

PUBLIC ACCOUNTS COMMITTEE **(1964-65)**

THIRTY-SECOND REPORT **(THIRD LOK SABHA)**

**[Appropriation Accounts (Railways), 1962-63
and
Audit Report (Railways), 1964]**



LOK SABHA SECRETARIAT
NEW DELHI
February, 1965
Phalgun, 1886 (Saka)

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- 40th Sitting held on 5-12-64 (F/N)
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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(1964-65)

CHAIRMAN

Shri R. R. Morarka

MEMBERS

2. Shrimati Akkamma Devi
3. Shri Ramchandra Vithal Bade
4. Shri J. B. S. Bist
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12. Shri Ravindra Varma
13. Shri P. Venkatasubbaiah
14. Shri Vishram Prasad
15. Shri Ram Sewak Yadav
16. Shri M. P. Bhargava
17. Shri Chandra Shekhar
18. Shri S. C. Deb
19. Shri R. S. Panjhazari
20. Shri Ram Sahai
21. Shri S. S. N. Tankha
22. Shri Atal Bihari Vajpayee.

SECRETARIAT

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

Shri R. M. Bhargava—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Thirty-second Report on the Appropriation Accounts (Railways) 1962-63 and Audit Report (Railways), 1964.

2. The Appropriation Accounts (Railways), 1962-63 together with the Audit Report thereon were laid on the Table of the House on the 20th February, 1964. The Committee examined them at their sittings held on the 28th November, and 4th, 5th, and 19th December, 1964. A brief record of the proceedings of each sitting of the Committee has been maintained and forms Part II* of the Report.

3. The Committee considered and finalised this Report at their sitting held on the 23rd February, 1965.

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

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

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

They would also like to express their thanks to the Chairman and Members of the Railway Board and representatives of the Ministries of Industry and Supply (Department of Supply and Technical Development) and Home Affairs for the co-operation in giving detailed information asked for by the Committee during the course of their evidence.

NEW DELHI;

R. R. MORARKA,

Dated 24th February, 1965.
Phalgun 5, 1886 (Saka).

Chairman,
Public Accounts Committee.

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

II

Budgeting and Control over Expenditure

General Results of Appropriation Audit—Paras 2—4, Pages 1-2:

2. The number of demands voted during 1962-63 was 19 as against 21 in 1961-62 and the number of appropriations was 12 against 4 in the previous year. There was a substantial increase in the number and amount of Supplementary Grants taken during the year (12 for Rs. 26.73 crores as against 8 for Rs. 8.71 crores in the previous year). The total amount for which Supplementary Appropriations were obtained was more (Rs. 0.48 crores as against 0.18 crores in 1961-62). The following statement compares the total grants and appropriations with the disbursements against them:—

Particulars	Voted Grants	Charged Appropriations	Total
1. Total grants and appropriations	11,69,26,51,000	1,75,54,000	11,71,02,05,000
2. Total disbursements	11,84,81,06,059	1,44,64,761	11,86,25,70,820
3. Net savings(—) or excess (+)	(+)15,54,55,059	(—)30,89,239	(+)15,23,65,820
4. Percentage of 3 to 1	(+) 1.33	(—) 17.60	(+) 1.30

According to a statement furnished to the Committee by the Ministry of Railways (Railway Board) the percentage of variations during the last 5 years was as under:—

	Voted	Charged	Total
1. 1958-59	(—) 4.84	(—) 16.00	(—) 4.85
2. 1959-60	(—) 5.49	(—) 15.27	(—) 5.50
3. 1960-61	(—) 6.29	(—) 25.36	(—) 6.27
4. 1961-62	(—) 4.97	(—) 13.62	(—) 4.98
5. 1962-63	(+) 1.33	(—) 17.60	(+) 1.30

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3. 1960-61	(—) 6.29	(—) 25.36	(—) 6.27
4. 1961-62	(—) 4.97	(—) 13.62	(—) 4.98
5. 1962-63	(+) 1.33	(—) 17.60	(+) 1.30

The Committee observe from the above table that while in the case of voted grants the variations had been small, in the case of charged appropriations they were quite substantial. The Ministry of Railways would be well advised to examine as to why their estimates in the case of charged appropriations were so wide off the mark all these years.

3. In the course of evidence the Financial Commissioner (Railways) claimed that the extent of accuracy in budgeting had improved and the year 1962-63 was the best in the last 5 years. He added that strenuous measures were adopted to reduce the gap between the budgeted and actual expenditure. They had gone to the extent of withdrawing certain supplementary demands and this resulted in excess expenditure over voted grants. The irregularity of excess expenditure over voted grants has been dealt with in para 14 of the Report.

Unnecessary Supplementary Grants/Appropriations—Para 5, page 2:

4. The more important cases where funds obtained by supplementary grants/appropriations proved unnecessary or excessive were as under:

(Figures in thousands of rupees)

No and Name of Grant/Appropriation	Supplementary Grant/ Appropriation	Final savings (inclusive of surrenders)
1	2	3
A—Grants :		
2.—Revenue—Miscellaneous Expenditure	12,00	21,66
6—Revenue—Working expenses—Oper- ating Staff	1,28,67	38,51
9—Revenue—Working Expenses—Miscel- laneous Expenses	3,88,80	35,94
13—Open Line Works—Revenue—Labour Welfare	22,75	3,62
16—Open Line Works—Additions	8,07,39	1,76,58

1	2	3
B—Charged Appropriations:		
9—Revenue—Working Expenses—Miscellaneous Expenses	13,68	10,79
16—Open line Works—Additions	12,05	9,23

