | | 34,271 | 1,45,536 | —2,65,204 | 829 |
| TOTAL : | | | | | 7,263 |
| 1959-60 (—) | 2,65,204 | | | | |
| April | | .. | .. | —2,65,204 | 829 |
| May | | 71,198 | 1,16,278 | —3,10,284 | 970 |
| June | | 76,219 | 71,880 | —3,05,944 | 956 |

| | 1 | 2 | 3 | 4 | 5 |
|---------------------|-----|----------|----------|-----------|--------|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| July | | 76,610 | 80,747 | -3,10,081 | 969 |
| August | | 84,567 | 67,183 | -2,92,697 | 915 |
| September | | 1,15,385 | 1,99,481 | -3,76,794 | 1,178 |
| October | | 13,451 | .. | -3,63,343 | 1,135 |
| November | | 1,20,693 | 1,63,622 | -4,06,272 | 1,270 |
| December | | .. | .. | -4,06,272 | 1,270 |
| January | | 94,752 | 68,336 | -3,79,856 | 1,187 |
| February | | 95,834 | 1,04,506 | -3,88,528 | 1,214 |
| March | | 1,35,420 | 2,02,884 | -4,55,991 | 1,425 |
| TOTAL : | | | | | 13,318 |

1960-61 (—) 4,55,991

| | | | | | |
|---------------------|--|----------|----------|-----------|--------|
| April | | .. | .. | -4,55,991 | 1,520 |
| May | | 68,939 | 50,468 | -4,37,521 | 1,458 |
| June | | 68,029 | 58,706 | -4,28,197 | 1,427 |
| July | | 78,267 | 56,224 | -4,06,154 | 1,354 |
| August | | 73,652 | 78,926 | -4,11,428 | 1,371 |
| September | | .. | .. | -4,11,428 | 1,371 |
| October | | .. | .. | -4,11,428 | 1,371 |
| November | | 1,37,276 | 2,15,689 | -4,89,842 | 1,633 |
| December | | .. | .. | -4,89,852 | 1,633 |
| January | | .. | .. | -4,89,842 | 1,633 |
| February | | 1,22,152 | 2,85,854 | -6,53,543 | 2,178 |
| March | | 1,36,565 | 2,78,597 | -7,95,575 | 2,652 |
| TOTAL | | | | | 19,601 |

1951-62 (—) 7,95,575

| | | | | | |
|---------------------|--|----------|----------|-----------|-------|
| April | | .. | .. | -7,95,575 | 2,652 |
| May | | .. | .. | -7,95,575 | 2,652 |
| June | | 1,54,932 | 1,20,971 | -7,61,614 | 2,539 |
| July | | 83,664 | 49,154 | -7,27,104 | 2,424 |
| August | | 80,978 | 68,749 | -7,14,875 | 2,383 |
| September | | 68,945 | 51,431 | -6,97,362 | 2,325 |

| 1 | 2 | 3 | 4 | 5 | |
|--------------------|----------|----------|------------|----------|--------|
| | Rs. | Rs. | Rs. | Rs. | |
| October | | 54,499 | 65,525 — | 7,08,388 | 2,361 |
| November | 1,14,425 | | 1,85,821 — | 7,79,784 | 2,599 |
| December | .. | .. | .. — | 7,79,784 | 2,599 |
| January | .. | .. | .. — | 7,79,784 | 2,599 |
| February | .. | .. | .. — | 7,79,784 | 2,599 |
| March | 3,27,967 | 5,20,862 | — | 9,72,679 | 3,242 |
| TOTAL : | | | | | 30,974 |

NOTE:—Where *no withdrawals* are shown against some months, it is an indication that the "Subsidy" received by the Company Railway, under the terms of the contract with the Government of India, has been utilised for their expenses, obviating the need for withdrawals to that extent. The subsidy has thus been taken into account in the above computation of interest on overdrawals. Where *no remittances* are shown in certain months, it is an indication of the total remittances having been accounted for by the bank in the following month.

Extracts from the note submitted by the Eastern Railway in 1960-61 to Committee on Transport Planning & Co-ordination.

Committee's Question: What is the Eastern Railway's view in regard to the role played by these Light Railways in the regions served by them? More particularly is it possible to dismantle these railways and replace them by organised road transport? In which cases this does not seem to be possible and why?

Burdwan-Katwa Light Railway.

The area served by the B.K. light Railway is rich in agricultural produce. A roadway runs parallel to the Light Railway over its entire length and 14 buses and several lorries operate on this road. The Light Railway carries about 9,80,000 passengers and 4,50,000 mds. of goods on an average per annum as against 3,50,000 passengers and 4,50,000 mds. of goods by road services.

The replacement of the Light Railway by road services suitably expanded to take the additional traffic will not present any practical difficulties in view of the limited volume of traffic both goods and passengers. There are, however, other reasons which appear to militate against such action. The Burdwan-Katwa Light Railway is at present administered jointly with the Ahmadpur-Katwa Light Railway, with which it maintains through services both in passengers and goods. As the Ahmadpur-Katwa Light Railway may not be possible to be closed down at present, it being the only means of communication in the area, there being no through roadway, the closing of the Burdwan-Katwa Light Railway is likely to curtail the existing transport facilities in the area. The administration of the Ahmadpur-Katwa Light Railway, by itself, will mean greater subsidies being paid to that Railway. It, therefore, does not seem to be advisable to replace the Light Railway by organised road transport services, till such time as the replacement of the Ahmadpur-Katwa Light Railway is possible to be made by road services. Further, the Govt. of West Bengal have stated that at present they cannot offer any alternative road services to meet the needs of the public and that the provision of road transport services as an alternative to B.K. Light Railway may be examined towards the end of the Third-Five-Year Plan period *vide* their letter No. 5697-WT dated 27-8-1960.

T29/60.

Ahmadpur-Katwa Light Railway.

As regards the Ahmadpur-Katwa Light Railway, there is no good road running parallel or close to the Light Railway. The Light Railway is, therefore, the only means of communication in the area. The number of passengers and the volume of goods traffic carried by the railway at present are 10.56 lakhs and 43,000 tons respectively per annum. The question of replacement of the Light Railway by organised road transport does not arise at present in view of what has been stated by the Govt. of West Bengal in their letter referred to above. The question of its replacement cannot also be considered singly for reasons stated above in the case of the B.K. Light Railway.

Bankura-Damodar River Light Railway.

When this Railway was first constructed, it no doubt served a useful role being the only mode of transport, but later on with the development of roads its utility has been gradually decreasing. Even as far back as 1953-54, the effect of road competition on this Railway was noticed and it was apprehended that if the trend was to continue, the Railway may have to go out of business. From the figures of traffic given below it will be seen that the quantity of traffic carried by the Railway has been gradually decreasing from 1955-56.

| Year | Passenger carried (000) | Passenger miles (000) | Tons carried (000) | Net ton miles (000) |
|---------|-------------------------------|-----------------------------|--------------------------|---------------------------|
| 1951-52 | 787,4 | 1,59,38 | 31 | 126,2 |
| 1952-53 | 886,9 | 1,77,62 | 31 | 126,2 |
| 1953-54 | 877,1 | 1,79,64 | 44 | 178,8 |
| 1954-55 | 850,5 | 1,69,69 | 50 | 203,3 |
| 1955-56 | 850,9 | 1,80,15 | 45 | 196,8 |
| 1956-57 | 890,4 | 1,72,89 | 44 | 192,2 |
| 1957-58 | 924,9 | 1,73,16 | 45 | 185,3 |
| 1958-59 | 922,2 | 1,67,70 | 43 | 186,0 |

The amount of traffic now carried by the railway works out to 2527 passengers and 118 tons of goods traffic daily, which is hardly sufficient for a railway to operate remuneratively. It is, therefore, considered that the best solution be for the railway to be dismantled and replaced by organised road transport.

