

**PUBLIC ACCOUNTS COMMITTEE**  
**( 1973-74 )**

(FIFTH LOK SABHA)

**HUNDRED AND TWENTY-SEVENTH REPORT**

[Paragraphs 42 and 43 relating to Installation  
of Computers on Railways included in the Report of  
Comptroller and Auditor General of India for the  
year 1971-72—Union Government (Railways)]



LOK SABHA SECRETARIAT  
NEW DELHI

*April, 1974/Chaitra, 1896 (S)*

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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- 16-10-73(FN) .
- 16-10-73(AN) .
- 17-10-73(FN) .
- 18-10-73(FN) .
- 24-4-74(AN) .

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\*Note printed (One Cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.)



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(1973-74)

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Shri T. R. Krishnamachari—*Under Secretary.*

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

@Ceased to be Member of the Committee consequent on retirement from Rajya Sabha w.e.f. 2-4-1974.

## INTRODUCTION

1. The Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Hundred and Twenty-Seventh Report of the Committee (Fifth Lok Sabha) on paragraphs 42 and 43 relating to Installation of computers on Railways included in the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).

2. The Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways) was laid on the Table on the 6th March, 1973. The Committee examined the paragraphs relating to Installation of computers on Railways included in the Report of the Comptroller and Auditor General of India for the year 1971-72 on the 16th and 17th October, 1973. Written information in regard to these paragraphs was also obtained from the Ministry of Railways (Railway Board).

3. The Committee considered and finalised this Report at their sitting held on 24th April, 1974. Minutes\* of the sittings of the Committee form Part II of the Report.

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

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

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

JYOTIRMOY BOSU,

*Chairman,*

*Public Accounts Committee.*

NEW DELHI;

April 24, 1974.

Vaisakha 4, 1896 (S).

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## REPORT

### Installation of Computers on the Indian Railways.

#### *Audit Paragraph*

1.1. Indian Railways had been using punched card data processing machines for several decades for statistical compilation. In August, 1963 the Railway Board concluded a contract with firm 'A' for the supply and installation of Unit Record Equipment and Accounting Machines. These machines were imported and installed on the Railways between July, 1964 and May, 1965, on monthly rental basis. The Railways were liable for payment of initial charges termed as actual importation charges, which amounted to Rs. 20.07 lakhs. Besides, the monthly rent paid was of the order of Rs. 1.54 lakhs before devaluation (June, 1966) and Rs. 2.41 lakhs after devaluation.

1.2. In January, 1963 the Chittaranjan Locomotive Works proposed to the Railway Board the installation of a computer for applications like pay roll and Provident Fund accounting, inventory control, job costing, production control etc., and assessed that outright purchase of the computer would be more economical than hiring on the basis of a service life of ten years. However, in view of the considerable outlay and the need to gain experience in the use of new equipment they proposed to the Railway Board that the computer might be taken on hire for two years with an option clause for outright purchase. In June, 1964, the Chittaranjan Locomotive Works re-examined the relative economics of outright purchase *vis-a-vis* rental plan and recommended rental taking into account the financial and administrative factors and the economic life of computer as not exceeding five years. The Railway Board thereafter sanctioned (February, 1965) the installation of computer by firm 'A' at the Chittaranjan Locomotive Works on rental basis and it was commissioned in August, 1966. Subsequently, 13 more computers were installed, all on rental basis, by the same firm between November, 1966 and January, 1970, on the Zonal Railways, Integral Coach Factory, Diesel Locomotive Works, Railway Board and Mughal-Sarai Yard.

1.3. The agreement with the firm provided for payment of one time charges (installation charges) plus monthly rental for each of the equipment; in addition, Railways had to pay all casing and packing cost, actual cost of transportation, rigging and drayage of the machines within India and also actual cost of importation for imported machines which included freight, insurance, and actual customs duties. The monthly rental was



based on the use of the Central Processing Unit for 176 hours per month beyond which additional time was billed at 30 per cent of the hourly rate derived from the monthly rental. The annual minimum rent of the equipment amounted to Rs. 101.18 lakhs. The actual hire charges paid for 1971-72 was Rs. 107.31 lakhs, out of which the Railways earned Rs. 8.34 lakhs by selling computer time. The cost of civil engineering, electrical and other works and the initial installation and importation charges incurred so far (October, 1972) on all the 14 installations amounted to approximately Rs. 69.20 lakhs. The rental basis was adopted in all cases and none of the agreements provided an option for purchase.

1.4. The Ministry of Railways (Railway Board) stated (November, 1972) that the rental system was financially justified at least for ten years and it had the advantage of guaranteed maintenance facilities and other assistance available from the firm. Also in view of the recognised necessity to switch over to more versatile and powerful computers in the near future, the rental system involved less financial burden.

1.5. The punches, verifiers and sorters needed for the punched card data processing machines had been purchased as well as hired before 1964. Such equipments obtained in 1964 from firm 'A', along with the Unit Record Equipment and Accounting Machines, on rental basis, were retained as ancillary equipments to the computers and continue to be on hire (November, 1972). The total rent paid for such equipments till June, 1972 worked out to approximately Rs. 50.17 lakhs as against the purchase price of Rs. 12.90 lakhs, which would have involved payment of maintenance charges amounting to Rs. 25.54 lakhs for the same period if purchased *ab initio*. The c.i.f. cost of these equipments was declared as Rs. 6.14 lakhs by firm 'A' while claiming actual importation in August, 1964.

1.6. The Ministry of Railways (Railway Board) explained that the ruling prices for the different items were as per the Company's catalogue prices and these were charged to all customers. There is no means for relating the c.i.f. value of any particular item to such sale price. Incidentally, but for the devaluation in June, 1966, the total rental would have been worked out to Rs. 34.60 lakhs only. The Railways have paid the same rates of rental on these items as other users in India in the public and private sector. The Ministry of Railways further explained that, as in the case of the main computer, the advantages of technological advances in the quality of punches, verifiers and sorters, which could be availed of by changing over to a subsequent model under the rental system, would not be available where these were purchased outright.

1.7. Some features relating to the usage of these computers are mentioned below:



(i) *Utilisation of computers*

The computers installed on the Railway system are capable of processing programmes so as to achieve a level of utilisation of about 400 meter hours per month of the Central Processor. A review of the working of these computers showed (June '72) that utilisation ranged between 92 and 400 meter hours and there was no uniformity on the applications taken over on computers by different Railways, even though the Railway Board had laid down a procedure for development by each Railway of specified programmes and their adoption on other Railways to ensure fuller utilisation of computers.

1.8. The Ministry of Railways (Railway Board) stated (December '72) that according to a study referred to in the report of the Automation Committee on the usage of about 70 computer installations in India, the All India average usage for computer of this series was 237.6 meter hours per month; judged by this standard, computers in Indian Railways (with 284.4 meter hours excluding Northeast Frontier Railway and Mughalsarai, which are operating under special conditions) had a very high degree of usage. They also explained that variations in the efficiency and extent of usage of computers were due to factors like different dates of installation of computers and consequential variations in the period of familiarity and experience gained after their installation, volume of coding work, time taken to persuade staff, particularly in certain areas, to see the advantages of computerisation, differences in procedures and other accidental factors.

(ii) *Provision of computer in the office of the Railway Board*

1.9. In June, 1967, the Railway Board approved a proposal to instal a computer to enable the Board to oversee, co-ordinate and direct Railway operations effectively by obtaining more details of the operating position in their office (*viz.*, particulars of daily interchange of wagons for each pair of Railways and the wagon balance on each Railway, typewise) and to dispense with the labour intensive collection of similar information by the Indian Railway Conference Association at New Delhi. Broad Gauge wagons were to be covered in the first phase and the M.G. wagons in the second phase. Although the computer started functioning in Rail Bhavan from September, 1968, only the first phase of the work could be covered. The second phase of the scheme relating to M.G. has not so far (October, 1972) been taken over.

1.10. The Ministry of Railways (Railway Board) stated that the second phase of the work could not be taken over for want of computer capacity in the existing system and that a proposal to re-number all the



existing wagons to facilitate computer wagon chasing was under consideration (December, 1972).

\* \* \* \* \*

(Paragraph 42 of the Report of the Comptroller and Auditor General of India for the year 1971-72—Union Government (Railways).

### Hiring of computers vis-a-vis outright purchase

1.11. The Committee enquired whether the economics of outright purchase or taking computers on hire had been worked out before the installation of computers on the Indian Railways. The Financial Commissioner for Railways deposed during evidence: "At that time, they did work out its economics and found that the economic life of the computer would be five years. Later on, they also came to know that if we made an outright purchase of the computer its cost of servicing by IBM will also go up and the machine might become obsolete, though financially, purchasing would have been cheaper. It was felt that on the whole, it was not worth taking the risk and also that IBM might not take the same interest in maintaining this equipment. So, it was safer to go on the basis of hire. That was not being done in the railways only, but also most of the non-Railway users also generally take computers on hire basis. That was considered to be a safer thing."

1.12. In reply to a question the witness added: "We have tried to work out on the basis of discounted cash flow method, because otherwise we will have to pay the purchase price as also the maintenance charges. We have worked out the discounted cash flow method for 11 years. We find that if we are going to keep the computer for less than ten years, the rental basis is better, assuming a rate of 10 per cent discount. Only if it is more than ten years, it will be profitable to make an outright purchase."

1.13. He further stated: "Even if we purchase the machine outright, we have to entrust the maintenance to them, so that we will have to pay the maintenance fees also. The study we have referred to is on the discounted cash flow method—that is, the present value of the rent we pay this year will be at a particular discount, the present value of next year's rental will have to be discounted more and so on. By this method, the present value of monthly rental would come to Rs. 36.47 lakhs whereas the purchase price alone would come to 36.53 lakhs."

1.14. The Committee pointed out that had the computers been bought outright, their maintenance would have helped in training Indian personnel and would have thus given a fillip to indigenous technology. To this the financial Commissioner for Railways replied: "Government



is also aware of this. The Electronics Corporation of India has made some experimental models and so far as IBM's maintenance is concerned, it will not be possible for our own people to do the same maintenance, repair them because they have parts which are highly sophisticated and can be obtained only from I.B.M. Unless we are able to take over the IBM mechanics here and pay them higher wages, it will not be possible to do the job ourselves and it is not a wise project. It would be much better, if we develop a computer ourselves as ECIL are doing or in collaboration with some reputed firms as the Bharat Electronics are trying to do with I.C.L."

1.15. Asked whether at the time of actual hiring of computers this aspect of the matter was examined, the witness stated: "There was a general fear that if we purchased it outright, we might not be able to handle it properly and the maintenance might not be good. This is why, out of 108 "IBM 1401" machines in India, 97 have been taken on hire by firms in both public and private sector, including Air India and LIC and only four had been purchased."

1.16. To a question as to how the life of computer was reckoned to be five years, the witness replied: "That was the general opinion. It was also the opinion of some of our officers who had gone abroad and studied the use of computers, they also thought that five years would be its life. The Government have also taken a decision that they should manufacture the Third generation computers in India."

1.17. Asked why rental beyond 5 years was being paid on machines whose life was stated to be five years only, the Financial Commissioner for Railways stated: "The life is not the life of the computer. It can function for a much longer period. A new model will come and replace it in five years. This is what had happened outside India. For foreign exchange reasons Government of India did not allow the purchase of Third Generation Computers."

1.18. In this connection the Chairman Railway Board stated: "Computer consists of two things—hardware and software. Hardware is the machinery part of it with electronics and so on and software is the system on which it works. Software has a very developing field in which changes are occurring very fast. Today in the rest of the world, they are already going into Fourth Generation Computers. Once the software changes, the hardware has to be changed regardless of what its life is and, therefore, the point is, these computers are not real time computers—the machinery gets obsolete after certain number of years. To give you an example supposing we are to put reservation system on the computers, these present computers are not fit to do it. They are just technically incapable of doing it. If you have a real time computer with the adequate soft-



ware and different kinds of hardware, you can put both,—the reservation system and whatever work is being done on the same computer now.”

1.19. He added: “The machines are not outdated in that sense. If we want to put a new application, we would be requiring third generation computers. They will do other jobs also in addition to the present ones.”

1.20. In reply to a question, he further added: “The point is, when we installed computers, we knew that the third generation computers were coming in the market in a matter of a few years but to the extent, we could foresee the applications then, we used the second generation computers. The point is, what kind of applications you want. You want to enlarge your applications as time goes on. You start with pay roll, traffic accounting inventory control; these are now primitive applications of computers. Reservation system, wagon control—these are third generation computers. On the Southern Railway, we have a complete microwave hook-up, we would introduce there the third generation computers straightway, which will be inventory control, wagon control, reservations etc.”