Explaining Grant No. 2—Revenue—Miscellaneous expenditure, where the supplementary grant proved entirely unnecessary (the supplementary grant was for Rs. 12 lakhs, whereas the final savings inclusive of surrender was Rs. 21.66 lakhs) the Financial Commissioner stated in evidence before the Committee that a supplementary grant of Rs. 12 lakhs was obtained for undertaking a number of new surveys mainly for doubling projects, the need for which had arisen after the presentation of the budget. The Grant was almost (Rs. 10 lakhs) utilised for the required purpose, but inaccuracy in estimating the original demand, especially in the case of the Research, Designs and Standards Organisation resulted in an overall saving under the Grant. The Research, Design and Standards Organisation was not able to spend the funds owing to non-receipt of materials and equipment and non-availability of technical personnel. In other cases the witness claimed that funds obtained through supplementary grants were only slightly excessive and thus revealed quite a fair accuracy of budgeting. **The Committee feel that the position of non-utilisation of funds by the R.S.D.O. should have been evident to the Railway Administration before approaching Parliament for supplementary funds under these demands. Even granting that approval of Parliament was to be obtained for undertaking new surveys through the medium of supplementary grant, the Committee feel that a token provision could have been obtained for the purpose.**

5. As for the charged appropriations, it was explained that they related to matters which could not be avoided. The amounts were fairly small and had been provided to meet expenditure anticipated to be incurred on court decrees and arbitration awards etc. In order to examine the matter further the Committee desired to be furnished with a statement showing the number of court cases and arbitration awards which were expected to be settled before the close of the financial year and those which were actually finalised and paid for. The Ministry of Railways (Railway Board) have accordingly furnished the statement which is at Appendix II. **The Committee observe that under Grant No. 9 the Eastern and Northern Railways had anticipated as many as 90 and 43 cases whereas the cases actually settled**

were 36 and 5 respectively. They are unable to see any reason as to why a better assessment was not possible even as late as in February, 1962 when the Ministry approached Parliament for supplementary grants. The Committee suggest that the reasons for such an inaccurate assessment on Eastern and Northern Railways should be investigated and suitable remedial measures taken to avoid recurrence.

Inadequate and injudicious surrenders—Para 6 Pages 3-4.

6. This para enumerated 7 cases of inadequate surrenders indicative of retention of funds by the Ministry in excess of their requirements and 7 cases where the amounts surrendered were much more than what they should have been. The Committee were informed that the amounts surrendered towards the close of the financial year were based on the anticipated expenditure. These did not represent the postponement or dropping of any schemes or projects by the Railways but were merely based on the re-estimation of their total expenditure which was spread over thousands of schemes. Explaining in detail the savings under Grant No. 6 Revenue—working expenses—Operating staff, in which against a final saving of Rs. 38.5 lakhs a sum of Rs. 25.8 lakhs only was surrendered, the representative of the Railway Board stated that the final figures of expenditure were reported by the Railways, who in turn collected the information from different formations. Thus adding up all the figures the total expenditure which was likely to be incurred was assessed and the balance amount was surrendered. It was further added that in respect of other cases mentioned in the Audit Report, the estimation had been fairly accurate, in that the final savings were not very substantial when compared with the total grants.

The Public Accounts Committee (1963-64) while examining similar cases of inadequate and injudicious surrenders were informed by the Ministry of Railways that steps had been taken to simplify the accounting procedure and that the position in this regard would show an improvement in respect of accounts for the year 1962-63. The Committee regret to observe that instead of showing an improvement the position had further deteriorated. They enquired whether the existing method of reporting of estimates by the Railways was not defective. The Financial Commissioner explained that the Railways sent modification statement right up to the middle of March but this information was based on the actual expenditure incurred upto the month of January and estimated amount for the subsequent period. He, however, agreed that there was scope for improvement in the extant procedure. The Committee trust that the Ministry of Railways will further tighten up the procedure and ensure that the

Railway Administration keep them fully informed of the latest position and they in turn scrutinise the same properly before surrendering any amounts or approaching Parliament for supplementary funds.

Unnecessary or excessive reappropriations—Para 7, Page 4.

7. This para enumerated five cases where funds obtained through re-appropriations by individual railway administration proved entirely unnecessary and six cases where the funds obtained were much more than the actual requirements. The following were the more important items:

(Figures in thousands of Rupees)

Railway	No. and Name of the Grant	Amount obtained	Savings in Final Grant
South Eastern	9.—Revenue—Working Expenses Miscellaneous Expenses.	4,07	11,03
Central	12.—Open Line Works—Revenue Labour Welfare.	53	2,07
Northeast Frontier	8.—Revenue—Working Expenses—Operation other than staff and fuel (Charged)	3,60	3,58
South Eastern	9.—Revenue—Working Expenses Miscellaneous Expenses (Charged)	3,00	1,40

The Committee were informed in evidence that in the first case appropriation related to several heads under the Grant and was based on the trend of expenditure at the time of preparation of final estimates. There were also some delays in the payment of gratuities and special contribution to provident Fund to retired employees. In reply to a question the witness stated that in most of the cases about 90% of the amount was paid to the persons at the time of retirement. The balance was paid after going into all the formalities. The Committee desired to be informed of the number of cases relating to settlement of Provident Fund Accounts which were pending for more than three years and the reasons for the delays in their settle-

ment. The Ministry have accordingly furnished a note at Appendix III which indicated that the number of pending cases is substantially high on the Southern Railway. As regards the delays, the Committee note that while only a few cases had been pending for reasons like difficulties in settling the question of succession etc., 48 cases were pending because commercial debits and other recoveries had not been finalised. **The Committee trust that the Ministry of Railways will further examine the reasons for delays in settlement of these cases. As delay in settlement of retirement dues causes hardship to the retired employees the Committee would like the Ministry of Railways to initiate suitable remedial measures to avoid such delays in future.**