APPENDIX III
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

MEMORANDUM

SUBJECT:—*Para 12 of the Audit Report, Railways, 1963—Surplus Stores (including scrap in the case of certain Railways).*

The Railway Board's comment is embodied at the end of the Audit Para; it is explained therein that the value of surplus stores indicated in the para includes, in the case of some of the Railways, ferrous scrap—a point suggested by the heading of the audit para itself—which could not be disposed of because of the ban imposed on their disposal.

2. To facilitate ready appreciation of the position, figures are given below, year-wise, showing the value of surplus stores distinctly from the value of scrap:—

| | 1958-59 | 1959-60 | 1960-61 | 1961-62 | 1962-63 (Tentative pending final closing of Accounts) |
|--|---------|---------|---------|---------|--|
| 1. Stores balances—taking only physical balances (under the Capital head 9500) that is, excluding purely book-keeping adjustments going under stores suspense (In crores of rupees). | 115.00 | 99.00 | 85.00 | 85.00 | 93.00 |
| 2. Total value of surplus stores (other than that portion of the scrap which is taken under surplus stores by certain Railways) (In crores of rupees). | 4.04 | 3.73 | 3.18 | 3.17 | 2.77 |
| 3. Total value of scrap (In crores rupees). | 4.37 | 5.10 | 6.23 | 7.16 | 7.43 |
| 4. Percentage in relation to total stores balances under Cap. 9500. | | | | | |
| (a) of surplus stores | 3.51% | 3.77% | 3.74% | 3.73% | 2.90% |
| (b) of scrap | 3.62% | 5.13% | 7.35% | 8.37% | 8.02% |
| (c) of surplus and scrap taken together | 7.31% | 8.89% | 11.11% | 12.26% | 11.01% |

There was admittedly an increase in the value of scrap balances after 1958-59 due to the ban which was imposed, in the public interest, on sale of steel scrap, with a view to conserve such scrap for railway use. This was explained fully to the Public Accounts Committee in the sittings of July 1962 in connection with Para 20 of Audit Report, Railways, 1962. Since then, the removal of the ban on the disposal of ferrous scrap, as well as the decontrol of most categories of ferrous scrap, have facilitated disposal of scrap—the improvement being reflected in the percentage figures for 1962-63 in comparison with the figures for 1961-62 against item 4(b) and (c) of the foregoing statement. The decontrol of all categories of ferrous scrap, except fresh unused defectives, re-rollable scrap and ingot moulds in all forms was notified by the Ministry of Steel and Heavy Industries on 27th August, 1962 and conveyed by the Railway Board to the Railways on 14th November 1962. The effect of the decontrol in 1962-63 was thus only partial, and a fuller effect will be reflected in the scrap balances at the end of the current year (1963-64). Even so, the *percentage* of scrap to the total stores balances came down from 8.37 per cent in 1961-62 to 8.02 per cent in 1962-63.

3. In regard to surplus stores as such, the foregoing statement indicates that there has been progressive reduction through the special drive instituted by the Railway Board since 1958-59. As a result of the drive, the total stores balances have also been kept under control. Against a provision for an increase in stores balances of Rs. 35 crores in the Third Plan, in the first two years of the Plan there has been an increase of only about eight crores of rupees.

4. Instructions have been issued that the annual Appropriation Accounts from 1962-63 onwards should show surplus stores (sub-divided into movable and dead) *distinctly from scrap* (sub-divided under ordinary and surplus) so that there is no diversity of practice on the different railway administrations.

5. It is significant that the total value of surplus stores, which was Rs. 4.04 crores at the end of 1958-59, came down to Rs. 2.77 crores at the end of 1962-63, in spite of the average annual accretion of surplus of about 0.6 crore of rupees. The bulk of surplus stores represents items arising mainly from certain categories of rolling-stock or other equipment which have gone out of service. Possible utilisation of such items is mainly by modification of the standards, or reclamation in other ways, or utilisation of the items as ferrous or non-ferrous scrap. Attention is focussed on the disposal of large value items of more than Rs. 2,000 each. Special conferences of Stores and Technical officers of Railways are periodi-

cally held, wherein individual items of large monetary value are tackled with a view to their possible use on one or other railway administration.

6. A surplus item in the Railways' stock of stores is an item which has not been issued from stocks for Railways' consumption for a period of 24 months. Out of this, those anticipated to be used in the foreseeable future are considered to be "movable surplus", while those which are not expected to be required by any railway—as a result of enquiries through lists circulated amongst railways—in the next two years, are treated as "dead surplus". Emergency stores, which are items kept as stand-by against accidents or other emergencies, by their very nature will not come under the foregoing definitions. It may be added that lists of surplus stores are framed independently by each railway administration, and it is only thereafter that the surplus lists are circulated amongst railway administrations to find out their possible use elsewhere.

7. Out of the total disposal of Rs. 3.7 crores of surplus stores during 1959—63, it is not readily possible to indicate the quantum of surplus stores disposed of as scrap. It should be stressed that scrap items do not necessarily come from the surplus items only. In fact, a substantial proportion of the scrap is made up of items that have deteriorated in value for any reason, or have been broken or damaged in transit or received as scrap from users all over the railways. A Survey Committee appointed by the General Manager, consisting of the senior officers of the consuming departments, determines which stores should be treated as dead surplus stores or as scrap and how such stores should be disposed of, i.e. by sale, or by issue to particular departments (with or without reclamation), etc.

APPENDIX IV
MINISTRY OF RAILWAYS

(Railway Board)

Para 16—Audit Report (Railways) 1963—Loss in respect of a purchase where time was the essence of the contract.

Question.—(1) The date on which the firm was asked to explain reasons for delay in supplying the stores.

*Reply.—*The date of completion of supply of stores stipulated in the contract was 31st December, 1960. Normally, the occasion for taking up with the supplying firms to explain the reasons for delay in supplies would arise only after the expiry of the stipulated delivery period. In this particular case, however, well ahead of the completion date, the firm on their own had come up on 1st October, 1960 with the request for an extension of the delivery period upto March/April, 1961. This was followed up with requests for further extensions. A statement indicating the different occasions on which the firm asked for extension of delivery period, the periods for which extension was asked for and the reason for extensions, etc., is attached.

It is necessary to mention here that the Ministry of Railways have got their own arrangements to watch the progress of manufacture and supplies of electrical signalling equipment against bulk contracts placed by the Railway Board, through their officers posted at Calcutta, Bombay, Madras and Delhi who remain in regular touch with manufacturing firms in their respective regions regarding inspection and progress of supplies. Therefore, when the requests for extensions of the delivery period were received, the Railway Board satisfied themselves about the ability of the firms to complete the supplies in a reasonable time, based on the progress made. It may be mentioned that generally requests for extensions against contracts for Electrical Signalling Equipment placed by Railway Board, which are considered reasonable, are acceded to, with a view to develop indigenous production to the utmost extent possible.

Question.—(2) The date on which the Railway Administration was asked to calculate the quantum of loss to be recovered from the firm.

Reply.—The relevant orders for signal reversers under comment covered the following three separate categories:

Item 4—142 Nos.

Item 5—654 Nos.

Item 6—572 Nos.

As would be observed from Annexure I that, in one case, extension had been given up to 3rd May, 1962. Therefore, it was only after completion of supplies and review of the position that, it was decided, on 7th November, 1962, that the consignee Railway Administrations, viz., Eastern, Northern, North Eastern and Western should be asked to indicate if they had suffered any loss—potential or otherwise or whether inconvenience had been caused due to delayed supplies against items (4) and (6); this enquiry, it was thought, would enable the Railway Board to consider the question of levy, or otherwise, of liquidated damages against the firm under the terms of the contract. As regards item (5), a part supply of 289 Nos. (locally assembled) was due from the firm against a total ordered quantity of 654 Nos. under that particular item. When the firm came up for extension for completing their supply for this item, they were asked to lower their rates for the supply to the level of rates at which order had been placed against subsequent tender. Since the firm did not agree to the lowering of the rates, the order for this balance quantity was cancelled on 19th March, 1963, and was in turn placed, on M/s. Sea Grand @ Rs. 275 as against M/s. Cimmco's rate of Rs. 322.00. Reference has now been made to the consignee railways on 18-7-1963, to enquire if they suffered any loss on account of delay in delivery of this part supply to enable the assessment of liquidated damages for this item as well.