1.21. The Chairman, Railway Board stated: “If you continue with the same type of application in the same way, you can continue for ten more years. But the point is, when you want to put in other applications, what do you do? We want to bring in reservations etc., we cannot use these computers. Do we buy a separate computer for reservation only? You could have to replace the computer if you want to do reservations and other jobs that you are doing today. That would perhaps be a better system of input.”

1.22. He also added: “The life is not determined by the reliability performance of the machine for a particular task. It is due to the fact that the task expands and the obsolescence is there because the task expands and this type is no longer capable of expanding the task.”

1.23. The Committee were informed that for the installation of computers on Railways no global tenders were invited. As to the reasons for this the Financial Commissioner or Railways stated: “The IBM and the ICL were considered. The IBM was preferred because of their greater experience and larger establishment. There were other firms both in the private sector and public sector using the IBM machines. We have to go by the companies established in India having servicing facilities and all that. This was a new field to us and we did not want to take risk by going to new firms.”



1.24. On being pointed out by the Committee that some users of computers in India such as Ministry of Defence had made outright purchase of computers instead of hiring; the Chairman Railway Board stated: "As far as the Defence Ministry is concerned, so far as I am aware, they purchased them after we had installed the computers. But I find out of 97 IBM "1401" computers, 93 have been taken on hire and only 4 have been purchased. As regards those who have purchased the machines, it remains to be seen what they will do when it comes to getting new-generation computers. I think, that is also a serious problem.

1.25. The Committee enquired whether there was any coordination or mutual consultation between different departments in regard to installation of computers. The Financial Commissioner for Railways stated: "After the Department of Electronics was constituted, we are taking every advice in respect of computers from the Department. We have now gone in for global tenders on 14th May, 1973, not only from IBM but also from ICL, Electronics Corporation of India, William Jacks & Co. which sells Polish computers, Computeronics (India) Ltd., which sells Russian computers and other international companies. We are not confining the tenders to only one country, but to many countries including U.K., France, Poland, and USSR. We will see which is the best suited. We will take the advice of the Electronics Department."

1.26. The Committee were informed by the Financial Commissioner for Railways that: "Some of the computers are already being used up to the limit of the capacity. We have now invited tenders for feasibility studies on third-generation computers. The tenders are expected next month. We will examine them technically and financially and decide for which computer we should go and on what basis we should get them, whether by outright purchase or on rental. We have invited tenders from firms in the United States, Britain, France, USSR and Poland"

1.27. He added: "New improved models are now available. We will see from the quotations whether it is cheaper to purchase to have on hire. That is being examined by the Technical Committee. We have not taken a decision.

1.28. Asked why the Railways were now thinking for outright purchase when it was considered that hiring was more economical, the Chairman Railway Board stated: "We do not want to pre-judge the issue. We will see what the prices are, what the arrangements are and on that basis taken a decision."

1.29. The Audit para brings out that in 1963 when the Chittaranjan Locomotive Works proposed to the Railway Board the installation of a computer, they suggested that the computer might be taken on hire for



2 years with an option clause for outright purchase. Asked why this option clause was not included in the agreement with the IBM, the Financial Commissioner for Railways stated: "Within two years, we did not think that we would have to have this machine. We were still in the process of installing this equipment and getting over the teething trouble. We did not exercise the option after two years because it was expected that after two or three years there would be a new variety of computer viz. the Third Generation Computer. Then this was not possible because the IBM did not receive the licence for the installation of the third generation computer and we were advised by the Department of Electronics not to go in for imported computer. We are waiting for the manufacture to be established in India."

1.30. Subsequently in a note on the subject; the Railway Board have stated:

"All the fourteen computers on the Indian Railways were taken on rental basis and in none of these cases provision was made for an option to purchase them at a later date. The question of introducing a purchase option clause in the agreement would have arisen if at the time of hiring, there was a reasonable anticipation for the need to purchase the equipment at a subsequent date. Such a contingency did not arise because—

- (i) Data processing systems in general are prone to become obsolete relatively quickly. According to one assessment made the economic life of a computer system was reckoned at not more than 5 years.
- (ii) With the purchase of a particular computer system, all subsequent technological improvements would be at the cost of the user and this represented an indeterminate cost.
- (iii) The general practice in India and other countries in computerisation has been over-whelmingly in favour of hiring the equipment and not for outright purchase.
- (iv) At the time of initial installation of the computers, it would not have been considered prudent to purchase them, knowing already that the machines would require replacement in the foreseeable future due to availability of third generation computers in the world market.

At no other subsequent stage did any development take place to suggest even indirectly that we have to live with these second generation



machines for long. Indeed, the Committee on Automation in para 2.39 of their report (submitted in May, 72) stated that "these second generation computers are obsolete systems in the sense that either they belong to a distinctly earlier technology in terms of hardware and systems design or they are no longer in production." The present position is that feasibility studies for the introduction of 3rd|4th generation computers on the Railways have already been invited from six firms and these studies have started arriving."

1.31. The Committee desired to know the basis on which rentals for computers were fixed by IBM and agreed to by Railways. The Committee also asked what was the value of each of these computers as declared by customs at the time of importation. In a note the Railway Board have stated:

"The basis on which rentals for computers were fixed by I.B.M. is not available with us. To a subsequent query the firm have, however, clarified as under:—

"I.B.M.'s rental and purchase prices throughout the world and in India are standard and uniformly applicable to new or modernized equipment. The monthly Availability Charges (commonly known as rental) are based upon the equipment availability and machine service and not on the status and/or age of the equipment i.e. new or modernised machines."

The value of the machines as declared by the firm to customs at the time of importation is not known to us."

1.32. On being asked whether at the time of finalisation of hiring agreement it was known that only reconditioned machines would be supplied to Railways, the Financial Commissioner replied: "It was known that these would be reconditioned machines, but the I.B.M. would be fully responsible for their maintenance and trouble-free working."

1.33. He added: "There is always an IBM engineer and if there is any breakdown, he will repair it. If the breakdown continues for a long time, then he substitutes it by another IBM machines. They have to stand by computers which can serve as substitutes if required."

1.34. In another note furnished to the Committee, the Railway Board have intimated:

"To end of 1967 the rental charges for I.B.M. computers etc. were quoted as per the agreement, in terms of dollars though payments were made in rupees at the official exchange rate at the



time of payment. From January, 1968, the rental charges have been quoted by the Firm in terms of rupees and all the previous agreements have also been modified accordingly.

The rates of rental were fixed as part of the agreement.

It may be mentioned here that all the fourteen computers on the Indian Railways were installed after devaluation."

1.35. The details of Computers installed on Indian Railways are given in Appendix. It will be seen therefrom that the first computer was installed in Chittaranjan Locomotive Works, Chittaranjan on 1-8-1966. The latest installation was on North East Frontier Railway which was made in January, 1970.

1.36. The Committee desired to have the details of calculations to show that it was economical to take the computers on rental basis rather than on outright purchase basis. Two statements furnished by the Railway Board showing the detailed calculations for (i) purchase plan and (ii) rental plan are at Appendix II. The Railway have stated that at a discount factor of 10 per cent as shown in the statements, hiring is cheaper than outright purchase till the 13th year.

1.37. According to the Audit paragraph the monthly rent paid for the Unit Record Equipment and Recording Machines was Rs. 1.54 lakhs before devaluation and Rs. 2.41 lakhs after devaluation. The Committee wanted to know (a) what was the basis for fixation of rent, (b) whether the value declared to customs at the time of importation of these machines was ascertained, (c) how the rent was related to dollar while dealing with a company in India, (d) what was the justification for the increase after devaluation and (e) what was the additional amount paid on this account. In reply, the Railway Board furnished the following note:

"The basis on which rentals for computers were fixed by I.B.M. is not available with us. To a subsequent query, the firm has, however, clarified as under:

"IBM's rental and purchase prices throughout the world and in India are standard and uniformly applicable to new or modernised equipment. The Monthly availability charges (commonly known as rental) are based upon the equipment availability and machine service and not on the status and/or age of the equipment i.e., new or modernised. The 1401's installed at Railways are modernised machines'.

The value of the machines as declared by the firm to Customs at the time of their importation is not known to us.



At the time the machines were obtained for the Railways, the terms offered by the firm were that rent was expressed in terms of U.S. dollars and the payment was to be made in Indian rupees at the official exchange bank selling rate at the time of payment. The relevant portion of the contract agreement is extracted below:

‘... Monthly charges will be invoiced on the first of each month. Payment will be accepted in Indian rupees at the Official Exchange Bank selling rate of exchange for U.S. dollars at the time of payment to IBM World Trade Corporation, India’.

However, the firm on its own exchanged the terms with effect from January, 1968 and the rental charges are quoted in terms of rupees from that date. It is understood that similar terms were offered to all their other customers in India.

The increase after devaluation came about as a consequence of the terms of agreement, the relevant portion of which has been reproduced above.

The additional amount paid on account of devaluation in respect of machines then in use on the Railways was about Rs. 18.97 lakhs for the period from July, 1966 to December, 1967. With effect from January, 1968, the rental charges have been quoted by the firm in terms of rupees and all the previous agreements were modified accordingly.”

**1.38. The Committee note that 14 computers have been hired from the IBM and installed without any thorough job analysis on the Railways over the period 1966 to 1970. Before taking a decision in the matter it was considered that it would be economical to hire the computers rather than purchasing them on the basis that the life of a computer was 5 years. However, as the Railways are using the computers for over 8 years now, it was not wise to have hired them if they needed at all. The Railway Board have now given a calculation seeking to make out that hire is cheaper than outright purchase till the thirteenth year. According to these calculations, cumulative discounted value of purchase in the thirteenth year will be Rs. 55.59 lakhs whereas the value of hiring will be Rs. 55.49 lakhs. The Committee, however, find that a sum of Rs. 27.49 lakhs payable as dividend to general revenues has been taken into account while arriving at the value of purchase. In their view it was not correct to take this element into account. Further, the value of hiring has been computed on the basis that the computers will be used to the extent of 176 meter hours per month. As the computers are said to be capable of processing programmes so as to achieve a level .of**



utilisation of 400 meter hours per month of the central processor, rent for two shifts should have been provided. Thus the calculations suffered from over-valuation of the purchase and under-valuation of hire, Prima facie it appears hiring of computers beyond five years is uneconomical. The Committee would not be unjustified to think that it is a case of manipulation. In any case the justification now given seems to be an after-thought.

1.39. Although the Chittaranjan Locomotive Works initially proposed to the Railway Board that the computer might be taken on hire for two years (the usual way to make a beginning) with an option clause for outright purchase, all the 14 computers were taken on rental basis and in none of these cases such a provision was made. It seems obvious that the Railways were dealing with a very powerful multi-national corporation which dictated its terms. This is a very serious matter because this certainly makes room for a suspicion that somebody in the Railway Board was perhaps friendly with computer suppliers and that this may be an outcome of a conspiracy. Further, the basis on which rentals for computers were fixed by the firm concerned is stated to be not available with the Railway Board. It is strange that even now the Railway Board do not know the value of the computers as declared by the firm to the Customs authorities at the time of importation. It is also peculiar that all the computers hired by the Railways were re-conditioned ones. The Committee are constrained to express a suspicion that a fraud has been perpetrated on public funds.

1.40. Certain equipments obtained in 1964 from the same firm along with the Unit Record Equipment and Accounting Machines on rental basis were retained as ancillary equipments to the computers. Continued hiring of these equipments meant an additional expenditure of Rs. 11.73 lakhs upto the end of June, 1972 over what would have been paid had they been purchased ab initio. Further, it is interesting to find that the c.i.f. cost of these equipments was declared as Rs. 6.14 lakhs by the firm and the hire charges paid upto June, 1972 worked out to Rs. 50.17 lakhs. Surprisingly, the hire charges were expressed in terms of dollars although the firm was operating in India and the payment in terms of rupees went up after devaluation in June, 1966 to the great advantage of the company and to the serious disadvantage of the Exchequer. But for the devaluation the total hire charges would have worked out to Rs. 34.60 lakhs only.

1.41. Before installing the computers the Railways had hired Unit Record Equipment and Accounting Machines from the same firm. In this case also the rent was expressed in terms of dollars and the payment was to be made in Indian rupees at the official exchange bank selling



rate at the time of payment. The additional amount paid on account of devaluation in respect of these machines was about Rs. 18.97 lakhs for the period from July, 1966 to December, 1967. With effect from January, 1968 the rental charges were quoted in terms of rupees. It is, however, not even clear whether there was any increase in the rental charges w.e.f. January, 1968. These are mysterious things. The Committee have not been given any justification for the increase after devaluation although the machines were imported long before devaluation.