8. In the second case of reappropriation referred to above, it was explained that these were small works costing less than Rs. 25,000/- each and the amount could not be estimated precisely. It was added that the District or Divisional Engineers making the estimates concentrated on major works and gave relatively less attention to the smaller ones. In the case of charged appropriations it was stated that certain funds were provided to meet likely payments on account of compensation awards which did not materialise. **The Committee feel that these are further instances which indicate failure on the part of the Railway Administrations to watch the progress of expenditure under the Grants and assess their requirements suitably.**

Savings in Grants and Appropriations— Para 8, Pages 4-5.

9. Savings occurred under 13 grants and 9 appropriations during the year 1962-63 as against 18 grants and 6 appropriations during 1961-62 and 18 grants and 5 appropriations during 1960-61. The amount of total savings during 1962-63 was Rs. 10.35 crores as against Rs. 62.04 crores during 1961-62 and Rs. 76.34 crores during 1960-61.

Expenditure met from Capital grants and appropriations accounted for a saving of Rs. 5.30 crores, the larger portion of which (Rs. 3.44 crores) occurred under Grant No. 15—Construction of New Lines. The Dandakaranya-Bolengir-Kiriburu Project alone, as in the previous year provided the bulk of these savings (Rs. 3.35 crores), mainly due to delay in finalisation of contracts, postponement of tunnelling work, change in design of bridges, retardation of works as a result of prolonged monsoon period and non-receipt of materials etc. The balance of the savings of Rs. 1.85 crores occurred under Grant No. 16—Open Line Works—Additions, mainly due to slower progress of certain works as a result of shortfall in the supply of machinery, plant and other materials.

The savings under grants and appropriations in respect of expenditure met from revenue amounted to Rs. 5.04 crores as against

Rs. 17.64 crores during 1961-62 and the appropriation relating to expenditure met from Development Fund accounted for the balance of Rs. 0.01 crore.

The Chairman, Railway Board informed the Committee in evidence that the work on the D.B.K. Railway Project was proceeding satisfactorily and it was hoped that the work would be completed two or three months before the target date. The savings only indicated that certain materials were not received in time and certain debits were not received as they were anticipated. It was pointed out that there had been savings on this project in the earlier years and that during the subsequent year (1963-64) also there were certain savings in the expenditure on this project. The Committee, therefore, desired to be informed of the reasons for the savings, progress achieved, and the total amount required for the project. The Ministry have accordingly submitted a note (vide appendix IV) explaining the reasons for the shortfall in expenditure on this project during the years 1961-62 to 1963-64. It has *inter alia* been stated in the note that the sanctioned cost of the project (Rs 55.32 crores) was for an estimated length of 271 miles. It is now expected that the total length will be 279 miles and the whole project including the additional 8 miles would be completed within the original sanctioned estimate.

As regards Grant No. 16 Open Line Works—Additions the biggest savings were in the Integral Coach Factory (Rs. 84 lakhs out of Rs. 10 crores) and the Diesel Locomotive Works (Rs. 78 lakhs out of Rs. 2.07 crores). The Financial Commissioner (Railways) explained that in the case of the Coach Factory the amount pertained to the new furnishing unit which had since been set up.

As for D.L.W., it was stated that most of the Civil Engineering Workshops structures etc. would be completed by March, 1965. Meanwhile production had been started and 12 units had been assembled from knocked down conditions. On being asked about the progress made in achieving the targets of production, the Committee were informed that the earlier target laid down for the year 1964-65 namely assembly of 12 locomotives and manufacture of 26 locomotives (total 38) had since been revised to a total of 26 units. Even against this revised target of 26 units it was expected that the D.L.W. would be able to turn out 18 locomotives. It was added that there had been certain delays in the procurement of equipment etc. which was also responsible for the shortfall in the expenditure. In order to assess the progress made in the setting up of the workshop and the reasons for the non-fulfilment of target of production the Committee desired

to be furnished with a note indicating the original and revised estimates for the project, year-wise progress of expenditure, targets of production etc. The note furnished by the Ministry is at Appendix V.

The following points regarding the setting up and the working of the Diesel Locomotive Works arise out of this note:—

(a) REVISION OF ESTIMATES

It has been stated that the work was included in the works programme in 1961-62 after taking supplementary demand from Parliament in November, 1961 and appeared as a work in progress in the Pink Book for 1962-63. For the purpose of Pink Book provision the anticipated cost of the work as assessed on a very rough basis was shown as Rs. 13.7 crores chargeable to capital. It has further been stated that manufacture of diesel locomotives being an entirely new line of indigenous production, the Project Administration did not have adequate background of experience for framing a realistic estimate of the cost of project. Thus an amount of Rs. 13.7 crores assessed on a rough basis was included in the urgency certificate. Later on the project report was received from the collaborators in June, 1962 in the preparation of which Indian engineers were throughout closely associated. The detailed list of plant and machinery were received by the middle of September, 1962. On the basis of the project report as also the list of plant and machinery, it was possible to prepare an abstract estimate for the project. The cost of the project as per this estimate was Rs. 19.57 crores and the estimate was sanctioned in February, 1963. The table below gives the anticipated cost under broad heads as per the present estimate in juxta position with corresponding figures in the urgency certificate:

	Abstract Estimate	Certificate	Variations
1. Preliminary expenses	3.1	4.4	— 1.3
2. Land	29.0	21.5	+ 7.5
3. Structural engineering works	837.2	616.4	+ 220.8
4. Equipment	972.7	586.9	+ 385.8
5. General Charges	112.0	140.4	— 28.4
6. Miscellaneous	3.0	0.4	+ 2.6
TOTAL	1957.0	1370.0	+ 587.0

The Committee, while conceding that the precise estimates regarding equipment, plant and machinery could not perhaps be made earlier, find it difficult to see why there should be so much increase in the estimates for structural works etc. It is observed from the note that an increase of Rs. 148.7 lakhs in the township was due to larger number of quarters found necessary as against quarters earlier included in the urgency certificate and provision of marketing, educational, medical and recreational facilities etc. Similarly, Rs. 20 lakhs were added due to additional area for administrative and workshop offices. The Committee feel that these requirements could have been assessed more realistically even in the initial stages.

(b) TARGET OF PRODUCTION AND PERFORMANCE

10. In accordance with the production schedule laid down as per the project report the production of locomotives during the Third Plan was anticipated as follows:

1963-64	..	3
1964-65	..	26
1965-66	..	54

As against this the Committee observe that 4 locomotives were merely assembled from a knocked down condition during the year 1963-64 and during the year 1964-65 only 7 knocked down locomotives and 2 locomotives partly manufactured had been turned out till the end of November, 1964, and the total anticipated output during 1964-65 is expected to be only 18. Explaining the reasons for the shortfall in production it has been stated in the note that for the first batch of 10 locomotives on account of unavoidable delay due to docks strike in New York in the shipment of imported components ordered on the foreign firm, their receipt in the work of D.L.W. was delayed and thrown out of gear. It has also been stated that "some components also got mis-dispatched/over carried/or missed in transit in 10 shipment and these were not received in D.L.W.". While the Committee appreciate that delay caused by the docks strike in New York was entirely beyond the control of the Ministry of Railways, they feel concerned to learn that some components of the locomotives were mis-dispatched/over carried etc. They desire that the circumstances in which this occurred should be thoroughly investigated and suitable steps taken to avoid recurrence in future. The Committee would also suggest that efforts should be made to accelerate the tempo of production to achieve the targets laid down by the Railway Board for the Third Five Year Plan, viz., 95 locomotives in all including 12 knocked down locomotives.

**(c) PERCENTAGE OF INDIGENOUS CONTENT IN THE MANUFACTURE OF
LOCOMOTIVES**

11. It has been stated in the note that indigenous content of locomotives is expected to be progressively increased ultimately reaching the level of about 90 per cent. in the latter part of the Fourth Plan. Thereafter only some specialised items will be required to be imported. **The Committee hope that this target would be rigidly adhered to and if possible improved upon further.**

12. The Committee had also desired to be furnished in this connection with further details about the terms of agreements entered into with the foreign collaborators and the extent to which they had been fulfilled. This information is still awaited.* **The Committee would watch the progress of this project and the achievements made to fulfil the targets of production etc., through subsequent Audit Reports.**

13. In the case of Grant No. 14—Open Line Works—Revenue other than labour welfare, the Committee were informed by Audit that savings had occurred under the grant for the past 7 years as indicated below:—

(Amount in lakhs of Rupees)

Year	Final Grant	Amount of Savings	Percent- age of savings
1956-57	9,31	2,57	27.6
1957-58	10,69	1,70	15.9
1958-59	13,33	3,95	29.6
1959-60	13,71	3,11	22.7
1960-61	12,36	2,64	21.3
1961-62	10,64	2,61	24.4
1962-63	11,01	1,71	15.5

In extenuation of the reasons for the continued savings under the grant, the Financial Commissioner explained that the main difficulty had been partly material and partly the large number of works. This had, however, been receiving special consideration and in the current year attempts were being made to save on the works. On his attention being drawn to the recommendation of the Public Accounts Committee contained in para. 5 of their 13th Report (Third Lok Sabha) that where there were continued savings a lump sum reduction in those demands should be made, the Financial Commissioner stated that at the time of presentation of Demands to

*Since Received.

Parliament a note of probable savings was taken. He claimed that certain progress had already been made to improve the position.

While there has no doubt been some improvement in that the percentage of savings under the grant has been reduced from 29.6 in 1958-59 to 15.5 in the year 1962-63, the Committee feel that the extent of saving is still on the high side. The Committee are also unable to accept the plea of large number of works as ample justification for over-estimation under the Grant. They feel that with their experience in the matter of procurement of material etc., year after year, the Railway Administrations should have been able to frame their requirements much more precisely.

Excesses over the Voted Grants and Charged Appropriations, Para. 9, Pages 5—7

14. In the following cases there was excess expenditure over the voted Grants and charged appropriations:—

Sl. No.	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Expenditure	Excess	Real Excess after taking into account misclassifications.	%age of real excess (Col. 8 to Col. 5)
1	2	3	4	5	6	7	8	9
VOTED GRANTS								
1	3—Revenue—Payments to worked lines and others .	28,08,000	..	28,08,000	28,32,117	24,117	24,117	0·9
2	7—Revenue Working Expenses—							
	Operation (Fuel) .	82,68,58,000	3,62,81,000	86,31,39,000	87,16,52,309	85,13,309	87,75,029	1·0
3	17—Operation Line Works—							
	Replacements	1,11,79,63,000	8,60,54,000	120,40,17,000	126,08,04,142	567,87,142	5,53,72,781	4·6
4	12—Open Line Works Development Fund	22,98,00,000	..	22,98,00,000	23,15,94,251	17,94,251	19,26,454	0·8
5	20—Appropriation to Development Fund	23,21,97,000	..	23,21,97,000	42,06,50,425	18,84,53,425	18,84,53,425	81·2
CHARGED APPROPRIATION								
1	5—Revenue—Working Expenses—							
	Repairs and Maintenance .	1,00,000	82,000	1,82,000	1,82,268	268	268	0·15
2	17—Open Line Works—Replacements	9,75,000	12,56,000	22,31,000	25,10,665	2,79,665	2,79,665	12·5