The question of levy of liquidated damages from this firm has yet to be decided by the Railway Board. Pending final decision in this regard, 10 per cent of the contract value has been withheld viz. Rs. 34,000 (approx.). The amount withheld would cover the amount of liquidated damages even if it is decided to levy this in full.

Question.—(3) The value of stores supplied by the firm up to 31st December, 1960 and (ii) from 1st January 1961 to-date.

Reply.—(i) The firm did not supply any reverser up to 31st December, 1960.

(ii) The supplies commenced after 1st January 1961. Out of 1079 Nos. supplied, 914 Nos. were delivered by June/July, 1961, a further lot of 145 Nos. by March 1962, and the balance of 20 by May 1962. The total value of stores supplied works out to Rs. 3,44,763 excluding sales tax.

ANNEXURE I

STATEMENT

| Date of Firm's request for extension | Period upto which extension required | Brief reasons given in support of the request for extension | Extension granted upto | Remarks |
|--------------------------------------|--------------------------------------|--|------------------------|--|
| 1 | 2 | 3 | 4 | 5 |
| 1-10-60 | March/April, 1961 | The quantity having been increased from Nos. 1139 indicated in Feb., 60 to Nos. 1368 in Sept., 60 there was need for getting the Import Licence for the increased quantity. | 31-3-61 | Extension was granted without levy of Liquidated damages. |
| 5-4-61 | Sept., 1961 | The firm while regretting the delay in despatching the stores even by the extended date <i>viz.</i> , 31-3-61, pleaded that by the time the inspection was completed, the shipment date of their Import Licence had expired and they had to get the Import Licence amended which took considerable time. | .. | The request needed clarification as to whether the extension was required for imported or locally assembled items or for both. |

| 1 | 2 | 3 | 4 | 5 |
|-------------------|--|---|--|---|
| 6-5-61 & 22-5-61 | <p>Items 5 & 6 completely imported (772 Nos. upto 30-6-61 and the balance of 165 Nos. upto 31-12-61).</p> <p>Item 4 locally assembled (upto 31-8-61)</p> | <p>772 Nos. received in Calcutta in March, '61 but could not be cleared from the Customs earlier than the 1st week of May, 1961.</p> <p>The balance quantity of 165 Nos. was expected from their foreign collaborators only in Oct./Nov., 61. In respect of Item No. 4 it was stated by the firm that sample was being sent for inspection and approval and bulk production will be started after final approval.</p> | <p>Items 5 & 6 (Imported) 77 Nos. upto 30-6-61 & for 165 Nos. upto 31-12-61.</p> | <p>Extension was granted reserving the right to levy liquidated damages.</p> <p>As regards Item 4 it was considered that the approval of advance sample be awaited.</p> |
| 5-6-61 | 31-8-61 from item 4 | <p>The firm advised that sample has been approved on 29-5-61 and sought extension upto 31-8-61.</p> | 31-8-61 | <p>Extension was granted reserving the right to levy liquidated damages.</p> |
| 20-1-62 & 31-1-62 | 30-4-62 for 165 Nos. against Items No. 5 & 6 (completely imported) | <p>The extension for this quantity was requested on the plea that the issue of separate import licence and thereafter the opening of a letter of credit took considerable time.</p> | 30-4-62 | Do. |

8-5-62 . Items No. 5 & 6 (Imported) . The firm pleaded that out of 165 Nos. 3-5-62 Do.
upto 3-5-62 for 20 Nos. out
of 165. 145 Nos. only could be despatched
within the extended period of 30-4-62.
The balance 20 Nos. could not be
despatched to the consignee Railway
due to booking restrictions.

Item No. 5 289 Nos. Locally assembled

31-1-62 . 30-11-62 The item being new one the development .. The firm was asked
took more time than expected. to accept a lower
rate of Rs. 275 against
the contract rate
of Rs. 322 at which
the supplies were to
be made. On the
firm's refusal to accept
the reduced price
the order was cancelled
and placed on
another firm at the
rate of Rs. 275.

APPENDIX V
MINISTRY OF RAILWAYS
(Railway Board)

NOTE

Para 17 of Railway Audit Report 1963—Western Railway—Extra expenditure due to extension of a zonal contract.

The suggestion which was made by the Chairman, Railway Board, during the evidence before the Public Accounts Committee, in regard to the change of 'zonal contract year'—from April to March to July to June—has been implemented. A copy of the instructions issued to the Railway Administrations is enclosed, together with a copy of Railway Board's earlier* directions of 29th October, 1956.

*Non printed

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

No. 63/WII/CT/28. New Delhi, dated 18th July, 1963.

The General Managers,

All Indian Railways (including RE, DBK, CLW, DLW & ICF).

SUBJECT:—Zone contracts.

Reference is invited to Railway Board's letter No. 56/W/25/32, dated 29th October, 1956, in which instructions were issued how the issue of work orders should be regulated towards the end of the zonal contract period, so as to obviate as far as possible the need for extension of the contract, in some cases, beyond the normal date. It has come to the notice of the Railway Board that, on most of the Railways, the zonal contract covers the period from 1st April to 31st March of the year and the Railways therefore find it necessary to extend the validity of some of the work orders beyond 31st March, as otherwise the Railway Administrations are likely to lose the remaining months of the working season if they were to change over to a new contractor in the midst of a working season with the result that the works would be considerably delayed. The Board have accordingly considered the matter, and have decided that, in future, all zonal contracts should be let out to cover the period from 1st July to 30th June; this will enable the contractors to make their arrangements well in advance and to take full advantage of the working season.

2. The Board also desire that the tenders should be invited sufficiently in time for being opened on 1st July, and should be finalised before 31st July. It should ordinarily be possible to avoid having either to give extensions to work orders of the previous zonal year beyond 30th June or to giving new work orders at all during July until after the final rates for the year commencing on 1st July are decided. Individual and special cases of work orders which may have to be extended beyond 30th June will have to be dealt with on their merits by the competent authority. The same will apply to any emergency works which have necessarily to be let out during July.

3. Please acknowledge receipt.

Sd/-

(V. VENKATARAMAYYA),
Director, Civil Engineering,
Railway Board.

APPENDIX VI

MINISTRY OF RAILWAYS

(Railway Board)

NOTE

Para 20 of Audit Report (Railways)—1963—N. F. Railway—Wasteful expenditure on old and defective earth-moving plant.

Question.—(i) Particulars of staff employed by the N. F. Railway Administration to work on the earth moving plant during the period August 1961 to February, 1962.

Answer.—The relevant particulars of staff are given in the attached statement (Annexure I).

Question.—(ii) A list of machinery of the plant showing the number of units which have since been disposed of.

(iii) Names of the parties to whom surplus machinery has been sold.

& (iv) The purchase and sale prices of these machines.

Answer.—A statement is attached giving the required information (Annexure II).