1.42. In view of the foregoing, the Committee hold that hiring of the computers and other equipments were wholly unjustified and motivated and the terms and conditions under which they were hired were absolutely one-sided. In fact it seems it was done to benefit the multi-national corporations. They are positive that all the details were not carefully worked out and the interests of Government were trampled by entering into such commitments. It is now absolutely necessary that it should be examined how the Railways entered into such dubious transactions with this firm and that on the basis of the findings appropriate action should be taken against all the persons involved. This is a unique business deal where the supplier dictates for everything and the Government accept it without any objection.

#### Utilisation of Computers

1.43. The Committee desired to know how and in what manner computerisation had benefitted the Railways and whether the benefits could be quantified. In a note on the subject, the Railway Board have stated:

“The benefits of introduction of computers on the Indian Railways are explained in the paragraphs following:—

Indian Railways have been using punched card equipment for processing statistical data for about 50 years now. The internal check of traffic revenues and apportionment of earnings was, however, being done manually. The decision for the introduction of the computers was taken some time in 1965. Between 1951 (the first year of the First Plan) and 1965, the originating traffic had increased tremendously and further sharp increases were expected with the implementation of Five Year Plans, as may be seen from the table below:—

	1950-51 (In million)	1965-66 (in Million)	%age of increase
Passenger originating . . . . .	1284	2082	62.15%
Tonnes originating . . . . .	93	203	118.30%
Revenue Gross Receipts . . . . .	Rs. 2633	Rs. 7337.6	178.68%



2. This phenomenal increase in transactions meant also a sharp and unprecedented increase of work in the Traffic Accounts Branch; in this situation, the century old accounting system and procedures were breaking down. Some reduction had, therefore, perforce to be effected in the documentation and returns from stations, and changes had similarly to be introduced in the procedures and checks for these returns in the Accounts Office. A simplification of the accounting procedure became an urgent necessity if only to obviate the various problems that would arise due to the progressive increase in load year by year on the accounting staff consequent upon the steady increase in the volume of work. An increase in the staff strength *pari passu* with the increase of work would have, by itself, posed considerable administrative and other problems; besides the task of timely supply of information to management on various points concerning the commodity, and operational statistics in a wider range and in a shorter time, with a view to assisting, operational improvement remained. Simplification of accounting procedures and further innovations like installation of computers to tackle not only problems arising out of increase in traffic but also pay roll accounting, inventory accounting and control thus assumed critical importance.

3. According to a study (referred to in the report of the Automation Committee) on the usage of about 70 computer installations in India, the all-India average usage for computers of this series (IBM 1401) was 237.6 meter hours per month; judged by this standard, computers on Indian Railways had a high usage. Relevant extract from the report of that Committee is given below:—

- (i) Note under para 3.27 of the Report of the Works Study Team on Automation (Office Automation) in the Maharashtra State issued by the Government of Maharashtra (Industries and Labour Department, 1970):—

“However, on All India Level, the most impressive use of computers (in private and public sector) in all India, is to be found in the integrated operation of the 14 computers controlled by the Railway Board in New Delhi.”

4. Considerable improvement in efficiency and economies has been achieved due to computerisation. The various items of work which are presently done on the computer on zonal railways, production units, etc. are listed in Appendix III. Some of the important applications and their effect on efficiency and economies are briefly detailed below:—

(i) *Traffic accounting and statistics*

In 1970-71 originating passenger traffic and goods traffic had increased by 89.33 per cent and 111.30 per cent respectively over that of 1950-51.



The gross revenue receipts in 1970-71 had increased by 320.4 per cent over that of 1950-51. Any manual system would patently have been unable to cope up with such tremendous increase in the volume of passenger and goods traffic.

The promptness and accuracy of account of traffic earnings has improved substantially and the range of commercial statistics was extended to cover 527 commodities instead of 119 commodities as hitherto. Commodity statistics are now available only 20 days after the close of a month in less than half the time taken with unit record machines. A hundred per cent coverage for check on individual invoices became possible with the introduction of computers.

#### (ii) *Inventory control*

The turn-over of inventories in 1970-71 increased by 215.64 per cent over 1950-51 (303.6 crores as against 96.2 crores). Similarly, end-inventories went up by 123 per cent in 1970-71 over that of 1950-51 (129.8 crores as compared to 58.2 crores).

About 60,000 to 70,000 items of different types of materials and spares are stocked in about 150 stores depots all over the Railways. The total number of ledger cards maintained is about 4.5 lakhs. Till recently, the account was being done manually in these depots with the help of two sets of ledgers, a numerical one for stock control and a priced ledger for maintaining financial account. The total value of materials and spares ordered from the market in a year is about Rs. 250 crores. The need for introducing modern techniques in material management with a view to reducing inventory, at the same time guaranteeing availability of difficult and sophisticated stores, became very important. This was not at all possible under the manual system. Several benefits such as avoidance of arrears in account keeping, delays in raising debits to final heads, etc. have been largely achieved. Rationalisation/variety reduction, ABC analysis have now become possible and are being attempted.

#### (iii) *Management Information System*

A major transport organisation like the Railways has to ensure timely and reliable information about the cost of operation so as to evolve a proper rating policy for various commodities. Further, it is also necessary to introduce a system of management accounting for programme evaluation and performance budgeting. Computers play quite an important part in timely supply of information to management for all these various purposes."

1.44. During evidence, the Chairman, Railway Board stated: "The computers that were installed in the Railways are not for controlling the



wagon movement. They were meant for inventory control, data processing and traffic accounting purposes."

1.45. Asked when the Railway Board expected to achieve the long term objectives of computerisation, the Financial Commissioner for Railways stated: "This can be done only for third generation computers."

1.46. He added: "In most of the Railways we are coming to the limit of the capability of the computers. It would be more rational and economical to go in for a new equipment."

1.47. The Audit paragraph states that the monthly rental payable on each computer was based on the use of the Central Processing Unit for 176 metre hours per month beyond which additional time was billed at 30 per cent of the hourly rate derived from the monthly rental. The computers installed on the Railway system are capable of processing programmes so as to achieve a level of utilisation of about 400 metre hours per month of the Central Processing Unit. Extent of utilisation in June, 1972 and in March, 1973 of the computers on the various railways was as below:

Railway	meter hours of usage	
	June, 1972	March, 1973
Central . . . . .	356	419
Eastern . . . . .	219	267
Northern . . . . .	290	311
North Eastern . . . . .	256	3194
Northeaster Frontier . . . . .	92	117
Southern . . . . .	337	279
South Central . . . . .	276	178
South Eastern . . . . .	180	320
Western . . . . .	400	390
Mughalsarai Yard . . . . .	139	123
Chittaranjan Locomotive Works.. . . .	170	231
Diesel Locomotive Works. . . . .	182	179
Integral Coach DFactory. . . . .	250	321
Railway Board.. . . .	304	362



1.48. It is seen from the above that the utilisation of the various computers varied from Railway to Railway and except in some cases such as Central and Western Railways the utilisation was much below the maximum level. In the case of South Central Railway and the Diesel Locomotive Works the utilisation was just upto the minimum level for which rental is payable. In the Northeast Frontier Railway and the Mughalsarai Yard the computers have not been used even upto the minimum level. Explaining the reasons for the low utilisation of computer on Northeast Frontier Railway, the representative of the Railway Board stated: "So far as North East Frontier Railway is concerned, for nearly two years there was a very serious confrontation with the labour union about the installation of computers. The Railway had been directed by the Board that, till a compromise was reached, the computer installation should not be extended. That is why, the utilisation on the N.F.F. Railway has suffered a set-back for two years. This ban was released only 18 months ago when this Railway also started making more and more use of the computer."

1.49. In reply to a question the witness added: "Because the feeling of the labour was that, by the installation of the computer, there would be redundancy in the posts and their promotion prospects would suffer. They said that any new mode of working which affected the labour employment potential should be introduced only after negotiations with the labour had been held. The NEF Railway took the stand that this matter was an All India matter; installation of computer on the Indian Railways was being decided by the Railway Board in consultation with the two Federations. There was a dispute for two years and that is why there was a set-back."

1.50. Asked why could not be computer in Mughalsarai Yard be used even now for 176 meter hours for which the minimum rental is payable, the Railway Board in a note stated: "The computer in Mughalsarai Yard was installed in July, 1969. The utilisation of this computer in the month of September of each year since then is given below:

September, 1969	130.46 Meter Hrs.
September, 1970	112.01 Meter Hrs.
September, 1972	136.41 Meter Hrs.
September, 1973	11.77 Meter Hrs.

It will be seen from the above that the factor of utilisation has been more or less steady, fluctuating between 100 and 135 meter hours per month. The present level of utilisation represents almost the optimum



requirement in terms of workload currently offering at Mughalsarai. The question of utilising the spare capacity of the computer for other purposes of finding some alternative methods to cope with the situation is under examination.

1.51. The Committee desired to know whether the loss suffered by the Railways on account of low rate of utilisation of the computers in N.F. Railway and Mughalsarai Yard had been worked out. In a note on the subject, the Railway Board have stated: "The cost of under-utilisation of computers in Northeast Frontier Railway and Mughalsarai Marshalling Yard has been assessed as under:—

(i) N. F. Railway computer (from February, 70 to July, 73—42 months)	12.70
(ii) Computer at Mughalsarai Marshalling Yard (from August, 69 to July, 73—48 months)	1.72
Total :	Rs. 14.22 lakhs)

This value of under-utilisation is merely notional and cannot be termed a 'loss' because the computers were needed at these places in any case. Contract-wise, for example, the utilisation of the computers at a concessional rate beyond 176 meter hours per month cannot be termed a gain."

1.52. On being asked about the reasons which contributed to high figures of utilisation on some Railways like Central Railway, the Financial Commissioner for Railways stated: "Actually, it depends on the number of transactions. Big Railways like the Central Railway or the Northern Railway or the South Eastern Railway have got many more invoices and other documents. So the computer works longer because the transactions are more and the tonnage is more."

1.53. In reply to another question the witness stated: "According to a Committee which went into the question, the all India average is 237.6 meter hours per month, whereas we find that in July, 1973 our average was 278. It is always well above the all-India average, even if we include the North-east Frontier and Mughal Sarai which are not working to a good proportion of their capacity. If we don't include the two computers the average comes to 304 meter hours, which is quite good and well above the all-India average of 237.6 meters."

#### Utilisation of the Computer Installed in Railway Board Office

154 Referring to the utilisation of the computer installed in Railway Board Office, a representative of the Railway Board stated in evidence:



the Railway Board's computer is not a live computer. That does not help us in expediting the movement of Wagons. The work done is limited to collecting data, information pertaining to the movement of wagons between one railway and the other. A system exists at every interchange point, that is the Station or Junction which inter-changes wagons from one railway to the other. A daily junction return is sent to the office of the Indian Railway Conference Association, New Delhi. This was done all manually in the past. For broad Gauge this manual compilation has been dispensed with, and we get this information from each such point by teleprinter which is taken over by the Railway Board's Computer Cell. This computer is thus used for data collection and instead of computing the same manually and maintaining leaders information is sent out to the Railways by means of printouts to enable the Railways to know the details and types of wagons inter-changed and locate missing wagons etc. Beyond this I am afraid the present computer cannot help."

155. When the Committee pointed out that among the long-term objectives of this computer were included applications such as review and recasting of all India marshalling orders and simulation exercises for improving the operation, the witness stated: "The actual operation cannot be controlled unless of course we have the third generation computer. I would also like to mention that this computer handles the broad-gauge wagons only. We have not extended them for the metre-gauge railways. As the Chairman himself mentioned we have not gone in for third generation computer which will not be effective until a tele-communication system on the railways is covered by micro-wave network. However, we are progressing our plans in the matter of providing an efficient micro-wave tele-communication system."

156. In reply to a question whether the primary objective of the computer in Railway Board office of improving the wagon movement had been achieved, the witness stated: "Even in the Railway Board, the computer that is installed is a second generation computer which is meant only for the data processing and not for wagon control purposes. A micro wave system with an extensive hook-up is at present available only on the Southern Railways"

157. The Chairman, Railway Board stated: "What was to be done was that whatever information was being manually received or through postal receipts was transferred to the computers and we get that information quicker."

158. He added: "As I explained, the collection of information by posts and manual handling of data collection was stopped which resulted in the reduction of staff. We could do this now through the tele-printer."



1.59. The Committee pointed out that introduction of computers involved lot of expenditure and it should result in improvement of operations and better utilisation of assets. In this connection the representative of the Railway Board stated: "The computer would not help us unless working conditions are normal and the extraneous and unforeseen factors which impede movement, hamper operations eventually increasing turn round are removed. Until this happens no computer will help even third or fourth generation."