The detailed reasons for the excesses under each Grant/Appropriation have been set forth in the notes (Appendix VI) submitted to the Committee by the Ministry of Railways (Railway Board). It has been stated that Grant No. 20, where the most significant excesses occurred was not strictly an item of expenditure. Excess was due to mainly the increase in gross traffic receipts which were due to spurt in the traffic and improvements in the freight lifting capacity of the Railways in the closing months of the year following the emergency. In the case of other items, it has been urged that, there was unavoidable additional expenditure under different heads such as could not be foreseen and provided for in the Revised Estimates on the basis of which Supplementary Grants were obtained.

Elucidating the excess relating to Grant No. 3—Revenue—Payment to Worked Lines and others, the Financial Commissioner stated that there was a number of lines in the Central, North-east Frontier and Southern Railway. The Railways had estimated what amounts would be payable as net earnings to the private Railways but the actual earnings were higher than estimated and so a higher payment became due.

As regards Grant No. 7—Revenue Working Expenses—Operation (Fuel), it was stated that one of the largest items which constituted this grant was the expenditure on coal. There was not only a direct expenditure on the coal consumed, when the traffic was more than expected but there was also some expenditure on the larger stocks, which were built up by various Railways. As regards the necessity for re-bookings and diversions of good quality coal, which also contributed towards excess expenditure, under the grant, the Committee were informed that initially coal was received in various sheds as planned, but afterwards, as shortages developed, some re-booking from one Railway or storing place or shed to another was inevitable. This was done only for emergency when the stock of good quality coal became unduly low.

With regard to excess under Grant No. 17—Open Line Works—Replacements, it was stated that during the year alongwith other improvements, an improvement in the supplies of materials (especially supplies of rails and steels) and in the execution of works had occurred. This was more than was anticipated. Agreeing with the Committee that they came to know of the excess three or four months after the close of the financial year, the Financial Commissioner, Railways stated that on receipt of the Audit Report they had issued instructions to the budget and finance authorities to control expenditure within the available figures or otherwise give early intimation.

In reply to another question the Committee were informed that liability registers were being maintained by the Railways. These enabled them to exercise some control but it was not sufficiently accurate as where heavy supplies of material were received towards the close of the year, it was difficult to make any provision. It would not be known for certain whether debits relating to payments made abroad would be raised within the year or not. **The Committee would in this connection invite the attention of the Ministry to their recommendations contained in para. 5 of the 15th and 21st Reports (Second Lok Sabha) wherein they had suggested the submission of periodical reports by the Supply Organisations to the indenting Ministries. They trust that these suggestions are being followed properly by all concerned.**

15. Explaining the budgetary process further the Financial Commissioner informed the Committee that the initial revised estimates of works were sent by the Railways to the Railway Board on the 20th December, every year. Thereafter they furnished modification statements. It was added that information received by the Board upto the third week of January was taken into account before finalising the figures of revised estimates for presentation to Parliament. After that the modification statements helped them to redistribute whatever amounts were available between different Railways. **The Committee regret to observe that as revealed in the present case even towards the close of the financial year the Administrations were unaware of the fact that expenditure under the grant was going to exceed the funds granted by Parliament. They would, therefore, like the Ministry to examine what improvements are necessary in the extant procedure for watching the progress of expenditure, to avoid recurrence of such excesses in future.**

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

*Grainshops—Profit and Loss Account for the year 1962-63 Para 10—
Page 7*

17. The Profit and Loss Account of Grainshops for 1962-63 indicated that the total amount of expenditure incurred during the year on 'salaries of staff' (including travelling and other allowances) and 'Contribution of Provident Fund' was Rs. 2,48,563 representing 37.4 per cent. of the total 'sales' amounting to Rs. 6,65,000. During the year Grainshops existed only the Eastern and North-east Frontier Railways. With total sales of Rs. 3,17,354 and Rs. 3,47,646 on the Eastern Railway and North-east Frontier Railway respectively, the

expenditure on staff on the Eastern Railway at Rs. 1,12,334 accounted for 35.4 per cent. of the sales while the North East Frontier Railway was able to restrict it to Rs. 83,232 i.e. 24 per cent.

In evidence the Committee were informed that the running of grainshops was grossly uneconomical and the Railways would like to close them down as soon as possible. It was added that the procedure of sales and accounting followed by the shops was very elaborate and that was the reason for the employment of a large number of persons. On being asked as to why the Eastern Railway which was handling lesser number of ration cards than the N.F. Railway employed more staff than the latter, the representative of the Railway Board stated that while the Eastern Railway had static grainshops, the other Railway had mobile shops. In the mobile shops the same staff moved from place to place and served a larger number of people, whereas in the case of static shops they provided better service to the consumers. The latest position was that the staff employed on Eastern Railway had come down from 119 in 1960-61 to 51 in 1963-64. On the North East Frontier Railway, it had come down from 70 to 26 during the same period.