Encl: *Annexures I and II.*

ANNEXURE ' I '

Particulars of staff employed by the N. F. Railway Administration to work on the Earth Moving Plant during the period August, 1961 to February, 1962

| Serial No. | Category | Scale | No. of posts operated in the respective categories Aug, 1961 to Feb '62 (Taking the strength in Feb '62) |
|---|----------------------------------|--------------------------|--|
| 1 | 2 | 3 | 4 |
| <i>Skilled/Semi-skilled and unskilled Staff</i> | | | |
| 1. | Scraper Operator | Rs. 5/- to 9/- per diem. | 30 |
| 2. | Dozer Operator | Do. | 21 |
| 3. | Crane Operator | Rs. 8.50 nP. per diem | 2 |
| 4. | Mechanics | Rs. 5 to 9 per diem | 51 |
| 5. | Electrician | Do. | 7 |
| 6. | S/S Mechanics (Elect.) | Rs. 2.50 to 3 per diem | 6 |
| 7. | S/S Mechanics | Do. | 43 |
| 8. | Ticket Issuer | Rs. 3 per diem | 2 |
| 9. | Battery Mechanic | Rs. 4 per diem | 7 |
| 10. | Generator Operator | Rs. 3.50 nP. per diem | 2 |
| 11. | Wireman | Rs. 4 per diem | 3 |
| 12. | Lineman | Rs. 4 per diem | 2 |
| 13. | Driller | Rs. 6 per diem | 2 |
| 14. | Shaperman | Rs. 6 per diem | 2 |
| 15. | Turner | Rs. 6 per diem | 1 |
| 16. | Compressor Driver | Rs. 2.50 per diem | 1 |
| 17. | Tyre Mechanic | Rs. 3 per diem | 1 |
| 18. | Welder | Rs. 3.50 per diem | 1 |
| 19. | Pump Driver | Rs. 3.50 per diem | 1 |

| 1 | 2 | 3 | 4 |
|-------------|------------------------------|-------------------|-----|
| 20. | Cobler | Rs. 3.50 per diem | 2 |
| 21. | Blacksmith | Rs. 4.50 per diem | 2 |
| 22. | Carpenter | Rs. 4.50 per diem | 2 |
| 23. | Khalasis | Rs. 2.25 per diem | 22 |
| 24. | Watchman | Rs. 2.25 per diem | 9 |
| 25. | Storeman | Rs. 2.75 per diem | 2 |
| 26. | Mate | Rs. 2.50 per diem | 2 |
| 27. | Dak Courier | Rs. 2.25 per diem | 1 |
| 28. | Peon | Rs. 2.25 per diem | 2 |
| 29. | Sweeper | Rs. 2.25 per diem | 2 |
| 30. | S/S Crane Operator | Rs. 2.25 per diem | 1 |
| 31. | Jeep Driver | .. | .. |
| 32. | Truck Driver | Rs. 4.50 per diem | .. |
| TOTAL . . . | | | 232 |

| Sr. No. | Category | Scale | Number of posts March, 1962. |
|------------------|------------------------|---------------|------------------------------|
| <i>(Office)</i> | | | |
| 1. | Head Clerk | Rs. 210—380/- | 1 |
| 2. | Sr. Clerk | Rs. 130—300/- | 1 |
| 3. | Jr. Clerk | Rs. 110—180/- | 5 |
| 4. | Typist | Rs. 110—180/- | 1 |
| <i>(Outdoor)</i> | | | |
| 5. | A.F.O. | Rs. 250—380/- | 1 |
| 6. | Motor Driver | Rs. 110—180/- | 3 |
| 7. | Ward Keeper | Rs. 205—280/- | 2 |
| 8. | M.C.C. | Rs. 105—135/- | 3 |
| TOTAL | | | 17 |

Note : (i) The number of staff was brought down from 249 in February, 1962 to 64 in March, 1962. The latter number were retained for overhauling the plant and to bring it in running condition so that it could be demonstrated for use before prospective buyers and derive the best financial advantage by its disposal. Even this number was disbanded after the disposal of most of the plant by auction.

(ii) Of the total staff of 249, employed at the time the plant was declared surplus, 112 were absorbed by the Railway against available vacancies in other categories elsewhere, 92 were retrenched and 40 left service on their own.

ANNEXURE II

Disposal of the Earth Moving Plant transferred from the South Eastern Railway to North-east Frontier Railway

| S. No. | Details of Plant | Original cost of Plant as initially purchased by the Ganga Bridge Project. | Transfer value of the Plant when taken over from South Eastern Railway in 1960 by N.F. Railway. | Disposal value | Parties to whom sold by Public auction |
|--------|------------------|--|---|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | | Rs. | Rs. | Rs. | |
| 1. | 16 Scrapers | 24.73 lakhs | 7.76 lakhs | 2.86 lakhs (2 dozers and 4 scrapers) | (a) Assam State Electricity Board, Shillong. |
| 2. | 12 Dozers | 13.80 lakhs | 4.58 lakhs | 6.22 lakhs (8 dozers and 12 scrapers) | (b) M/s. Arvind Brothers, Calcutta. |
| 3. | 1 Diesel crane | 1.05 lakhs | 0.89 lakhs | | |
| | TOTAL | 39.58 lakhs | 13.23 lakhs | 9.08 lakhs | |

NOTE: 2 remaining dozers and one Diesel crane were retained by the Railway Administration for the Brahmaputra Bridge and the Survey & Construction Organisation of the Railway Administration respectively.

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|------------|---|
| 4. Spare parts | | | 6.83 lakhs (Transferred along with the Plant from South Eastern Railway) | 8.40 lakhs | Sale orders of the spare parts are under issue to the following parties who have to offered to take them. (i) Assam State Electricity Board, Shillong. (ii) Executive Engineer, Mechanical Division, Mirzapur (U.P.) (iii) Additional Chief Engineer, Bihar State, Patna. (iv) D.B.K. Railway Project. (v) Executive Engineer, Irrigation Division, Kashipore. |
| 5. Ancillary plants such as Transport Vehicles, Generating spots etc. | | | 2.09 lakhs | | These are proposed to be utilised by various consuming departments of the Railway. |
| 6. Tools & plant | | | 0.18 lakhs | | |
| 7. Misc. Stores including second hand spares etc. | | | 2.43 lakhs | | |
| 8. Scrap | | | 0.05 lakhs | | Will be disposed of according to extant procedure as scrap. |
| 9. Special Tools | | | 0.98 lakhs | | Will be disposed of by auction or by offering some of them to the Bihar State Irrigation Project, Patna. |
| 10. Misc. consumable | | | 0.44 lakhs | | |
| | | | <hr/> 26.23 lakhs <hr/> | | |

APPENDIX VII
MINISTRY OF RAILWAYS
(Railway Board)

NOTE

Para 26 of Audit Report (Railways)—1963—Southern Railway—Un-necessary haulage of Sleepers.

Question.—(i) Dates on which sleepers were despatched from Calcutta area to the Southern Railway.

(ii) Corresponding dates on which supplies were received from Bhadravati.

Answer.—(i) & (ii).—The particulars of the despatches are given in the statement attached as Annexure I. As it is difficult to give the precise dates, only the *months* in which different consignments were despatched are indicated.

It will be seen from items marked (a) in the attached Annexure I, which pertain to despatches from Bhadravati, and from the items marked (b), which pertain to despatches from the Calcutta area, that substantial despatches from Bhadravati could be made even in March, 1961 whereas the despatches from the Calcutta area did not commence till April, 1961. The consideration that sleepers should be used for works on the north-east coast of the Southern Railway by making the fullest use of the working season before the monsoon, led to the Bhadravati despatches from March 1961 being sent to the more distant points on the aforesaid sections of the Southern Railway, instead of to sections nearer Bhadravati.

Question.—(iii) Was it not possible to utilise sleepers procured from Bhadravati on the works in question instead of getting supplies from Calcutta area?

Answer.—The point, which was sought to be made by the representatives of the Ministry of Railways before the Public Accounts Committee, was that the Bhadravati despatches of Broad Gauge sleepers were sent to the north-east coast sections of the Southern Railway for reasons explained in the answer to questions (i) & (ii) above. A consequence of this was that the supplies of the Calcutta area were correspondingly used for works elsewhere—that is, farther

away from the Calcutta area than the aforesaid section of the Southern Railway.

It may be added that the Southern Railway Administration have issued instructions on 10th July 1963 (copy attached as Annexure II), that review should be made from time to time of consignee instructions in respect of supplies of cast iron sleepers.

[The remainder of the page contains extremely faint, illegible text, likely bleed-through from the reverse side of the document.]