1.60. Referring to the use of computers for wagon control, the Chairman, Railway Board stated: "For wagon purposes we need a very extensive micro-wave net-work and this complete micro-wave net-work is available only on the Southern Railway today. Other Railways have some lines but not a complete network covering the whole system. It will take us probably ten years to have a complete micro-wave net-work all over the country. But our intention is that when each Railway becomes self-sufficient in micro-wave network, we will bring in third generation computers into the wagon control system at least locally or zonally."

#### **Impact of computerisation on staff position**

1.61. During evidence the Financial Commissioner for Railways deposed: "The other Railways came to an understanding with the unions that there would be no retrenchment and also that the promotion prospects of the staff would not suffer. The Northeast Frontier Railway also offered the same arrangement, but the unions there raised strong protest. We wanted to carry the staff with us. It took some time to convince them that their promotion opportunities would not suffer."

1.62. Referring to the utility of computers *vis-a-vis* manual labour, the Chairman, Railway Board stated: "The dependability will be much more than in the case of the manual system. So far as processing through the computer and transmission of the effect are concerned, they would be practically the same. One advantage is quicker means of checking. Previously, we had to go through all the registers. With the computer, if there is a mistake, it can be checked in a much shorter time than before."

1.63. The Committee enquired whether the computerisation has resulted in reduction of work and consequent reduction of staff. The Financial Commissioner for Railways stated: "Yes. But that staff has been utilised elsewhere. No one has been retrenched." The Chairman, Railway Board stated in this connection: "Let us suppose at the moment 100 people are doing a certain volume of calculating work. We know that this calculating work is going to increase which will need more staff because the existing staff would not be able to do the increased work. So, the computer becomes essential. By putting a computer we may be able to reduce the number of men employed on this work to 50. But the other 50 rendered surplus will be engaged elsewhere; they will not be retrenched and their prospects of promotion are fully guaranteed."



1.64. In reply to a question the Chairman, Railway Board said: "Employment can be created by expanding our activities. If I may say so, even before the industrial revolution, when machines were first introduced there were people who thought that the introduction of machines was going to create unemployment. But there was tremendous expansion in the economy of the advanced nations and their fears did not come true."

1.65. The Committee were informed that before the installation of computers on each railway, a calculation was made as to what type of work could be done on it and what would be the saving in man-power etc. In a note on the subject furnished at the instance of the Committee, the Railway Board have stated:

"It may be recalled that on the Indian Railways, Unit Record machines were at first installed in the first instance; computers were installed later on in replacement of the Unit Record machines. Therefore, any assessment of anticipations and fulfilment in this regard will have to be viewed in the context of the situation obtaining prior to introduction of the Unit Record machines. A statement showing the total number of posts surrendered and/or kept in abeyance consequent upon the introduction of Unit Record machines followed by their conversion to computerisation is given below

Rly/Unit	Class III	Class IV	Total
C. Rly. . . . .	413	..	413
E. Rly. . . . .	110	4	114
N. Rly. . . . .	199	..	199
N. E. Rly. . . . .	65	..	65
N. F. Rly. . . . .	27	..	27
S. Rly. . . . .	159	..	159
S. C. Rly. . . . .	7	..	7
S. E. Rly. . . . .	126	..I	127
W. Rly. . . . .	333	..	333
C.L.W. . . . .	12	..	12
D. L. W. . . . .	..	..	..
I. C. F. . . . .	60	..	60
Mughalsarai Yard	88	..	88
I.R.A.C. . . . .	110	5	115
	<u>1709</u>	<u>10</u>	<u>1719</u>



As regards anticipations, it may be stated that initially when the proposal for mechanisation with Unit Record machines was mooted, the scheme had estimated a release of about 1,200 staff over the entire Indian Railway system but it was also simultaneously realised that a goods number of the staff so released from sections like Traffic Accounts etc. would have to be diverted to meet shortages of staff elsewhere, in the General Accounts Branch of the Railways. This contingency arose on account of the fact that in February, 1960 a ban was put on creation of clerical posts and on the further recruitment of clerical staff. Sanctions were frozen as they stood at the end of 1959 and many of these sanctions were based on pre-1959 workloads. Stoppage of recruitment for the clerical grades led to gradual attrition of actual strength with the result that on 1st January 1963 the sanctioned strength of the Traffic Accounts Branches of Railways stood at 7837 clerks whereas the actual strength was 7005 clerks (or about 9 per cent less) and this despite the fact that between 1959 and 1963, goods traffic had increased by 30 per cent and passenger traffic by 25 per cent. But for the introduction of Unit Record Machines, followed by computers a large expansion in the clerical strength would thus have become inevitable”

**1.66. The Committee regret that the utilisation of the computers which cost the Railways so very dearly, is absolutely poor. It seems that the computers were hired without any thorough job analysis and assessment of workload and later it is seen utilisation in the really wanted sectors (like inventory control) is next to nothing. The computers are capable of processing programmes so as to achieve level of utilisation of about 400 meter hours per month of the central processor. There was no uniformity on the applications taken over on computers by different Railways even though the Railway Board had laid down the procedure for development by each railway of some programmes and their adoption on other railways for utilisation of computers. And the Railway Board took no pains to ensure proper implementation. The actual utilisation has not been upto the capacity in all the cases except one as in March, 1973. In 7 cases the utilisation was particularly poor and it ranged only between 123 and 279 meter hours. The monthly rental was based on the use of Central Processing Unit for 176 meter hours per month beyond which additional time was billed at 30 per cent of the hourly rate derived from the monthly rental. This concession has, therefore, not been availed of fully. What is more serious is that in two cases the utilisation is less than the minimum on the basis of which the full rent is paid. All this points to the need to maximise the utilisation. In doing so, care should be taken in future to see that only such of those items as really cannot be done manually are computerised. Further, it should be done with due regard to the impact of the computers on the existing employees and their promotional avenues as also on future employment|recruitments opportunities from the long**



**range point of view. And this should not be allowed to destory job opportunities.**

### **Procurement of Disc Packs for Computers at high rates**

#### *Audit Paragraph:*

1.67. Disc Packs required for the computers installed at the three Production Units, viz., Chittaranjan Locomotive Works, Integral Coach Factory and Deisel Locomotive Works and also at Railway Board were imported since 1965 through a firm at their catalogue price *i.e.* 490 each. In accordance with the standard conditions for contract agreement, the Railways had to pay, besides the catalogue price, the actual importation charges incurred by the firm as customs duty.

1.68. The first purchase of 39 Nos. Disc Packs was made by the Chittaranjan Locomotive Works Administration under an agreement executed in April, 1965, which provided that the prices quoted therein were those currently in effect and if the firm's established price for a machine at the time of delivery would be lower than the catalogue price of 490 (Rs. 3,712) each, the purchaser would have the benefit of lower price: if the established price at the time of delivery were higher than the catalogue price, the purchaser would terminate the agreement as a whole in respect of the machine/machines for which price had been increased without further obligation or liability to either party.

1.69. The payment for 39 disc packs was made by Chittaranjan Locomotive Works in November, 1966 at the rate of Rs. 3,712 each. Subsequently, on receipt of claim for re-imburement of the importation charges, the connected shipping documents produced by the firm were checked and it was then noticed that the prices of these disc packs shown by the firm in the Bills of Entry ranged between 265 DM and 275 DM (Rs. 498 and Rs. 517) as against the price of Rs. 3,712 charged to the Chittaranjan Locomotive Works Administration. The difference between the prices shown in the Customs documents and those claimed from the Railway Administration amounted to Rs. 1.25 lakhs. When the discrepancy was brought to the notice of the firm in May, 1969 for a possible refund, the firm informed that the amounts shown in the Bill of Entry, being inter-company prices between the branches of the firm, had no bearing on the Sale Price, which was in conformity with agreement, as certified by their External Auditors and their "Sales Manual".

1.70. Besides, 151 similar Disc Packs were purchased by Integral Coach Factory, Diesel Locomotive Works and Railway Board from the same firm at a price of 490 (Rs. 3,717 each between November, 1968 and July, 1970 and the importation charges were admitted only on the basis of certificate actual expenses given by the firm's statutory Auditors.



The difference between the amounts actually paid by the two Production Units and the Railway Board for these Disc packs and the amounts as per prices shown in the Bills of entry relating to the purchase by Chittaranjan Locomotive Works was Rs. 4,83 lakhs.

1.71. The Railway Administration stated that there had been neither any over payment nor any failure of internal check and the legal opinion obtained by the Railway Board from the Ministry of Law was that it might be difficult to resist the claims of the firm as the price mentioned in the contract was the established delivery price.

In June, 1972, the Railway Board decided to procure such Disc Packs from alternate sources. A free sample of Disc Pack offered by another firm was obtained (November, 1972) for trial. Its c.i.f. value was declared as Rs. 1,920 for issue of import licence.

Paragraph 43 of the Report of the Comptroller and Auditor General of India for the year 1971-72 Union Government (Railways).

1.72. The Committee desired to be furnished with a comprehensive note based on the records of the Chittaranjan Locomotive Works leading to the purchase of disc packs. The note furnished by the Railway Board is reproduced below:

“Vide G.M., C.L.W.’s letter No. AC/Cost/O/121 dated 5th January, 1963 (S. No. 114 of file No. AC/Cost/O/121) to Railway Board a proposal for procurement of IBM equipments on rental basis was submitted to the Board for their consideration and sanction as the then existing ICT machines were assessed to be inadequate for the anticipated increase in workload and also the rental offer of I.B.M. was cheaper than that of ICT. The procurement on rental basis also had option to purchase the equipment within a period of 2 years from the date of installation. In reply, the Board asked the C.L.W. Admn. to work out the revised financial implications taking into account the elements of interest charges, adjustment of rental towards purchases price effect of taking the equipment on rental basis for 2 years and increased cost of maintenance beyond 2 years vide their letter No. 62ACII/37/1pt. dated 21st November, 1963 (S. No. 134). The points raised in the Board’s letter were replied and Board’s approval was solicited vide G.M./C.L.W.’s letter No. AC/Cost/O/121 dated 16th January, 1964 (S. No. 143). In this reference the installation of IBM 1401 computer system was visualised.



In the subsequent lettered No. AC/Cost/O/121 dated 30th March 1964 (S. No. 159) G.M./C.L.W. submitted a proposal to the Board for installation of IBM 1440 in the Data Processing Unit at Chittaranjan on rental-cum-purchase basis in place of 1401 system on technical considerations as explained in paras 2 & 3 of the letter. In the Annexure II to the said letter provision was made for an outright purchase of disc packs (40 Nos.) as one time charges amounting to Rs. 97,127.50. Obtaining the IBM machine on rental-cum-purchase basis was recommended to the Board. The procurement of disc packs as a purchase was visualised. This proposal was further scrutinised at the instance of A.M.F's D.O. No. 62ACII/37/1 pt. dated 16th May 1964 (S. No. 163) and further reference to the Board was made vide G.M./C.L.W's D.O. letter No. AC/Cost/O/121 dated 21st July 1964 (So No. 167). In Annexure III (So No. 167/3) to that letter the one time charges of Rs. 97,130 was maintained which was identifiable with the cost of disc packs being one time charges. In their letter No. 62ACII/37/1pt. dated 9th February, 1965 (S. No. 189) to G.M./C.L.W., the Railway Board agreed to the proposal to obtain IBM 1440 Unit on rental basis in the context of G.M./CLW's proposal contained in his letter dated 30th March 1964 (S. No. 159) and further correspondence on the subject. From what has been stated above, it will be seen that from the beginning provision has been made for outright purchase of disc packs alongwith hiring of 1440 system."

1.73. During evidence the Committee enquired whether in 1965, when the agreement with the firm for supply of disc packs was executed, any quotations etc., were invited from other suppliers. To this the Financial Commissioner for Railways replied: "We are getting the computers from the IBM and we naturally relied on them for supplying the ancillary equipment. If we got the disc packs from some other companies, we were not sure at that time whether we could use them. If something went wrong the IBM might always say that it was because "we did not follow their instructions that things went wrong." You might also remember that for the first time in 1966, the railways were using the computers and naturally we had to be careful and go by their technical advice. When we were spending lakhs of rupees as rental for the computers, we did not want to risk the computers not doing the work properly by going in for the disc packs from some other companies."

1.74. The Committee were informed that the Railways made enquiries from other users of IBM computers as to the prices paid by them for



purchasing disc packs. In this connection the Financial Commissioner for Railways stated: "When we are taking IBM computer at a particular rental, we have naturally to put in equipment which has to fit in with that. Since we were new to the computers, we went by not only what IBM was doing but what other users were doing. When the point about the discrepancy came to our notice, we did not make any further purchases but we tried to get a tape from BASF, Germany. That experiment has proved successful."