The Committee are not satisfied with the explanation offered in justification of employment of staff for running the grainshops especially on the Eastern Railway. They suggest that besides continuing efforts for closing down the grainshops, the question of reducing the staff should be examined to minimise the losses to the extent possible.

18. As regards the expenditure incurred on the staff in the South Eastern and Northern Railways, where the grainshops had already been closed down, the Committee were informed that at present an expenditure of Rs. 30,000 per annum was being incurred on the South Eastern Railway which included a nucleus staff to deal with the decretal amounts awarded by courts and also payments of compensation which had to be given to staff who had opted out. The number of staff had come down in 1963-64 to 7 for grainshops and two for accounts. Now only three clerks were working. It was expected that by the 31st March, 1965, no staff would be required. As regards Northern Railway the Committee learnt from Audit that the grainshops were closed as far back as July, 1955. To deal with the residual work of grainshops expenditure on staff aggregating Rs. 32,043 was incurred during the period from 1st April, 1956 to 31st March, 1963. The staff was surrendered on 1st April, 1963.

In the opinion of the Committee the residual work on the Northern Railway could have been dealt with more expeditiously. They hope

that the residual work on the South Eastern Railway would not be allowed to drag on as happened on the Northern Railway and that it will be completed by the close of the financial year.

Compensation Claims, Para 11, pages 7-8

(a) ASSUMPTION OF COMMON CARRIER'S LIABILITY

19. The Indian Railways assumed with effect from 1st January, 1962 liability as common carriers for the loss, destructions, damage, deterioration or non-delivery of goods in all cases except for causes *force majeure*, delivery in good faith on forged receipts or to wrong persons and frauds committed by consignors or consignees. They also assumed liability as "bailees" for a period of 30 days after termination of transit.

The effect of this enlarged liability had been reflected partially in the claims paid by the Railways during the period from 1st January, 1962 to 30th June, 1963 when a sum of Rs. 8.88 lakhs approximately, representing about 1.46 per cent of the total compensation claims was paid on this account.

(b) OTHER COMPENSATION CLAIMS

Compensation claims on account of loss due to "pilferage of goods" and "perishables traffic" had been increasing on the Railways during the last four years as indicated in the statement below:—

Year	Total amount of claims paid	Gross amount paid on account of claims for pilferages	Percentage of amounts paid for pilferages to the total amount of claims paid	Gross amount paid as compensation for perishables traffic	Percentage of amounts paid for perishables traffic to the total amount of compensation claims
	Rs.	Rs.		Rs.	
1959-60	3,99,58,764	82,53,185	20.65	25,59,596	6.41
1960-61	3,93,33,625	1,03,58,481	26.33	23,84,117	6.06
1961-62	3,89,57,529	1,15,52,881	29.66	25,91,57	6.65
1962-63	4,14,30,821	1,15,87,992	27.97	27,96,226	6.75

In 1962-63, against the all railway average of 27.97 per cent, the percentage of compensation claims due to pilferage was 31.34 in the Southern, 40.19 in the North Eastern, 40.48 in the North-east Frontier and 43.73 in the Eastern, while as regards perishables the percentage was 7.17 in the Central 9.39 in the South Eastern and 11.61 in the North-east Frontier Railway, against the average of 6.75 per cent. for all the railways taken together.

It was pointed out in evidence before the Committee that as against the figure of Rs. 8.88 lakhs shown in the Audit para as having been paid as compensation the actual payment was Rs. 7.58 lakhs. It was estimated that as a result of the Railways assuming carriers liability the extra payment would be in the neighbourhood of Rs. 2 crores. But in the first part of the year 1962-63 many of the claims related to bookings prior to 1st January, 1962 for which Railways were liable as bailees under the old law.

In reply to a question as to why in spite of the steps taken by the administration, pilferage cases were going up, it was urged that the total incidence of claims considered in the context of volume of traffic and increase in prices showed a great improvement. It was added that the amounts shown under pilferages also included payments made for shortages where they had not been able to detect any thefts. As regards claims under theft, it was stated that there had been a consistent improvement as a result of tightening up of the activities of the Railway Protection Force.

Asked about the rise in the percentage of pilferages on the Eastern Railway, the representative of the Railway Board stated that the increase had been due to pilferage of sugar booked for export and kept in the shed of the Calcutta Port Commissioner. This shed was not under the control of the Railway but under the control of the C.P.C. As a result of efforts made the Watch and Ward arrangements in the shed had since been improved. As regards payments of claims made by the Railway in respect of pilferages in the shed, it was stated that the matter would have to be settled by the Eastern Railway with the Port Commissioner. The Committee desired to be furnished with a statement showing the details of the claims paid on account of pilferages of sugar consignments and those paid for pilferages as a whole during the year 1959-60 to 1963-64. The information since received is at Appendix VII. From the information furnished the Committee find that the number of claims paid on account of pilferages from sugar consignments at Kantapuku have been steadily rising from 3019 in 1959-60 to 6069 in 1963-64, the corresponding amount paid being Rs. 3,71,264 and Rs. 10,23,212

respectively. The Committee cannot view this drain on the exchequer with equanimity. They would like the Ministry of Railway to convene a meeting with the Ministry of Transport and the representatives of the Eastern Railway and Calcutta Port Commissioner to devise effective measures to put a stop to such pilferages from sugar consignments awaiting export at Kantapukur.

20 With regard to the North Eastern Railway, it was explained that there were large number of transshipment points on the Railway which accounted for the shortages of goods in handling. Moreover, traffic had also increased considerably on this Railway. It was added that security arrangements had since been strengthened on the Railway. The Committee trust that the Railway administration will continue to make endeavours and take suitable measures to further reduce losses on this account.