ANNEXURE I

| Name of Supplier | Particulars of monthly despatches effected to S. Railway | | |
|--|--|---------------|-----------|
| 1. Mysore Iron & Steel Works' (a) | 1693 tons | despatched in | March '61 |
| Bhadravati (B.G. Sleepers) (a) | 1747 tons | " " | April '61 |
| (a) | 555 tons | " " | May '61 |
| | 3995 tons | | |
| (M.G. Sleepers) | 243 tons | " " | April '61 |
| | 641 tons | " " | May '61 |
| | 407 tons | " " | June '61 |
| | 235 tons | " " | July '61 |
| | 511 tons | " " | Aug. '61 |
| | 841 tons | " " | Sept. '61 |
| | 335.5 tons | " " | Oct. '61 |
| | 497 tons | " " | Nov. '61 |
| | 3710.5 tons | | |
| 2. Shree Hanuman Foundry & Engg. Company, Calcutta (M.G. Sleepers) | 219 tons | " " | March '61 |
| | 2136 tons | " " | April '61 |
| | 330 tons | " " | May '61 |
| | 258 tons | " " | June '61 |
| | 2943 tons | | |
| (B.G. Sleepers) | 98 tons | " " | Oct. '61 |
| 3. Tapang Light Foundry, Calcutta (B.G. Sleepers) (b) | 1500 tons | " " | April '61 |
| | 728 tons | " " | Oct. '61 |
| | 2228 tons | | |

| Name of Supplier | Particulars of monthly despatches effected to S. Railway | | |
|--|--|-------------------|-------------------------|
| 4. Shree Hanuman Cotton Mills, Calcutta. | | | |
| (B.G. Sleepers) | (b) | 304 tons | despatched in April '61 |
| | (b) | 609 tons | " " May '61 |
| | (b) | 756 tons | " " June '61 |
| | | <u>1669 tons</u> | |
| (M.G. Sleepers) | | 438 tons | " " Aug. '61 |
| | | <u>329.5 tons</u> | " " Sept. '61 |
| | | 767.5 tons | |

NOTE. It will be seen that the aggregate despatch of Broad Gauge sleepers from Bhadravari, in the period from March 1961 to May 1961, items indicated (a) was 3,995 tons, against an appreciably lower tonnage of 3,169 despatched in about the same period April 1961 to June 1961 from the Calcutta area—item indicated (b).

ANNEXURE II
SOUTHERN RAILWAY

No. W/457/4.

Hd. Qrs. Office (Works Branch).

Madras-3, Dt: 10th July, 1963.

OFFICE ORDER

SUBJECT:—*Movements of Permanent Way Materials.*

Permanent Way Materials such as cast iron sleepers are obtained from various sources in different parts of the country for consumption at different points on the Railway. In the case of cast iron sleepers consignee instructions are given by the Railway against the contracts entered into by the Railway Board. Consignee instructions are normally issued taking into consideration that the distances over which the materials have to be moved are kept down to the minimum, consistent however with the urgent needs of some of the works over the others for these materials. It however happens that conditions alter from time to time, as, for instance, when supplies of materials do not materialise as anticipated with delays occurring in some cases, while in some others due to ready stock with the suppliers the materials flow earlier than anticipated. A periodical review of the consignee instructions is, therefore, called for so that such consignee instructions, as have been issued, are suitably revised when possible. It is necessary that such a review should be conducted every month with the object that the freight incurred on movements is the lowest, except as warranted by clear urgency of needs. In the case of cast iron sleepers the review should be done by the Track Supply Officer. He should also keep the COS and CE informed of the results of such a review every month. In respect of construction Branch, the review should be carried out in Works/Construction Branch Office.....the results of the review being put up to CE/CN/COS.

Sd/-

For General Manager.

C.E.

C.O.S.

C.E./CN/MS.

Copy to T.S.O.

APPENDIX VIII

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(Railway Board)

No. 62-B(C)—SE|5 (PAC).

New Delhi, 2nd July, 1963.

OFFICE MEMORANDUM

SUB:—*Consideration of Audit Report, Railways, 1963.*

The undersigned is directed to refer to Lok Sabha Sectt. O.M. No. 2/IX/2/63/PAC dated 18th June 1963 and to send herewith a statement giving—railwaywise—the information required by the Public Accounts Committee in regard to Arbitration Cases etc.

2. It will be seen that generally speaking, except on the Northern Railway in the three years and South Eastern Railway in the years 1961-62 and 1962-63, the number of arbitration cases is not large and the amount awarded is also not very significant. Taking all the Railways together and the total of all the three years (1960-61 to 1962-63), the amount awarded as a result of arbitration is only Rs. 84.26 lakhs. The total amount awarded against all Railway administrations, which was Rs. 22.47 lakhs in 1960-61 and Rs. 38.53 lakhs in 1961-62, was Rs. 23.26 lakhs in 1962-63. The total amounts claimed in arbitration in these three years were Rs. 0.81 crores, Rs. 1.46 crores and Rs. 1.74 crores respectively. The average *annual* expenditure incurred by all Railway administrations on arbitration in these three years is less than a lakh of rupees (about Rs. 89,000).

3. The Ministry of Railways would like to stress that the figures have to be viewed in relation to the large number of contracts on

the Indian Government Railways and the value of these contracts as well as the very large magnitude of expenditure on works, stores etc.

(C.T. VENUGOPAL)

ENCL: AS STATED.

*Additional Member, Finance,
Railway Board.*

To

The Lok Sabha Sectt.,
(P.A.C. Branch),
New Delhi.

No. 62-B(C)-SE/5 (PAC). *New Delhi, dated the 2nd July, 1963.*

Copy to ADAI (Railways), New Delhi, with reference to Lok Sabha Sectt's endorsement No. 2/IX/2/63/PAC dated 18th June, 1963.

(C. T. VENUGOPAL)

*Additional Member, Finance,
Railway Board.*

ENCL: As above.

STATEMENT

| Railways | No. of cases referred to Arbitration | | | No. of case in which awards went against the Railway | | | Total amount claimed in respect of all cases | | | Total amount awarded | | | Total amount incurred in arbitration cases | | |
|--|--------------------------------------|---------|---------|--|---------|---------|--|---------|---------|-----------------------|---------|---------|--|---------|-------------------|
| | 1960-61 | 1961-62 | 1962-63 | 1960-61 | 1961-62 | 1962-63 | 1960-61 | 1961-62 | 1962-63 | 1960-61 | 1961-62 | 1962-63 | 1960-61 | 1961-62 | 1962-63 |
| | | | | | | | (Rupees in thousands) | | | (Rupees in thousands) | | | (Rupees in Units) | | |
| Central | 10 | 13 | 19 | 9 | 11 | 17 | 2,23 | 6,30 | 34,19 | 80 | 1,63 | 4,45 | 600 | 767 | 18,452 |
| Eastern | 8 | 5 | 6 | 8 | 5 | 2 | 11,40 | 6,75 | 14,20 | 5,27 | 5,26 | 4 | 5,134 | 1,863 | 377 |
| Northern | 32 | 45 | 61 | 21 | 26 | 21 | 7,47 | 14,63 | 25,07 | 1,28 | 2,94 | 7,55 | 3,739 | 8,809 | 9,975 |
| North eastern | 4 | 18 | 22 | 4 | 16 | 8 | 8,80 | 7,78 | 20,70 | 40 | 85 | 49 | 1,142 | 460 | 1,353 |
| Northeast Frontier | 3 | 9 | .. | 3 | 8 | .. | 11 | 1,67 | .. | 11 | 37 | .. | 2,908 | 8,137 | .. |
| Southern | .. | 1 | .. | .. | .. | .. | .. | 58 | .. | .. | .. | .. | .. | 76 | .. |
| South-eastern | 11 | 57 | 60 | 10 | 44 | 23 | 7,51 | 92,27 | 65,95 | 4,74 | 23,73 | 7,24 | 372 | 5,000 | 22,000 *98,000 |
| Western | 16 | 6 | 14 | 12 | 4 | 11 | 43,59 | 15,24 | 13,63 | 9,84 | 3,33 | 3,33 | 55,289 | 9,890 | 10,710 |
| Chittaranjan Locomotive Works | 1 | .. | 1 | 1 | 1† | 1 | 3 | 23† | 4 | 3 | 23 | 3 | 245 | 50 | 952 |
| Diesel Locomotive Works (formerly Loco Component Works) Varanasi | .. | 1 | 1 | .. | 1 | 1 | .. | 45 | 11 | .. | 19 | 3 | .. | 40 | 39 |
| Integral Coach Factory, Madras | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |

| | | | | | | | | | | | | | | | |
|--|----|-----|-----|----|-----|----|-------|--------|--------|-------|-------|-------|--------|--------|---------|
| Railway Electrification Project | .. | .. | I | .. | .. | I | .. | .. | 14 | .. | .. | 10 | .. | .. | 53 |
| Dandakaranya-Bolangir-Kiriburu Railway Project | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| TOTAL | 85 | 155 | 185 | 68 | 116 | 85 | 81,14 | 145,90 | 174,03 | 22,47 | 38,53 | 23,26 | 69,429 | 35,092 | 161,911 |