1.75. The Committee enquired whether the profroma agreement supplied by the I.B.M. was scrutinised by the Ministry of Law before it was signed by the Chittaranjan Locomotive Administration. The Financial Commissioner for Railways stated in this connection: "It will not be possible for us to refer all agreements to the Ministry of Law as we are concluding to many agreement. There is a standard form and if there is a change in the standard form we consult our legal adviser. In points of difficulty we have got a Joint Secretary in the Ministry of Law, we take his opinion."

1.76. In a subsequent note, the Railway Board have stated: "Legal opinion is generally sought only when there are points of doubt about certain clauses of a draft agreement. The C.L.W. Administration have confirmed that the form of agreement with the I.B.M. was not referred to the Legal Department before signing because the necessity to do so was not felt by them."

1.77. In another note the Railway Board have stated: "A study of the office files of C.L.W. reveals that the agreement form was subjected to scrutiny before acceptance."

1.78. It has been further stated: "The form of agreement entered into with the I.B.M. is the one prescribed by them universally. A comparison of the clauses in the I.B.M. format with the standard conditions of contract prescribed in the Indian Railway Stores Code reveals that generally there are no conditions in the former which are fundamentally divergent from, or in conflict with the standard conditions of contract. In regard to the special provisions in the I.B.M. agreement such as for prices payable, delivery scheduled etc., it may be clarified that even if the standard conditions of contract would have been adopted, the conditions prescribed by the IBM would have been incorporated as special conditions." It is, however, seen from a comparative statement furnished by the Ministry the conditions did vary. One of the differences was that there was no provision for arbitration in the event of any question, dispute or difference arising under the conditions of the contract as in the standard form of contract prescribed by the Government.



1.79. Asked why the Disc Packs were not procured through the DGS&D and whether order of competent authority was obtained to make direct purchase, the Railway Board intimated as follows:

“In terms of para 703 read with para 801 of the Indian Railway Stores Code, purchase of stores through DGS&D is obligatory in cases of articles referred to in Appendix VI of the Indian Railway Stores Code. The item ‘disc pack’ does not figure in Appendix VI to the Indian Railway Stores Code. Therefore, in terms of para 705 of the Indian Railway Stores Code reproduced below, it was within the powers of the C.L.W. Administration to make direct purchase of the disc packs:

‘The Administration may purchase all articles other than those the purchases of which is arranged by the Railway Board or is obligatory through the Directorate General of Supplies and Disposals and/or other Government Departments as prescribed by Rules issued by the Railway Board from time to time’.

1.80. In another note the Railway Board have intimated: “In regard to the agreement entered into with IBM by the CLW for the procurement of the disc packs, it was an unfortunate omission that the C.L.W. entered into the agreement on its own rather than for and on behalf of the President of India. CLW Administration is being asked to have a proper agreement executed afresh with I.B.M.”

1.81. The Committee were informed that in 1968 when C.L.W. got a supplementary bill for the importation charges from the firm they discovered the discrepancy in the prices charged by the IBM from the CLW and those shown by them in the Bill of Entry. On this basis they obtained a certificate from the Auditors of the firm to the effect that the prices charged were as per the Sales Manual of the firm.

1.82. As the agreement itself did not refer to the prices given in the Sales Manual, the CLW felt that prices given in the catalogue or Sales Manual need not be taken as established IBM prices and in the absence of a definition of established I.B.M. prices in the contract, it was thought that for imported material/components etc. the prices were to be those for Customs clearance. Accordingly, in May 1969 Chittaranjan Locomotive Works requested the firm that the amount of Rs. 1.32 lakhs (later revised to Rs. 1.25 lakhs) which had been overpaid towards the cost of disc packs might be refunded. International Business Machines however insisted that there was no question of overpayment at all. The matter was referred to the Ministry of Law Calcutta Branch, which agreed in October, 1969 with the interpretation of Chittaranjan Locomotive works that the established



price for the purpose of final payment would be the price declared by the firm in the bills of entry. The matter was therefore reported to the Railway Board by Chittaranjan Locomotive Works in January, 1970. The Deputy Legal Adviser in the Law Secretariat attached to the Board's office did not agree (July, 1970) with the opinion given by the Law Ministry, Calcutta branch, because by convention the established International Business Machines price is taken as catalogue price for sale and the intention to recognise the catalogue price as sale price was substantiated by several contracts which International Business Machines had with the Railways. While the papers were being processed for obtaining the advice of Law Secretary, the Board received by May, 1971 an opinion obtained in March, 1971 by International Business Machines from Shri C. K. Daphtary in which he had held that the established price means the sale price to the consumer as fixed or laid down from time to time; the price shown in the invoices forming part of the bills of entry were only the billing price between International Business Machines (Germany) and International Business Machines (India); this purchase price of International Business Machines (India) represents only part of the cost of the equipment since it does not include and could not include overheads of International Business Machines (India) and their marketing and warranty expenses which would be included in the sale price. The Board, therefore, decided in May, 1971 that a further reference should be made to Calcutta branch of the Law Ministry to enable him to decide whether he would revise his opinion in the light of the opinion obtained by International Business Machines from Shri C. K. Daphtary. Therefore the Joint Secretary and Legal Adviser, Calcutta, revised his opinion and advised in December, 1971 that there are difficulties in the way of Chittaranjan Locomotive Works in accepting the prices shown in the bills of entry as established International Business Machines prices at the time of delivery, as this price at the port of importation between two relative companies does not take into account the marketing and other overhead expenses in India that, in view of this, from very strictly legal angle it would be difficult to resist the claim of International Business Machines if the latter insist on payment of prices mentioned in the contract. The matter was then examined by the Railway Board in April-May, 1972 and it was decided (June, 1972) that while for purchases of disc packs under the agreement with Chittaranjan Locomotive Works the entitlement of the firm for the price as per Sales Manual, i.e. \$ 490 or Rs. 3,712 per pack, would be accepted, the low price declared for customs would be reported to the Customs Authorities for such action as they may deem fit.

1.83. During evidence a representative of the Law Ministry deposed: "The question involved is principally one of interpretation of the terms of the contract. When initially the file came to me, I found that the Assist-



ant Legal Adviser of the Branch Secretariat at Calcutta had already expressed an opinion saying that the price given by IBM and mentioned in the Bill of Entry can be taken as the current market price. Naturally, when the file came back to be again, I tried to see whether that view could be sustained, as that was to the advantage of the Government. I came across a provision of the Customs Act, Section 14(1)(a), which I thought would apply. It says;

“For the purpose of Indian Tariff Act, 1934 or any other Law for the time being in force whereunder a duty of customs is chargeable on any good by reference to their value, the value of such goods shall be deemed to be the price at which such or like goods are ordinarily sold or offered for sale for delivery at the time and place of importation or exportation as the case may be in the course of international trade, where the seller and the buyer have no interest in the business of each other and the price is the sole consideration for the sale or offered for sale.

So, though in the instant case, the importation was by a Branch of the IBM, I thought we could rely upon this price mentioned in the Bill of Entry for the purpose of taking that as the current market price. In this context I will read the provisions of the contract which are relevant.

“The above prices are those currently in effect (that is, the prices mentioned in the contract) but the established IBM prices at the time being in force whereunder a duty of customs is chargeable on such goods shall be lower than the above prices, the purchaser will have the benefit of such lower prices.”

So, if what they had quoted in the Bill of Entry, we could say, was the current market price, then we can say seeing the lower trend that we would rely upon that. That was the basis on which I tendered my advice. I mentioned this particular provision of the Customs Act. I gave my opinion and my colleague in the Railway Board—a Joint Secretary of our Ministry sits there—had expressed a different opinion relying upon the provisions of the contract. Ultimately, it again came to me for reconsideration with the representation of the IBM and along with a copy of the opinion of Mr. Daphtary was also enclosed. So, I thought on further looking into it, and as the main plank of my argument was sec. 14 of the Customs Act relying upon which I was trying to sustain the opinion of the Asstt. Legal Adviser which was given earlier, that it was advisable to have an informal discussion with some officers of the Calcutta Collectorate of Customs so as to ascertain whether my reading of that particular provi-



sion was correct. So I informally discussed with them and they mentioned to me that as the prices quoted were the prices on importation, it would not be the current market price at which it would be sold to the customers and that the market prices may be widely divergent, may be 500-600 per cent more. Then I found that the main plank of my argument was not sustainable. I think yesterday Mr. Abrol from the Central Board also pointed it out, and I ascertained it further from a discussion with the officers of the Collectorate of Customs at Calcutta. So, I reconsidered my views and came to the conclusion, that as we could not rely upon this and then principally it was a question of interpretation of the terms of the contract, what should be understood by the expression 'established IBM price at the time of delivery'? If we cannot take into consideration the Bill of Entry price as the current market price, then we shall have to look into other data and for that purpose we should look into their own catalogue prices which will show at what prices they were selling. That is why I reconsidered by views and recorded my opinion."

1.84. Asked whether under the stipulation regarding price included in the contract the IBM would have authority to revise the prices unilaterally, the witness stated: "There is a provision which gives to the Railway Board a way out to come out of the same if they find price to be exorbitant. It says 'established IBM price will be charged'. If the established IBM price is lower at the time of delivery than above price the purchaser shall have the benefit of such low price. Next clause is this. It says that if the established IBM price shall be higher than the above price the purchaser may terminate the agreement as a whole or with respect to the machine or machines for which prices have been increased without further obligation or liability to either party. It gives a handle to Railway Board."

1.85. To a question whether it would not have been better if the term 'established price' had been clearly defined in the agreement, the witness replied: "If it had been mentioned, it would have been certainly better. It would not have led the matter to a controversy. 'Established price' means 'the price as mentioned in the catalogue'—then there would not have been any scope for interpretation and difference of opinion."

1.86. He added: "I have looked into DGS&D contracts. I have, of course, not come across such an expression."

1.87. The Committee enquired whether there were cases when the opposite parties in a case submitted the legal opinions of their lawyers and these were taken into consideration by the Ministry of Law. To this the representative of the Law Ministry stated: "We receive files from the various Ministries and we very often get files in which the representation of the contractor or the party concerned, is accompanied by the opinion



of their Counsel. It is not that invariably we agree with them. We give due weight to such opinions which are also enclosed with the representation of the firm or the contractor or the party concerned and if we find that there are valid, legal and cogent points, then we naturally give due weight to the same. Very often we disagree with them."

1.88. In reply to a question the witness said: "When I found that the main plank of my argument on the basis of which I was trying to sustain the Asstt. Legal Adviser's opinion earlier given by the Branch Secretariat is not legally tenable and I found that that argument was not available, I reconsidered my opinion."

1.89. He added: "I pointed out that in my opinion that was the legal position, but the contract was not legally valid. The contractor can claim payment replying upon the provisions of the contract but the contract itself, due to non-compliance of the provisions of Article 299 of the Constitution, is almost non-existent. The legal position, therefore, is that the contractor can claim a fair compensation for the things supplied but not at the rate of Rs. 3000 and odd."

1.90. In regard to the legal lacunae in the agreement the Ministry of Law had observed: "on a close examination of the copy of the Contract dated 5-4-1965 at p. 192|cor. it appears that the agreement is in the standard form of IBM World Trade Organisation and has been entered into between the Chittaranjan Locomotive Works and IBM. The contract has also been signed for and on behalf of the Chittaranjan Locomotive Works which has been shown as the purchaser by the then FA&CAO, Shri M. Sunder Raj. It would thus appear that the contract does not comply with the mandatory requirements of Article 299(1) of the Constitution, as the same has not been expressed to be made for and on behalf of the President of India. Chittaranjan Locomotive Works is an integral part of the Union of India and any contract entered into by the Chittaranjan Locomotive Works should have complied with the mandatory requirements of Article 299(1) of the Constitution. It is now well settled that the provisions of Article 299(I) are mandatory in character and that contravention of these provisions nullifies the contract and makes it void and unenforceable. A contract which is void is not capable of ratification and hence there is no question of ratification or estoppel in such a case. In view of Article 299(I) there can be no implied contract between the Government and another person. If a contract between the Government and another person is not in full compliance with the said Article, it would be no contract at all could not be enforced either by the Government or by the other person as a contract. The legal position, therefore, is that neither party can enforce the terms of the same. In such cases, the provisions of sec. 70 of the Contract Act would be attracted and the party who has effected the



supplies will have to be paid reasonable compensation for the stores supplied. This may provide an opportunity to the CLW to arrive at an amicable settlement with the IBM, India, as regards the reasonable amount of compensation to be paid for the Disc Packs supplied."