Unsatisfactory State of Stores Priced Ledgers—Para 12, Page 8-9:

21. The Stores Accounting Rules required the periodical reconciliation of the numerical and value figures in the Priced Ledgers with the Ledger Cards maintained at the Depots, and the General Books of the Railway to locate and adjust the differences, if any. A separate review of all the ledgers to be completed once in six months had also been prescribed.

According to Audit Report on the North Eastern and North-east Frontier Railways, the reconciliation of Priced Ledgers with Numerical Ledgers was heavily in arrears. The arrears pertained to the periods prior to 1955. The reconciliation of the Priced Ledgers with General Books was also in arrears on both the Railways for periods prior to 1955, and in the Southern Railway from 1st October, 1958, in one unit and from 1st April, 1962 in two units.

Mostly for want of explanations after proper investigation, for the shortages and excesses noticed during the physical verification of the stock with the various stock holders of the divisions and departments, large numbers of stock verification sheets remained undisposed of on 31st March, 1963, as shown below:—

	Nos.
Central Railway	9,569
Eastern Railway	8,596
Southern Railway	4,256
South Eastern Railway	5,115

On Eastern and South Eastern Railways, some of these sheets pertained to the years 1947-48 and 1954-55 respectively.

The witness claimed during evidence that there were three tiers of verification or reconciliation. First of all, the reconciliation of ground balances in the depot; secondly, of the numerical balance with the priced ledgers so far as quantity was concerned and thirdly, the values as shown in the priced ledgers maintained in the Accounts Office with the general book value of the stores. It was a continuous process going on all the year round.

As regards the case relating to the North Eastern and North-east Frontier Railways, it was stated that in connection with the merger and re-grouping of Railways there was difficulty of maintenance of accounts in the Stores Accounts Section of the North Eastern Railway at Calcutta. Then in the process of transfer of records etc., to Gorakhpur from Calcutta, some records were lost. Further on the unwillingness of the staff to go to Gorakhpur, new staff who had not done this type of work before, was entrusted with this work. These factors resulted in the work remaining unattended for a long time. It was added that this matter had always been causing a great deal of dissatisfaction in the Railway Board and pressure was being put on the North-east Frontier and North-eastern Railways to get the arrears cleared expeditiously. The situation had been improving gradually and it was hoped that they would be able to clear the arrears completely in the next few months.

In reply to a question the representative of the Railway Board admitted that the prescribed review of all the ledgers to be completed once in six months had been in arrears. On the Southern Railway a large number of vacancies remained unfilled and there was increase in the quantum of work. Now extra staff had been posted. It was hoped that the arrears would be cleared in the next few months.

The Committee regret to note the unsatisfactory state of store ledgers. They would like to be informed of the progress made in the clearance of these arrears and the final outcome viz., the shortages and surpluses detected in the stores.

22. As regards the undisposed of stock verification sheets it was stated that as on 30th September, 1964 only 6,448 sheets out of 27,536 (shown in the Audit Report) were pending. The up-to-date figures including the current cases in respect of the Railways were as follows:—

Central Railway	.	.	.	.	.	7,270
Eastern Railway	.	.	.	.	.	7,227
Southern Railway	.	.	.	.	.	2,000
South Eastern—Railway	.	.	.	.	.	6,318

In reply to a question as to how the difference had been reconciled and whether any action was taken against the staff responsible, the Committee were informed that in cases where there was no reasonable explanation, usually responsibility was fixed on the person and if there were too many cases of the nature against a particular person, disciplinary action was taken.

On the suggestion of the Committee the Financial Commissioner, Railways assured the Committee that the whole matter relating to clearing up of these cases would be considered from all aspects and some officer would be specifically deputed to clear the arrears. The Committee would watch the results through subsequent Audit Reports.

III

Losses, Nugatory Expenditure, Financial Irregularities and other topics of interest.

North-East Frontier Railway—Extra expenditure caused by changing the Zonal Contract System into Area Contract System. Para 14, pages 10-11.

23. The North-east Frontier Railway decided in October, 1961 to switch over to the 'Area Contract' System and worked out the rates which comparatively were much higher than the 'zonal contract' rates being paid till then. This was done in pursuance of the advice of the Railway Board to the different Railways in October, 1960 that they had no objection to the Railways following either (i) the Zonal System of entrusting all works in a Zone to one zonal contractor on the basis of open competitive tenders, or (ii) the Area Contract System of having more than one contractor in each area at fixed rates to be determined by the Administration.

The Financial Adviser and Chief Accounts Officer, while according his concurrence to these rates, pointed out on 12th November, 1961 that the Area Contract System would involve an extra expenditure of about Rs. 35 lakhs per year and wanted the Railway Administration to bring it to the notice of the Railway Board.

While the Area Contract System was introduced with effect from the 1st December, 1961, on the entire Railway excepting one Engineering District, and a portion of another District, the remarks of the Financial Adviser and Chief Accounts Officer were brought to the notice of the Railway Board only in January, 1962. In March, 1962, the Railway Board pointed out that the area system was to be adopted only if found more advantageous. Consequently, only such works as were essentially required or for which commitments had already been entered into were done under the area system. After 1st April, 1962, the pace of execution of other revenue works was also slowed down and arrangements were made to revert to the zonal system. The extra expenditure incurred by the Railways is not susceptible of computation for want of proper data, but is roughly estimated by Audit at Rs. 13 lakhs.