*This represents expenditure to end of 1962-63 on the special organisation set up to deal with arbitration cases on S.E. Rly.

†Relates to 1959-60 but decided in 1961-62.

NOTE :—(i) The above information excludes D.G.S. & D's contract cases, arbitration in respect of which is handled by that organisation.

(ii) While the amounts claimed and awarded are given in thousands of rupees the total expenditure incurred by the Railway in the Arbitration proceedings is given in units of rupees.

(iii) The figures of Eastern Railway and Diesel Locomotive Works, Varanasi are reported to have been vetted by their local Audit, and the rest are stated to be under verification.

APPENDIX IX
MEMORANDUM

REG:—Item 33 contained in Appendix II—Vol. II—of the First Report of the Public Accounts Committee (3rd Lok Sabha)—Para 19 of the Railway Audit Report, 1961—Import of wooden sleepers from U.S.A.—Defective supplies.

In the chronological account accompanying the Memorandum previously submitted by the Ministry of Railways to the P.A.C. (vide Appendix XXII of Volume II of the First Report of the Public Accounts Committee), it was explained that Shri C. R. Ranganathan, former Inspector General of Forests, Government of India, had been appointed on 15th November, 1961 as Sole Arbitrator. This was done under the relevant section of the Arbitration Act, for dealing with the issues and he entered on the reference on 18th November, 1961. In view of the written refusal of the American firm to take part in the arbitration proceedings, the Arbitrator decided to proceed with the case *ex-parte*, and held some ten sittings including visits to the site where the American sleepers' were kept in storage. After detailed hearings, the Arbitrator finally gave his award on the 26th of September, 1962* upholding the Railway's claim on all the counts referred for arbitration. The findings and substance of the award are indicated below:—

- (i) The sleepers supplied did not have, and could not have had, the prescribed nett retention of 6 lb. per cubic foot of preservative as per specification agreed upon.
- (ii) The American Firm should replace the 23,319 sleepers, which cannot be salvaged, by a fresh supply of sleepers conforming to the specifications prescribed, free of cost or alternatively pay the landed cost calculated at Rs. 31·21 per sleeper.
- (iii) The American Firm should pay the salvaging costs for 209,771 sleepers, calculated at Rs. 3/- per sleeper.

About 22,730 sleepers having already been laid in track, the award given by the Arbitrator covers completely the entire balance, out of 2·56 lakh sleepers received under the contract with the American firm.

*Not printed.

2. As advised by the Ministry of Law and the Legal Advisers of the India Supply Mission, Washington, the Indian Railways are now free to proceed further with the salvage treatment and use the sleepers thereafter. The legal Advisers to the India Supply Mission, Washington have, however, suggested—as a measure of abundant caution—a further opportunity being given to the Supplying Firm to satisfy themselves about the condition of these sleepers, if they so choose, by 31st March, 1963, in view of the pending claim. This will ensure that the Railways would no longer be under any obligation legally to keep the sleepers stored, ready for inspection, for any further period thereafter.

3. The reactions of the American Firm on the award are still awaited. They have merely pleaded that their Principal Director is away in the continent, evidently in an attempt to gain further time. Meanwhile, the Ministry of Railways have decided to proceed simultaneously with the legal formalities by requesting the Arbitrator to file the award in the Court. This having been done, the District Court conveyed formal advice of the filing of the award to the Ministry of Railways, who in turn have filed a petition seeking a decree on the award.

All necessary action has thus been taken by the Ministry of Railways at every stage, and further developments will be carefully watched and the final outcome of the case will be reported in due course to the Public Accounts Committee.

This has been seen by Audit.

APPENDIX X
MEMORANDUM

REG:—*Conclusions/Recommendations of the Public Accounts Committee—items 58-59 of the First Report (3rd Lok Sabha)—Vol. II—Appendix II.*

The matter has been further examined as desired by the Public Accounts Committee and certain relevant aspects of this case are set forth below.

In this case, pending the provision of a weigh bridge, the Railway introduced a system of ascertaining the quantities to be loaded into a wagon by a formula based upon the density of ore, which was taken as 18 cubic feet per ton (on an average basis). It may be mentioned that, with the growing pressure on rail transport, it has been found increasingly necessary to adopt, in cases where the weights can be deduced with a reasonable degree of correctness from measurements, this method of ascertaining the loadable quantities into the wagons, and thereby effect some savings in the detentions to, and shunting of wagons. In this context, therefore, a certain variation between the weight determined on this basis and the actual weight would be inevitable—these could be either an excess over, the computed weight, or a shortfall in relation to the computed weight. In fact, it has been recognised that, even in the case referred, there were instances both of under-loading and of over-loading with reference to the computed weight. One of the contributory factors for this variation is the fact that the density of ore varies from quarry to quarry and sometimes even within the quarry itself, and such variations are appreciable. The size of the lumps constituting a particular consignment would also make a difference. A very small difference in the height up to which the ore is loaded and whether there are any heaps, etc., could also make some difference to the weight. It may be mentioned that a difference of even 1" (one inch) in the loading height could make a difference of about a ton in the weight. It may, however, be mentioned that the chances of accident, on account of possible over-loadings, by the variations in density and slight variations in the height of loading are insignificant as has been found in actual practice.

In considering the question of fixation of staff responsibility, due allowance has, therefore, to be made for the factors mentioned

above. In the particular case covered by the Audit Para, it is seen that, though there were many cases of Overloading, there were some cases of 'Underloading', also. Many of the cases of overloading were such where the loading had been to the extent of 1 or 2 tons more than the carrying capacity, which could possibly have been due to the factors mentioned above. Further, it is not possible to ascertain if the excess weights in the other cases were due to loading beyond the permissible heights, or were on account of variation in the density of the ore, as the height up to which the wagons had been loaded had not been specifically recorded when the weighments were made at the destination. All this renders it extremely difficult to pin-point responsibility for the lapses, which arose from a number of contributory factors inevitably arising from the general arrangements in vogue none of which can be ascribed to any individual's negligence as such. It has also come to notice that, for a check to have been conducted at the starting station, to ensure that no loading was done beyond the permissible height, it would have been necessary to engage additional staff, to adequately supervise the loading. The necessity for, and the importance of, this supervision has been brought to the notice of the Railway Administration. General instructions have also been issued to all the Railways to ensure prompt and adequate action being taken in such cases, in order to obviate a possible leakage of revenue. A copy of the instructions issued in this connection is enclosed.*

In all the circumstances of this case and having regard to the fact that this case has highlighted certain aspects for which remedial instructions have been issued, the Ministry of Railways would respectfully request that this case may not be pressed further.

This has been seen by Audit.