1.91. The Committee desired to know the action taken by the Customs Department on the Railway Boards report in June, 1972 about the discrepancy in the invoiced and actual price charged by IBM for supply of Disc Packs. In a note the Department of Revenue and Insurance have explained:

"Action taken by the Customs Department on the Railway Board's report, in chronological sequence, is given below:

The letter No. 70ACII/37/9 dated 14-6-1972 from the Railway Board was received at the Office of the Collector of Customs and Central Excise, New Delhi, on 15th June, 1972. This letter should have actually been addressed by the Railway Board to the Central Board of Excise and Customs or to the Collector of Customs, Bombay, where the goods were imported and assessed to duty.

The Collector of Customs and Central Excise, New Delhi, has reported that the letter from the Railway Board dated 14-6-1972, after receipt, was misplaced by the dealing staff and on receipt of a reminder dated the 4th December, 1972, from the Railway Board, the reference from the Railway Board was located after a search and was then forwarded by the Assistant Collector of Customs, Delhi to the Collector of Customs, Bombay, for necessary action on 19-1-1973.

The Collector of Customs, Bombay, in his letter dated 11th April, 1973, reported to the Central Board of Excise & Customs that the goods in question were assessed after loading the invoice value by 73 per cent plus actuals of freight, insurance and other charges in the light of Board's Order-in-Appeal No. 45 dated 23-3-1964, since the basis of invoicing and other material particulars in respect of the goods imported for the Railways in 1966 remained the same as those of the goods forming the subject matter of appeal. The Collector added that in its decision the Board had also considered the particular aspect viz., the relevance of the invoice value to the selling price in arriving at the decision in appeal. Collector of Customs, Bombay's letter dated 11-4-1973 had not been received in the Central Board of Excise and Customs, and a copy thereof was received on 27-4-1973. Railway Board's letter dated 28-4-1973 enclosing the audit para was also received in the Central Board of Excise and Customs. The Board (Customs) wrote to the Collector on 7-5-1973 to intimate the invoice values of the goods after loading. The details were furnished to the Railway Board in the (Customs) Board's O.M. dated 27-6-1973.



In their note dated 26th July, 1973, the Railway Board desired to know the action taken or proposed to be taken for the wide variation between the assessable value declared by the firm to customs and its established selling price.

The Collector of Customs Bombay in his letter dated 29th September, 1973, stated that a further review of the decision had already been taken up in October, 1972 and a final decision had not yet been reached. It was further mentioned that with effect from 25th August, 1973 a decision had been taken to assess the goods imported by the firm provisionally pending completion of the review.

1.92. A representative of the Customs Department informed the Committee during evidence that on the basis of the Bill of Entry disc packs imported by IBM were assessed for Custom at the rate of Rs. 925 per piece. He further stated that this assessment was based on the orders made in 1964 by the Central Board of Excise and Customs to the effect that import prices declared by IBM may be loaded to the extent of 73 per cent for purposes of levying custom duty. Asked whether the price charged by IBM from Railways was taken into consideration while calculating custom duty on disc packs, the representative of the Customs Deptt. stated: "I would like to submit generally that in a number of commodities, the prices that are charged to the customers are very much higher than the c.i.f. prices at which we assess the duty. Take for example stainless steel sheets. The prices which they charge to the customers are 400 per cent or 600 per cent higher. Our law says that it is the price at which the goods are sold in the ordinary course of trade to the importers, not to the consumers here."

1.93. He added: "We are not concerned, whether the Railways are purchasing from them or somebody else. We have to assess the duty on the importer and the importer is IBM themselves. Whether they sell ten pieces to Railways and a few pieces to somebody else, we are not concerned. In most of the IBM products, their ordinary course of trade is not sale, their ordinary course of trade is renting out the equipment."

1.94. In reply to a question the witness further added: "Except in the case of suspicion it is not the practice to find out at what price goods are being sold because, I would respectfully submit again that the prices which are charged to the consumers are in a large number of instances much higher than the prices at which goods are being imported because each and every person is not entitled to import. It is only the licence holder who can import and the purchaser has got to pay the price the importer demands and in the case of many scarce commodities, the prices are very much higher."



You will appreciate that we will have to be bound by what the law says; we cannot take into consideration what the man charges from the customer.”

1.95. The Committee asked whether following the report of Railway Board, the Customs Department had taken any action to revise their earlier decision regarding loading of import prices of IBM products. To this the representative of the Customs Deptt. replied that after January, 1973 there had been no more imports by IBM. He however stated that from August, 1973 orders had been issued to assess the IBM imports only provisionally. In this connection, the Custom Deptt. have in a note intimated.

“In respect of importers who have special relationship with foreign suppliers the Special Valuation Branch of the Custom House examines, from time to time, the books of accounts for the purpose of determining the basis for the valuation of the goods imported by such firms from their connected foreign suppliers. Such a review in respect of goods imported by the IBM was undertaken by a Special Valuation Branch of the Bombay Custom House in October, 1972. In the course of this review IBM submitted certificates from their independent auditors giving the basis of how supplies made by IBM, USA, and their associates, IBM India were invoiced. With a view to cross-check this information IBM who also have a factory in India manufacturing data processing machines for export, was asked to submit detailed statement showing break-up of the inter-company billing price of the exported machines. On a scrutiny of the detailed statement furnished by IBM it became necessary to gather further data from them. It also appeared *prima facie* that the previous loading percentage of 73 per cent may require some adjustments. Accordingly, it was ordered on 25th August 1973, that IBM's imports may be assessed provisionally under Section 18(I) of the Customs Act, 1962 read with Provisional Duty Assessment Regulations, 1963 pending final decision.”

1.96. On being asked by the Committee the representative of the Customs Department explained during evidence: “Sir, goods which are imported cannot be assessed on the basis of the prices which are charged to individual persons but it is assessed at which the goods are ordinarily sold in the course of international trade. I would give an example. Supposing a person goes abroad and purchases a Mercedes and imports it. We will not assess it at the price at which the trade were importing it and at which they are ordinarily sold.

It is not a question of individual ordinary sale. With respect I would say that it is the price at which such or like goods are ordinarily sold. You have got to take the totality of the imports of those goods and see what is the ordinary basis of sale and not the individual importer.”



1.97. The Committee desired to know whether the Railway Board had besides, reporting the matter to Customs Department, taken any other action. The Financial Commissioner for Railways stated. "We brought it to the notice of the Ministry of Industrial Development and they said they were not concerned. We also brought it to the notice of the Electronics Department. First they said they would consider the matter and then they sent a reply at a fairly low level, saying no further action was necessary on their part. Then I personally took up the matter with Mr. Menon, Secretary, Electronics Department and told him that though we could not take any legal action against the firm, yet administrative action could be taken in controlling their expansion or other activities. So, when I brought it to the notice of Prof. Menon and also discussed it with him, he agreed and he said that he had constituted an inter-Ministerial Committee to go into the whole matter of procedure and IBM policies. An Inter-Ministerial Working Group has been constituted by the Department of Electronics in July, 1973.

The terms of reference of the working group are as under:

- (i) to look into the prices charged by the IBM with effect from 1st January, 1969 onwards to their various customers in India, including Government Departments and other public sector agencies, for hire|purchase of Computer systems and other data processing etc., machines;
- (ii) to assess whether prices|rentals charged are reasonable, taking into account the costs, operating expenses and such other relevant factors, as also a return on investment which could be considered fair in business of this type;
- (iii) to recommend norms to be followed in accepting price|rentals fixation in future.
- (iv) to go into the *modus-operandi* of IBM contracts with its customers and suggest measures to prevent the IBM from unilaterally increasing the prices|rentals;
- (v) to look into the export|import prices and inter-company pricing based on which M|s. IBM operate in India; and
- (vi) to look likewise into the question of costs and rates or prices charged by ICL.

The Working Group is now having discussions with IBM as well as ICL and would also be obtaining detailed information from them. The Working Group will go into the basis of inter-company prices, the basis of costs indicated for duty purposes, and the reasonableness of costs as applicable to customers etc., during the course of discussions. On the



basis of your letter, I have referred the matter concerning the prices of 'Disc Packs' procured by the Railways as one of the transactions to be specifically considered under item (v) of the terms of reference."

1.98. Asked whether the Railway Board have since obtained quotations for supply of disc packs from other sources and how do they compare with prices charged by IBM, the Committee were informed in a note that six quotations have been received against tender opened on 24th October, 1973. It is seen from a comparative statement furnished by the Railway Board that two quotations were \$168.67 and 170.38 (c. i. f. Bombay) respectively as against \$490 quoted by the firm from which disc packs were purchased earlier.

1.99. In an earlier section the Committee have dealt with the purchase of computers and other equipments from IBM. They are concerned to note the following serious irregularities in the purchase of disc packs required for the computers from the same firm which has benefited the firm unjustifiably.

1.100. The first purchase of 39 Nos. of disc packs was made by the Chittaranjan Locomotive Works Administration under an agreement executed in April, 1965. The payment was made in November, 1966 at the rate of Rs. 3,712 each equivalent to the firm's catalogue price of 490 dollars. The agreement provided for the payment at the firm's established price at the time of delivery or the catalogue price whichever was lower. The term "established price" had, however, not been defined in the agreement. It was subsequently noticed that the prices of these disc packs shown by the firm in the bills of entry ranged between 265DM and 275DM (Rs. 498 and Rs. 517). These are, however, assessed for customs duty at the rate of Rs. 925 per piece. It is obvious that the reasonableness of the price quoted by the firm had not been gone into before entering into the contract. This could happen for reasons that the Committee can only consider as dubious. Similarly, purchases of 151 disc packs were made by the Integral Coach Factory, Diesel Locomotive Works and Railway Board from the same firm at the same price of 490 dollars each between November, 1968 and July, 1970. Some of the quotations recently (October, 1973) obtained through global tender from six firms were as low as 168.67 dollars and 170.38 dollars (c.i.f. Bombay).

1.101. The purchases were not made through the DGS&D. Justifying the direct purchases, the Railway Board have intimated that according to para 801 of the Indian Railway Code for the Stores Department, the purchases by Government Railways through the agency of DGS&D of the items of railway stores enumerated in the code, as may be amended, modified or curtailed from time to time, alone is obligatory and that the disc



pack was not one of the items enumerated. No doubt at the time of codification this was not an item which was in use by Railways. This was done in undue haste and, therefore, gives rise to serious suspicion. As the Railways and other Government Departments went in for purchases of computers and connected equipments only in the recent past, necessary amendments ought to have been made to the relevant provision of the Code so as to have uniformity in purchases which is possible only if the purchases are made centrally by the DGS&D. The Committee would require an explanation as to why this was not done at the appropriate time. The officials responsible should be brought to book.

1.102. In the opinion of the Committee the type of contract entered into with this firm was very much unusual and one-sided. There have been significant deviations from the standard conditions of the contract prescribed by Government. For instance, there was no provision in the contract entered into with this firm for arbitration in the event of any question, dispute or difference arising under the terms and conditions of the contract. Surprisingly, the contract entered into by the Chittaranjan Locomotive Works had not even been signed for and on behalf of the President of India to comply with the mandatory requirement of Article 299(1) of the Constitution and hence it is held as legally not valid and unenforceable. Unfortunately, no legal opinion was obtained before entering into this contract. This is an unsavoury story and evokes suspicion of corruption and malpractice.

1.103. In view of the fact that apparently the transaction involved a large overpayment, as the difference (400 per cent) between the value assessed by the Customs authorities and the price charged to the Railways cannot be entirely attributed to the firm's overhead expenses etc. and that a number of serious lapses have occurred as detailed above, the Committee stress that the whole matter must be examined with a view to taking appropriate action against the persons involved immediately. The Committee should be advised of the outcome within 3 months.

1.104. The matter also requires a careful examination from the customs angle. As the firm is a wholly owned subsidiary of the I.B.M. World Trade Corporation, the possibility of under-invoicing of the goods imported is very much there. The Committee understand that a special Valuation Branch of the Bombay Customs House has undertaken a review in respect of goods imported by this firm and that w.e.f. August 1973, the imports by this firm are assessed provisionally. The Committee stress that this review should be completed expeditiously, and the action taken on the basis of the review intimated to them.

1.105. The Committee learn that the Department of Electronics have constituted an Inter-Ministerial Working Group in July, 1973 to go into the reasonableness of prices charged by this firm (after 1st January, 1969) and



other connected matters. The Committee should be kept informed of the outcome of the study by this Working Group which should be asked to Complete it within three months.