APPENDIX XI

Summary of main conclusions/recommendations of the 13th Report of the Public Accounts Committee on Appropriation Accounts (Railways) 1961-62 and Audit Report, 1963.

| Serial No. | Para No. of Report | Ministry concerned | Conclusions/recommendations |
|------------|--------------------|--------------------|---|
| 1 | 3 | Railways | The Committee feel that the cases of unnecessary Supplementary Grants referred to in the Report do not indicate a satisfactory position. It is clear that the progress of expenditure and liabilities incurred under the grants were not properly watched which resulted in excessive supplementary demands and large savings at the end of the year. The Committee would urge upon the Ministry of Railways to further examine these cases and take suitable steps to prevent their recurrence. |
| 2 | 4 | ,, | The Committee would watch through future Audit Reports the improvement in the position regarding surrender of savings as claimed by the Ministry of Railways. |
| 3 | 5 | ,, | The Committee feel that while framing the budget estimates the administration should be able to make due allowance for likely savings arising from factors like difficulties in procurement of materials, delays in finalisation of plans and estimates, rephasing of works etc., which though unforeseen, are known from past experience to be inevitable. In this connection, they would also commend for the consideration of the Railway Board their recommendation contained in para 6 of 9th Report (1962-63) that in respect of grants in which savings were a recurring feature, a lump-sum cut might be imposed without in any way affecting the provision on individual items, before approaching Parliament for funds. |

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4 6 Railways (i) The Committee regret to observe that despite their observations and instructions issued by the Railway Board, the Railway Administration still continued to overlook statutory provisions in regard to making provision for 'Charged' expenditure.

" (ii) Subject to the above observation, the Committee recommend that the excesses referred to in para 5 of the Report be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

5 7 " The Committee feel that interest on overdrafts by private companies should be charged so that the Parliament gets a full picture of the real amount of subsidy.

6 8 " As the subsidy is payable on a fixed date, interest should be assessed on overdrafts as they occur periodically for the actual periods of time until they are liquidated. Such overdrafts are in the nature of ways and means advances the interest on which is correctly chargeable to the working expenses of the companies. The Committee desire that the amounts of overdrafts drawn by the Branch lines worked by private companies and the interest charged thereon should be indicated separately in an appropriate manner.

7 9 " Allowing the overdrafts of this magnitude (almost twice the amount of subsidy paid to the companies) without a proper scrutiny appears to be unsound. The Committee, therefore, desire that suitable limits should be fixed in this regard.

8 10 " The Committee would reiterate their earlier observations made in para 15 of their 1st Report, 1962-63 that besides purely commercial considerations, factors like efficient management and better public service should also be taken into account

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in reaching a final decision on this question. They trust that these observations will be kept in view at the time of reviewing the existing agreements with the Branch line companies.

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Railways In the opinion of the Committee the increased amount of undercharges detected during the post-check of the transactions is indicative of the deteriorating efficiency of the station staff in the matter of correct recovery of freight etc. Since such undercharges materially affect the earnings of the Railways, the Railway Board should take a serious view of the situation and adopt suitable remedial measures.

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The Committee trust that the Railways will ensure that the procedure outlined in this Report in the matter of disposal of surplus stores is properly followed by the Railway Administration and that items of stores declared surplus on the Railway are promptly notified to other Railways, so that they can be utilised in the best manner.

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Economic
& Defence
Co-
ordination

(i) It has caused serious concern to the Committee that the Purchase Organisation should have taken three years in ascertaining the position and in reporting the matter to the Special Police Establishment. As the Purchase Organisation handled crores of rupees worth of contracts, Government would be well advised to see that it acted with due alertness and speed to look into the malpractices of unscrupulous contractors.

(ii) The Committee are surprised that no criminal case could be instituted against the firm in spite of the fraudulent practices alleged against it. It appears to them that delays in detection due to lack of administrative vigilance both in indenting and supply organisations, have only facilitated the disappearance of cogent evidence. The Committee note that disputes in respect of 43 contracts with the firm were under arbitration. They may be apprised of the outcome thereof.

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| 12 | 14 | Economic & Defence Co-ordination | The Committee feel that there is a serious lacuna in the procedure whereby the consignee Railways failed to obtain the data in support of 90 per cent payment made. The Committee would like the Ministry of Economic and Defence Co-ordination to look into this and ensure satisfactory co-ordination so as to avoid recurrence of such cases. |
| 13 | 15 | Home Affairs | (i) The Committee desire that the Ministry of Home Affairs might look into the case of irregularities in timber contracts and examine the manner in which the case was processed by the S.P.E. at different stages. |
| | | Railways Economic & Defence Co-ordination | (ii) As the irregularities are so blatant and serious, and the amount involved is large the Committee suggest that there should be a joint inquiry by senior officers of the Railway Ministry and the Ministry of Economic and Defence Co-ordination. They should examine the officials concerned and the relevant documents ascertain the <i>modus operandi</i> , allocate the responsibility between the two Ministries and suggest suitable procedural changes to avoid recurrence of cases of this nature. |
| | | E. C. and D. | (iii) The Committee would like to be informed of the progress of the civil suit. The performance of the contractor in regard to his contracts with the other Ministries should also be carefully scrutinised. |
| 14 | 16 | Railways | The Committee feel that as the firms had not agreed to a reduction in price on account of increase in the quantity to be purchased, there was no material advantage in placing orders for two years' supplies, specially when global tenders had been called for and were due to be opened within a few days. Even if the judgement was that global enquiries would not throw up lower rates, it would have been more prudent merely to reserve the right, if possible, to increase the order on the firm successful against the limited tender. Had the purchase been restricted to the urgent requirements the extra expenditure would have been minimised. |

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Railways

The Committee find it difficult to accept the view that the time taken in processing the tender was not unreasonable. In their opinion the time taken in processing the contract at different stages was not in keeping with the plea of urgency which was the main consideration for accepting higher rates. The Committee would like the Railway Board to take steps to tighten up the procedure to avoid such delays in future, specially when dealing with urgent requirements. The Committee are also unhappy to note that no price preference clause was included in the contract.

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The Committee regret to observe the complacent attitude of the Railway Board in considering the question of levying liquidated damages on the supplier. They would like to be informed of the final action taken in this regard.

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The Committee consider it unfortunate that the Railway Administration should have issued orders regarding Zonal contracts which were in their own words, “ill conceived and absolutely impracticable”. The Committee would like the Railway Board to examine the circumstances under which such orders were issued and take steps to avoid recurrence of such cases.

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(i) The Committee suggest that the feasibility of finalising the new contracts before 30th June instead of 31st July each year should be examined.

(ii) The Committee would watch through subsequent Audit Reports the results of the changes introduced and instructions issued in regard to placing of Zonal contracts.

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The Committee trust that the Railway Board will take a serious note of the mistake of not putting up an offer of a firm to the Tender Committee and issue suitable instructions to avoid recurrence.

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Railways

(i) There was no justification for not fixing the rate for E.P. Locking even during the currency of the contract *i.e.* for three years. The Committee feel that this was a serious lapse on the part of Railway Admn. They should have acted in a businesslike manner. The Committee desire that it should be impressed on the Administration that, as far as possible, no work should be entrusted to a private party without settlement of the terms and execution of proper agreement in advance.

ii) The Committee also regret to note that the Station records which were relevant in this case had been destroyed as a matter of routine after 3-1/2 years. The Chairman, Railway Board agreed that this was not proper and was not in accordance with the existing instructions. The Committee regret that they have to emphasise that instructions have no meaning if non-observance thereof is acquiesced in as a matter of course.

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(i) The Committee feel that there was no valid reason for the continuance of the surplus staff on the earth moving plant unit beyond August, 1961. By taking prompt action the Railway Administration could have avoided the infructuous expenditure to the tune of Rs. 30,000 P.M. during the period August, 1961 to February, 1962.

(ii) The Committee are unable to appreciate the abnormal delay in the utilisation of the surplus plant and machinery retained by the Railway. They would like to be informed when these items of machinery are actually put to use.