1.106. The Committee's examination of the purchase|hire of machinery and equipments from this firm, has brought out wider ramifications requiring an immediate and a detailed probe. Such transactions with this firm were not confined to Railways alone. A number of other Departments of Government had also entered into business deals with this firm. Normal procedures of purchases did not appear to have been followed. There had been several lapses and irregularities in the transactions. The firm had been imposing its own terms and conditions on the Government. The purchase price or the rental, as the case may be, had been expressed in terms of dollars and the rupee equivalent as on the date of payment had to be paid presumably even in the case of indigenous manufacturer and the machinery imported prior to devaluation of the rupee. This had the effect of considerably enhancing the liability for payment after the devaluation in June, 1966. Further, it appeared that the firm could and did in fact unilaterally raise the price|hire charges in terms of the agreement and that the Government accepted it without any questioning. The implications of declaring a low value to the Customs as also the reasonableness of price|rental charges required to be gone into keeping in view particularly the movement of foreign exchange and the Income-tax liability of the firm. Incidentally the real need for computers, the economics of hire vis-a-vis purchase, the actual need based utilisation and the results achieved also required critical examination. The Committee accordingly decided to go into the matter fully. As the matter concerned various Ministries|Departments, a detailed questionnaire as at Appendix IV was sent in December, 1973 to the Ministry of Finance to collect, consolidate and furnish the required background information to enable the Committee to have an examination covering all aspects of the deals with this firm and other similar firms. Very unfortunately the Committee have not received the requisite information so far (April, 1974) inspite of repeated reminders and close persuasion. This is regrettable. The Committee have, therefore, reluctantly to defer the fuller examination of the matter. They expect that the Ministry of Finance will not delay the information any further and the outcome of the study undertaken by the Inter-Ministerial Working Group should also be reported to them without any further delay. The Committee are anxious that this question in relation to which very significant information has come to their notice at least from the Railways, should be seriously pursued at the earliest opportunity.

NEW DELHI;

April 24, 1974.

Vaisakha 4, 1896 (S).

IYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.



## APPENDIX

(See para 1.35)

### *Details of Computers installed on Indian Railways*

S. No.	Railway/Production Unit	Date of installation
1	Central Railway, Bombay . . . . .	20-10-1967
2	Eastern Railway, Calcutta . . . . .	17-7-1968
3	Northern Railway, New Delhi . . . . .	1-5-1967
4	North Eastern Railway, Gorakhpur . . . . .	17-6-1969
5	North East Frontier Railway, Maligaon . . . . .	January, 1970
6	Southern Railway, Madras . . . . .	27-11-1967
7	South Central Railway, Secunderabad . . . . .	31-12-1968
8	South Eastern Railway, Garden Reach, Calcutta . . . . .	16-1-1968
9	Western Railway Churchgate, Bombay . . . . .	6-11-1967
10	Chittranjan Locomotive Works, Chittranjan . . . . .	1-8-1966
11	Diesel Locomotive Works, Varanasi . . . . .	8-4-1966
		11-7-1968
12	Integral Coach Factory Perambur, Madras . . . . .	24-11-66
13	Railway Board Computer Centre, New Delhi . . . . .	September 1968
14	Mughalsarai, Marshalling Yard, Eastern Railway . . . . .	July, 1969



## APPENDIX II

(See para 1.36)

*Statements showing detailed calculations re : Purchase Vs. Hire of Computers of IBM 1401*

### PURCHASE OF PLAN PROFILE

DCF FACTOR @ 10%

Year	Cost out Flow				Discounting Factor	Discounted Value	Cumulative Discounted Value
	Purchase	Maintenance	Dividend	Total(*)			
	Rs.	Rs.	Rs.	Rs.			
1st . . . . .	27,30,768	1,00,656	81,923**	29,13,347	0.909	26,48,232	26,48,232
2nd . . . . .	..	1,00,656	1,63,846	2,64,502	0.826	2,18,479	**28,66,711
3rd . . . . .	11,12,000	1,20,000	1,97,206	14,29,206	0.751	10,73,334	39,40,045
4th . . . . .	..	1,20,000	2,30,566	3,50,566	0.683	2,39,437	41,79,482
5th . . . . .	..	1,20,000	2,30,566	3,50,566	0.621	2,17,701	43,97,183
6th . . . . .	..	1,20,000	2,30,566	3,50,566	0.565	1,98,070	45,95,253
7th . . . . .	..	1,20,000	2,30,566	3,50,566	0.513	1,79,840	47,75,093
8th . . . . .	..	1,20,000	2,30,566	3,50,566	0.467	1,63,714	49,38,807
9th . . . . .	..	1,20,000	2,30,566	3,50,566	0.424	1,48,640	50,87,447
10th . . . . .	..	1,20,000	2,30,566	3,50,566	0.386	1,35,318	52,22,765
11th . . . . .	..	1,20,000	2,30,566	3,50,566	0.351	1,23,049	53,45,814
12th . . . . .	..	1,20,000	2,30,566	3,50,566	0.319	1,11,831	54,57,645
13th . . . . .	..	1,20,000	2,30,566	3,50,566	0.290	1,01,664	55,59,309
14th . . . . .	..	1,20,000	2,30,566	3,50,566	0.263	92,199	56,51,508
15th . . . . .	..	1,20,000	2,30,566	3,50,566	0.239	83,785	57,35,293

Dividend taken for half the capital outlay for these two years.

\*\*7Does not taken into account the expenditure on spare parts which the Railway might be required to incur during the period.



## RENTAL PLAN PROFILE

Year	Cash out flow (Annual Rental) inclusive of element of the of repair and Maintenance charges) Rs.	Discount Factor Rs.	Discounted Value Rs.	Cumulative Discounted value Rs.
1st . . . . .	6,70,356	0.909	6,09,354	6,09,354
2nd . . . . .	6,70,356	0.826	5,53,714	11,63,068
3rd . . . . .	8,16,780	0.751	6,13,402	17,76,470
4th . . . . .	8,16,780	0.683	5,57,861	23,34,331
5th . . . . .	8,16,780	0.621	5,07,220	28,41,551
6th . . . . .	8,16,780	0.565	4,61,481	33,03,032
7th . . . . .	8,16,780	0.513	4,19,008	37,22,040
8th . . . . .	8,16,780	0.467	3,81,436	41,03,476
9th . . . . .	8,16,780	0.424	3,46,315	44,49,791
10th . . . . .	8,16,780	0.386	3,15,277	47,65,068
11th . . . . .	8,16,780	0.351	2,86,690	50,51,758
12th . . . . .	8,16,780	0.319	2,60,553	53,12,311
13th . . . . .	8,16,780	0.290	2,36,866	55,49,177*
14th . . . . .	8,16,780	0.263	2,14,813	57,63,990
15th . . . . .	8,16,780	0.239	1,95,210	59,59,200

\*Cheaper to hire till the 13th year.

NOTE : (1) only the prime shift rental and maintenance charges have been taken into account in this calculation. This covers only the first 176 meter hours. The average meter hours worked for the 14 installations on the Indian Railways (July 1973) is 278 including Mughalsarai and N. F. Railway and 304 meter hours for 12 installations excluding these two. While the rental beyond the first shift is charged at 30 per cent of the first shift charges, it is learnt that the maintenance charges increase at the same level as the first shift. The calculation is, therefore, conservative.

(2) Highly incidence of expenditure on spare parts etc. under the Purchase plan has not been included in the cost of maintenance as it is not possible to quantify the same now.



## APPENDIX III

(See para 1.43)

*Type of work undertaken on Computers at different centres on the Indian Railways.*

1. *Computers on Zonal Railway Headquarters.*
  - (i) Internal check of passenger fares and freight revenue and accountal of traffic revenues.
  - (ii) Passenger and goods revenue statistics.
  - (iii) Linking of missing and unconnected loco coal wagons.
  - (iv) Operating statistics.
  - (v) Claims statistics.
  - (vi) Stores accounting and inventory control.
  - (vii) Workshop Payroll and Incentive Bonus Bills.
  - (viii) Payroll (other than workshop staff).
2. *Computers at the Production Units.*
  - (i) Stores accounting and inventory control.
  - (ii) Payroll including Provident Fund.
  - (iii) Incentive Bonus Bills.
  - (iv) Costing.
  - (v) Production Control.
3. *Computer at the Railway Board Centre.*
  - (i) Working out data of Broad Gauge goods wagons inter-changed at various interchange points between zonal Railways and wagon holdings of zonal Railways, by different types of wagons.
  - (ii) Keeping movement particulars of B.G. Goods wagons for answering commercial and customer enquiries.
  - (iii) Watching the holdings and movements of petrol tanks and other special types of stock.
  - (iv) Forecasting of possible receipt of loaded traffic at different points on congested routes and destinations.
4. *Computers at the Mughalsarai Marshalling Yard.*
  - (i) Reporting details of all mismarshalled trains.
  - (ii) Reporting output details of sick lines, local sheds etc.
  - (iii) Marshalling Yard Statistics.
  - (iv) Report on detention of all wagons.



## APPENDIX IV

(See para 1.106)

### *List of points on the purchase/hire of computers and other electronic data Processing/Accounting Machines by Government Departments.*

1. Please furnish a statement showing the purchase/hire of computers and other electronic data processing/accounting machines and accessories, equipments, stores etc. by the various Ministries/Departments during the last 10 years indicating against each item, *inter-alia*, the following:—

- (a) Date of purchase/hire.
- (b) Source of purchase/hire (details of the firm whether incorporated in India or outside to be indicated).
- (c) Whether any competitive tenders were obtained? If not, the reasons therefor.
- (d) Who initiated the idea first and who negotiated the deal.
- (e) Purchase price|upto-date hire charges paid.

2. (i) Please state whether the purchase|hire had to be normally done through the DGS&D. If so, please furnish the details of purchase|hire done directly by the Ministries/Departments and the reasons therefor.

(ii) If any special relaxation of the procedure was necessary for the direct purchase/hire, please state whether such approval of the competent authority was obtained in all cases of direct purchases. The details of the cases in which this was not obtained may be indicated.

3. (i) Please state whether the terms and conditions of the agreement entered into by the various Ministries|Departments conformed to the standard terms and conditions. Please indicate the special features of the agreements duly supported by copies of the agreements and the justification thereof.

(ii) Please state whether legal opinion was obtained before finalising the agreements.

4. (i) Please state whether the purchase price or the rental, as the case may be, was expressed in terms of foreign currency. If so, the details of such purchase/hire may be given.



(ii) Please state whether in such cases payment had been made in terms of rupee. If so, what was the upto-date extra payment on account of devaluation of the rupee in 1966?

(iii) Please state whether in cases where enhanced payment was made on account of devaluation the equipments were imported prior to devaluation or were manufactured indigenously by the supplying firms. If so, the details thereof may be given.

5. Please state whether the agreements entered into with the supplying firms provided for unilateral rise in price/hire charges by the suppliers. If so, the details thereof may be given indicating the following:

- (a) Item-wise increase in price/hire charges.
- (b) Date of such increase.
- (c) Extra payment made on this account upto-date.
- (d) Justification for the increase.

6. In regard to cases of hire, please indicate the basis for the fixation of hire charges. Please also indicate how the upto-date hire charges paid in each case compare with the cost of acquisition at the time of initial hiring.

7. In regard to purchase, please indicate how the purchase price was determined. Please furnish the details of the purchase of items imported by the suppliers and the purchase price paid. In these cases what was the actual declared to Customs at the time of importation by the suppliers Was this checked up before making payments?

8. In the case of imports by the suppliers, whether the value adopted for the purpose of levy of Customs Duty was different from that given in the Bills of Entry? If so, the details thereof and the basis for the determination of value by Customs may be indicated.

9. What was the total amount of foreign exchange released to the various firms operating in India dealing with the computers and other electronic data processing/accounting machines during the last 10 years Please state whether these companies were allowed to repatriate the profits out of India and if so, the total amount repatriated during the last 10 years.

10. (i) How were the above firms assessed to income-tax?

(ii) Whether the difference between the cost of imports and the sale price of items dealt with by these firms was taken into account while determining the assessable income?