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In the opinion of the Committee the commencement of the earth work on the loop was illadvised and not based on proper assessment of the situation. The Committee are also not satisfied with the plea that the earth work had come in handy for unloading and stacking of goods at

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the station because the necessity for such a work was not felt earlier by the Railway Administration ; therefore it appears to be an after-thought to justify the expenditure which became infructuous.

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Railways

(i) In the opinion of the Committee since the price of coal was to be paid on the basis of notes recorded by the Railway officials at the forwarding stations, the Railway Board and the Administration should have taken immediate steps to ensure that proper checks were exercised at the forwarding stations. They regret to note that prompt action was not taken in this regard, and meanwhile the collieries continued to make short supplies.

(ii) The Committee would like to be informed of the final outcome of consideration of the question of claiming suitable damages from the collieries for short supplies of coal.

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The Committee feel that suitable trials should have been conducted and due allowance made for subsidence etc. to ensure that the markings in wagons were correctly made. The Committee hope that such mistakes will be scrupulously avoided.

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The Committee are, unable to accept the plea of urgency and feel that this is a case of lack of proper planning. With a little better planning, the Railway Administration could have minimised the longer haulages and the resultant extra expenditure. They note that further instructions have been issued by the Railway Administration suggesting a periodical review of the consignee instructions to ensure that freight incurred on movements is reduced to the minimum. The Committee suggest that similar instructions may be issued in the other Railway Administrations also.

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| 26 | 28 | Railways | The Committee feel concerned to note that the assessment of requirements of sectional battery cells by the Railway was so wide off the mark. The Committee hope that suitable measures will be adopted to avoid the recurrence of such cases. They would like to be informed of the final disposal of the excess stock and the amount of loss suffered on this account. |
| 27 | 29 | ,, | <p>(i) The Committee would await the result of the review of the position of losses and damages sustained by wagons at colliery sidings etc. promised to be undertaken by the Railway Board.</p> <p>(ii) The Committee may be informed of the final settlement reached in regard to recoveries to be effected from Steel Projects. Meanwhile, they suggest that Railway Administration should in consultation with the Project authorities devise suitable measures to reduce the incidence of losses due to damages and missing parts of wagons whether in the jurisdiction of the Railway or the Steel Plants, as the present position in this respect is far from satisfactory.</p> |
| 28 | 30 | ,, | The Committee are not convinced that the Railway Board had taken all reasonable precautions to ensure that, on availability, the chlorine tank wagons were duly utilised. As the order was placed at the instance of the users, it should have been possible to obtain from them guarantees of a minimum amount of traffic. Had this been done, the users would doubtless have made timely arrangements at their end for the discharging and storing of liquid chlorine. |
| 29 | 31 | ,, | The Committee feel that recovery of advances given to the staff should be ensured strictly in accordance with the rules. Laxity in this regard, besides entailing |

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substantial loss of interest to Government also engendered unnecessary risk of some of the outstandings becoming irrecoverable. The Committee disapprove of such heavy arrears being allowed to accumulate. The Committee note that action on the part of the Railway Board has resulted in considerable reduction of the arrears. They hope that such heavy arrears of recoveries will not be allowed to recur.

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Railways

The whole episode spread over a period of more than twenty years has left a painful impression on the Committee. It reflects credit neither on the firm nor on the Railway Board and Railway Administration. The firm made a series of encroachments on the railway land and violated agreements, but the Railway Administration proved quite ineffective in preventing the party from making these encroachments and violating agreements from time to time. There were reluctance and inordinate delays in applying whatever remedies legal or administrative were available to them. Whether it was mere incompetence or worse requires to be fully enquired into and responsibility fixed.

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The Committee were informed that under the standing rules the rent for the land should have been recovered at 6% of the market value of the land. The Committee understand that the normal practice is to take the market value as the "freehold value", where as in this case the Railway Board adopted the "lease hold value" as the basis for determining the arrears of rent. (Free hold value is understood to be about $1\frac{1}{2}$ times of the lease hold value). As is well known, the current market value of the land in this locality would be very much higher than Rs. 186 per sq. yd. The Committee, therefore, desire that the position may be reviewed in consultation with Audit to ensure that the settlement is in keeping

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Railways

with the standing rules, and do not involve any financial loss to the Railways.

The Committee are not satisfied with the manner in which the case of acquisition of land was processed both in the Railway Administration and the Railway Board. When the recommendation of the District Engineer was available in October, 1955 and it was still under consideration, the Committee do not understand why no attempt was made by the Railway Administration to stop the withdrawal of proceedings by the State Government in February, 1956. The Committee, further understand that in November, 1956 when the High Court wanted to know before 3-12-1956, whether the Railway Administration still wanted to pursue the acquisition proceedings, there was no response from the Railway Administration. The Committee note with regret these lapses on the part of the Administration. They are also surprised at the delay of 2 1/2 years on the part of the Railway Board in replying to the reference from the Railway Administration.

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The Committee regret to observe the delays at different stages in the circulation of the correction slip and in enforcing revised freight rates by the Railway Administration, which placed them in an unenviable position making the recovery of dues difficult. They were surprised to learn that there was no proper system of recording receipt and despatch of communications on the Railway in the past. They trust that with the adoption of suitable remedial measures such contingencies will not arise in future. The Committee suggest that the Railway Board should issue suitable instructions to the Railway Administration to make periodical checks to ensure that correction slips incorporating changes in freight etc. are received by all the stations well in time.

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34 36 Railways The Committee do not understand the need for such prolonged negotiations with the firm who had already stalled recovery for more than a decade. They are of the opinion that legal action should not be delayed any further.

35 37 „ The Committee regret to observe the continued failure on the part of the Railway Administration to take suitable action against the firm which resulted in accumulation of dues for about six years, and their non-recovery during a further period of seven years. The Committee trust that the Railway Administration will be more prompt and vigilant in collecting their dues in future.

36 38 „ In the opinion of the Committee the fact that as much as 43% of the amounts claimed by the contractors were allowed by the arbitrators in spite of the fact that the arbitrators appointed were retired Railway Officer or Senior officers serving other Railway Administrations indicates that either the claims of the contractors were not examined properly at the initial stages or that the Railways' case was not put forward properly before the arbitrator. They would like the Railway Board to review these cases decreed against the Railways with a view to find out weaknesses to be remedied and to fix responsibility, where necessary.

37 39 „ The proposed review should apply to the Arbitration cases on the Northern Railway also.

38 40 „ (i) The Committee feel concerned to note that the unsatisfactory state of Accounts was allowed to continue for such a long period which facilitated the fraud. They would like to be informed of the final outcome of the case.

(ii) That the fraud of this magnitude was allowed to be committed over a long period of 10 years shows a deplorable lack of vigilance on the part of the Administration.

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| 39 | 42 | Railways | The Committee note that in the cases referred to in para 42 of the Report the replies furnished by the Ministry of Railways are of an interim nature and would, therefore, await a further report thereon. |
| 40 | 43 | " | The Committee would like to be informed of the final outcome of the steps being taken to enforce the claims allowed by the arbitrator against the U.S. firm who had supplied defective wooden sleepers to the Indian Railways. |
| 41 | 44 | " | In the opinion of the Committee the Railway staff could mark different scales of measurements in each wagon for loading different types of material and insist on the consignors to load according to scale. The Committee have come across another case of loss resulting from incorrect markings in wagons which they have commented in paras 25-26 of this Report. They trust the Railway Board will ensure that such mistakes do not recur. |
| 42 | 45 | " | The Committee would like to be informed of the progress made in regard to the appointment of non-Railway Engineers in the Vigilance Cells of the Railways. |
| 43 | 46 | " | The Committee suggest that the procedure for dealing with references made to the Railway Board by the Railway Administration should be studied by the O & M team or the Efficiency Bureau in the Railway Board's Office, who should thereafter fix suitable time-limits for disposal of such cases. Separate time-limits may be fixed for cases involving reference to (i) one Railway Directorate only, (ii) more than one Directorate, and (iii) inter-Ministerial references. Cases which are delayed beyond these limits should automatically come for review before the full Board. |

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53. The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.

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