## APPENDIX V

### Summary of main conclusions/recommendations

S. No.	Para No.	Ministry concerned	Recommendation
I	2	3	4
I.	1.38	Rlys.	<p>The Committee note that 14 computers have been hired from the IBM and installed without any thorough job analysis on the Railways over the period 1966 to 1970. Before taking a decision in the matter it was considered that it would be economical to hire the computers rather than purchasing them on the basis that the life of a computer was 5 years. However, as the Railways are using the computers for over 8 years now, it was not wise to have hired them if they needed at all. The Railway Board have now given a calculation seeking to make out that hire is cheaper than outright purchase till the thirteenth year. According to these calculations, cumulative discounted value of purchase in the thirteenth year will be Rs. 55.59 lakhs whereas the value of hiring will be Rs. 55.49 lakhs. The Committee, however, find that a sum of Rs. 27.49 lakhs payable as dividend to general revenues has been taken into account</p>



while arriving at the value of purchase. In their view it was not correct to take this element into account. Further, the value of hiring has been computed on the basis that the computers will be used to the extent of 176 meter hours per month. As the computers are said to be capable of processing programmes so as to achieve a level of utilisation of 400 meter hours per month of the central processor, rent for two shifts should have been provided. Thus the calculations suffered from over-valuation of the purchase and under-valuation of hire. *Prima facie* it appears hiring of computers beyond five years is uneconomical. The Committee would not be unjustified to think that it is a case of manipulation. In any case the justification now given seems to be an afterthought.

2.

I.39

-do-

Although the Chittaranjan Locomotive Works initially proposed to the Railway Board that the computer might be taken on hire for two years (the usual way to make a beginning) with an option clause for outright purchase, all the 14 computers were taken on rental basis and in none of these cases such a provision was made. It seems obvious that the Railways were dealing with a very powerful multi-national corporation which dictated its terms. This is a very serious matter because this certainly makes room for a suspicion that somebody in the Railway Board was perhaps friendly with computer suppliers and that this may be an outcome of a conspiracy. Further, the basis on which rentals for computers were fixed by the firm concerned is stated to be not available with the Railway Board. It is strange that even now the Railway Board do not know the value of the computers as declared by the firm to the Customs authorities at the time of importation. It is also peculiar that all the



1	2	3	4
			computers hired by the Railways were re-conditioned ones. The Committee is constrained to express a suspicion that a fraud has been perpetrated on public funds.
3.	1.40	Rlys.	<p>Certain equipments obtained in 1964 from the same firm along with the Unit Record Equipment and Accounting Machines on rental basis were retained as ancillary equipments to the computers. Continued hiring of these equipments meant an additional expenditure of Rs. 11.67 lakhs upto the end of June, 1972 over what would have been paid had they been purchased <i>ab initio</i>. Further, it is interesting to find that the c.i.f. cost of these equipments was declared as Rs. 6.14 lakhs by the firm and the hire charges paid upto June, 1972 worked out to Rs. 50.17 lakhs. Surprisingly, the hire charges were expressed in terms of dollars although the firm was operating in India and the payment in terms of rupees went up after devaluation in June, 1966 to the great advantage of the company and to the serious disadvantage of the Exchequer. But for the devaluation the total hire charges would have worked out to Rs. 34.60 lakhs only.</p>
4.	1.41	-do-	<p>Before installing the computers the Railways had hired Unit Record Equipment and Accounting Machines from the same firm. In this case also the rent was expressed in terms of dollars and the payment was to be made in Indian rupees at the official exchange bank selling rate at the time of payment. The additional amount paid on account of devaluation in respect of these machines was about Rs. 18.97 lakhs for the period</p>



from July, 1966 to December, 1967. With effect from January, 1968 the rental charges were quoted in terms of rupees. It is, however, not even clear whether there was any increase in the rental charges w.e.f. January, 1968. These are mysterious things. The Committee have not been given any justification for the increase after devaluation although the machines were imported long before devaluation.

5. I.42 do

In view of the forgoing, the Committee hold that hiring of the computers and other equipments were wholly unjustified and motivated and the terms and conditions under which they were hired were absolutely one-sided. In fact it seems it was done to benefit the multi-national corporations. They are positive that all the details were not carefully worked out and the interests of Government were trampled by entering into such commitments. It is now absolutely necessary that it should be examined how the Railways entered into such dubious transactions with this firm and that on the basis of the findings appropriate action should be taken against all the persons involved. This is a unique business deal where the supplier dictates for everything and the Government accept it without any objection.

6. I.66 do

The Committee regret that the utilisation of the computers which cost the Railways so very dearly, is absolutely poor. It seems that the computers were hired without any thorough job analysis and assessment of workload and later it is seen utilisation in the really wanted sectors (like inventory control) is next to nothing. The computers are capable of processing programmes so as to achieve a level of utilisation of about 400 meter hours per month of the central processor. There was no uni-



1

2

3

4

formity on the applications taken over on computers by different Railways even though the Railway Board had laid down the procedure for development by each railway of some programmes and their adoption on other railways for utilisation of computers. And the Railway Board took no pains to ensure proper implementation. The actual utilisation has not been upto the capacity in all the cases except one as in March, 1973. In 7 cases the utilisation was particularly poor and it ranged only between 123 and 279 meter hours. The monthly rental was based on the use of Central Processing Unit for 176 meter hours per month beyond which additional time was billed at 30 per cent of the hourly rate derived from the monthly rental. This concession has, therefore, not been availed of fully. What is more serious is that in two cases the utilisation is less than the minimum on the basis of which the full rent is paid. All this points to the need to maximise the utilisation. In doing so, care should be taken in future to see that only such of those items as really can not be done manually are computerised. Further, it should be done with due regard to the impact of the computers on the existing employees and their promotional avenues as also on future employment|recruitments opportunities from the long range point of view. And this should not be allowed to destroy job opportunities.

20

7.

1.99

Rlys.

In an earlier section the Committee have dealt with the purchase of computers and other equipments from IBM. They are concerned to note



the following serious irregularities in the purchase of disc packs required for the computers from the same firm which has benefitted the firm unjustifiably.

8.

I.100

do

The first purchase of 39 Nos. of disc packs was made by the Chittaranjan Locomotive Works Administration under an agreement executed in April, 1965. The payment was made in November, 1966 at the rate of Rs. 3,712/- each equivalent to the firm's catalogue price of 490 dollars. The agreement provided for the payment at the firm's established price at the time of delivery or the catalogue price whichever was lower. The term "established price" had, however, not been defined in the agreement. It was subsequently noticed that the prices of these disc packs shown by the firm in the bills of entry ranged between 265 DM and 275 DM (Rs. 498 and Rs. 517). These are, however, assessed for customs duty at the rate of Rs. 925 per piece. It is obvious that the reasonableness of the price quoted by the firm had not been gone into before entering into the contract. This could happen for reasons that the Committee can only consider as dubious. Similarly, purchases of 151 disc packs were made by the Integral Coach Factory, Diesel Locomotive Works and Railway Board from the same firm at the same price of 490 dollars each between November, 1968 and July, 1970. Some of the quotations recently (October, 1973) obtained through global tender from six firms were as low as 168.67 dollars and 170.38 dollars (c.i.f. Bombay).

9.

I.101

do

The purchases were not made through the DGS&D. Justifying the direct purchases, the Railway Board have intimated that according to para 80 of the Indian Railway Code for the Stores Department, the purchase by Government Railways through the agency of DGS&D of the items of railway stores enumerated in the Code, as may be amended, modified or



(1)

(2)

(4)

curtailed from time to time, alone is obligatory and that the disc pack was not one of the items enumerated. No doubt at the time of codification this was not an item which was in use by Railways. This was done in undue haste and, therefore, gives rise to serious suspicion. As the Railways and other Government Departments went in for purchases of computers and connected equipments only in the recent past, necessary amendments ought to have been made to the relevant provisions of the Code so as to have uniformity in purchases which is possible only if the purchases are made centrally by the DGS&D. The Committee would require an explanation as to why this was not done at the appropriate time. The officials responsible should be brought to book.

52

10.

1 102

Rlys.

In the opinion of the Committee the type of contract entered into with this firm was very much unusual and one-sided. There have been significant deviations from the standard conditions of the contract prescribed by Government. For instance, there was no provision in the contract entered into with this firm for arbitration in the event of any question, dispute or difference arising under the terms and conditions of the contract. Surprisingly, the contract entered into by the Chittaranjan Locomotive Works had not even been signed for and on behalf of the President of India to comply with the mandatory requirement of Article 299(1) of the Constitution and hence it is held as legally not valid and unenforceable. Unfortunately, no legal opinion was obtained before entering into this contract. This is an unsavoury story and evokes suspicion of corruption and malpractice.



11. I.103 do In view of the fact that apparently the transaction involved a large overpayment, as the difference (400 per cent) between the value assessed by the Customs authorities and the price charged to the Railways cannot be entirely attributed to the firm's overhead expenses etc. and that a number of serious lapses have occurred as detailed above, the Committee stress that the whole matter must be examined with a view to taking appropriate action against the persons involved immediately. The Committee should be advised of the outcome within 3 months.

12. I.104 Finance The matter also requires a careful examination from the customs angle. As the firm is a wholly owned subsidiary of the I.B.M. World Trade Corporation, the possibility of under-invoicing of the goods imported is very much there, The Committee understand that a special valuation Branch of the Bombay Customs House has undertaken a review in respect of goods imported by this firm and that w.e.f. August 1973, the imports by this firm are assessed provisionally. The Committee stress that this review should be completed expeditiously and the action taken on the plete it within three months.

13. I.105 Deptt. of Electronics The Committee learn that the Department of Electronics have constituted an Inter-Ministerial Working Group in July, 1973 to go into the reasonableness of prices charged by this firm (after 1-1-1969) and other connected matters. The Committee should be kept informed of the outcome of the study by this Working Group which should be asked to complete it within three months.

14. I.106 Finance The Committee's examination of the purchase/hire of machinery and equipments from this firm, has brought out wider ractifications requiring

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an immediate and a detailed probe. Such transactions with this firm were not confined to Railways alone. A number of other Departments of Government had also entered into business deals with this firm. Normal procedures of purchases did not appear to have been followed. There had been several lapses and irregularities in the transactions. The firm had been imposing its own terms and conditions on the Government. The purchase price or the rental, as the case may be, had been expressed in terms of dollars and the rupee equivalent as on the date of payment had to be paid presumably even in the case of indigenous manufactures and the machinery imported prior to devaluation of the rupee. This had the effect of considerably enhancing the liability for payment after the devaluation in June, 1966. Further, it appeared that the firm could and did in fact unilaterally raise the price/hire charges in terms of the agreement and that the Government accepted it without any questioning. The implications of declaring a low value to the Customs as also the reasonableness of price/rental charges required to be gone into keeping in view particularly movement of foreign exchange and the Income-tax liability of the firm. Incidentally the real need for computers, the economics of hire *vis-a-vis* purchase, the actual need based utilisation and the results achieved also required critical examination. The Committee accordingly decided to go into the matter fully. As the matter concerned various Ministries/Departments, a detailed questionnaire as at Appendix IV. was sent in December, 1973 to the Ministry of Finance to collect, consolidate and furnish the required background information to



enable the Committee to have an examination covering all aspects of the deals with this firm and other similar firms. Very unfortunately the Committee have not received the requisite information so far (April, 1974) inspite of repeated reminders and close persuasion. This is regrettable. The Committee have, therefore, reluctantly to defer the fuller examination of the matter. They expect that the Ministry of Finance will not delay the information any further and the outcome of the study undertaken by the Inter-Ministerial Working Group should also be reported to them without any further delay. The Committee are anxious that this question in relation to which very significant information has come to their notice at least from the Railways, should be seriously pursued at the earliest opportunity.

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Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>WEST BENGAL</b>		32.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.
21.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24-Parganas.	33.	Bahree Brothers, 188, Lajpat Rai Market, Delhi-6.
22.	W. New Man & Company Ltd., 3, Old Court House Street, Calcutta.	34.	Jaina Book Depot, Chhapparwala Kuan, Karol Bagh, New Delhi.
23.	Firma K. L. Mukhopadhyay, 6/1-A, Banchharam Akur Lane, Calcutta-12.	35.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
24.	Mrs. Manimala, Buys & Sells, 128, Bow Bazar Street, Calcutta-12.	36.	People's Publishing House, Rani Jhansi Road, New Delhi.
25.	M/s. Mukerji Book House, Book Seller, 8B, Duff Lane, Calcutta.	37.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.
<b>DELHI</b>		38.	Hind Book House, 82, Janpath, New Delhi.
26.	Jain Book Agency, Connaught Place, New Delhi.	39.	Book Well, 4, Sant Nirankari Colony, Kingsway Camp, Delhi-9.
27.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	40.	M/s. Saini Law Publishing Co., 1899, Chandni Chowk, Delhi.
28.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	<b>MANIPUR</b>	
29.	J. M. Jaina & Brothers, Mori Gate, Delhi.	41.	Shri N. Chaoba Singh, News Agent, Ram Lal Paul High School Annexe, Imphal.—MANIPUR.
30.	The Central News Agency, 23/90, Connaught Place, New Delhi.		
31.	The English Book Store, 7-L, Connaught Circus, New Delhi.		



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PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF  
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE MANAGER,  
GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.

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