Giving the historical background, the Chairman, Railway Board, informed the Committee that the "area contract" system was prevalent on most of the Railways as early as in the year 1930. Later

on, the zonal contract system was adopted by some of the Railways. On the N.F. Railway, where zonal system was in vogue, it was found that works were lagging behind the schedule, so much so that the Railway had to surrender funds to the extent of Rs. 23 lakhs during the year 1960-61. The Railway Administration accordingly approached the Railway Board for permission to revert to the 'area contract system'. Meanwhile, in June 1960, a Chief Engineers' conference held at Simla passed a resolution recommending the reintroduction of the 'area' system to ensure timely completion of the planned revenue and new minor works. The resolution also indicated the method for fixation of rates under the system. The Railway Board after considering the whole matter came to the decision that it should better be left to the individual Railway to adopt either the area contract system or the zonal system. A circular was accordingly issued in October, 1960, and the N.F. Railway adopted the area contract system in 1961. It was added that after the system was introduced "there was quicker progress in the works and they were able to push on with their works." The Financial Commissioner further explained that under the zonal contract system the contractors often quoted low rates but later they executed only such of the items of works which were profitable to them leaving the unprofitable ones. Thus their performance was not found to be satisfactory. In the case of area contract system, the rates which were reasonable and workable were fixed by the administration. In the case in question the rates were fixed by the Railway on the basis of the rates tendered for special works during the previous 12 months. The rates thus fixed were not only not higher but a few percentage less than the later rates.

At the instance of the Committee the Ministry of Railways (Railway Board) have submitted a note (Appendix VIII) which states that during the period 1st October, 1960 to 30th November, 1961 out of the works of the value of Rs. 84.97 lakhs which the zonal contractors were required to do, they had actually completed works of the value of Rs. 65.63 lakhs only. In reply to another question it has been mentioned in the same note that under the area contract system the position of works was as follows:—

(a) Number of work orders issued up to 31-3-1962	1,580
(b) Work orders completed within 31-3-1962	450
(c) Works completed by 30-9-62	976
(d) Work orders not completed	154

While the Committee do not want to go into the merits of the two systems nor do they want to question the administrative decision,

they nevertheless cannot help observing that according to the facts disclosed in the note furnished by the Ministry, the stand taken by the Railway Board that the position regarding execution of works was unsatisfactory under the zonal system and improved considerably when they switched over to the area contract system is not fully borne out. The fact that as many as 10 per cent. of the work orders issued up to 31st March, 1962 remained uncompleted up to 30th September, 1962 seems to indicate that no significant improvement had been achieved even after following the costlier method.

24. On being pointed out that the F.A. & C.A.O. of the N.F. Railway had made it clear to the Railway Administration that the new system involved extra expenditure of Rs. 35 lakhs, the Chairman, Railway Board observed that the extra expenditure was "only hypothetical". Explaining this point further, he started that the F.A. & C.A.O. had taken into account the zonal rates of the previous year which were unworkable. In the subsequent year when tenders were invited the rates quoted by contractors were much higher than those fixed under the area contract system. The Committee, therefore, enquired as to why the Railway Board revised their earlier instructions and the Railway Administration changed over to zonal contract system when the area system was considered to be more suitable. The Financial Commissioner explained that in March 1962, the Board had asked the General Manager to review the position in the light of the observation of F.A. & C.A.O. The then General Manager decided to continue certain works where commitment had already been made and for the rest he invited fresh tenders. He added that both the systems had their advantages and disadvantages while in the area contract system the Railway had better hold on the contractors and work could be got done quicker, the zonal contract system placed lesser burden on the administration. The Chairman, Railway Board added "in these days under the present climate every body's action is looked upon with suspicion. I think reverting back to the zonal system has placed our staff in a better position". The Committee can hardly appreciate this stand. So long as the discretion vested by the rules is exercised rightly by officers there is no reason why they should feel that their actions are looked upon with suspicion. They are also surprised at the earlier observation that the "extra expenditure was only hypothetical." From a note (Appendix VIII) subsequently furnished to them the Committee observe that during the period 1st April, 1962 to 30th September, 1962 a sum of Rs. 28,72,128 was paid to the area contractors, while if the zonal rates were followed only a sum of Rs. 24,81,801 would have been paid. This clearly brings out that there was an extra expenditure of Rs. 3,91,327 during the period of 5 months.

25. The Committee enquired as to why on receipt of the remarks of the F.A. & C.A.O. the matter was not discussed with him to ascertain the basis of his contention. The Financial Commissioner explained that the F.A. & C.A.O. had in the first instance suggested to the Chief Engineer to review the position. The Chief Engineer was of the view that the increase of 4 per cent. over the zonal rates as suggested by the F.A. & C.A.O. was not adequate. He had gone further to suggest that notwithstanding the estimated extra cost, in the interest of getting the work done the area contract system should be accepted. Thereafter, the F.A. & C.A.O. did not press his point but only desired that the orders of the General Manager might be obtained and this was done.

It was pointed out that in his note the F.A. & C.A.O. had desired that the matter should be brought to the notice of the Railway Board. The witness explained that in an earlier note the F.A. & C.A.O. had stated that the matter "may have to be referred to the Railway Board", he did not mean thereby that the matter should be referred to the Railway Board. Further, he did not press this view, but only desired that the General Manager's sanction should be obtained. Later on, the Railway Board were informed by the Railway Administration in January, 1962 and the F.A. & C.A.O. also had included this matter in his quarterly D.O. letter to the Financial Commissioner, Railway Board, which was written by him in February, 1962. The Comptroller and Auditor General pointed out that in September, 1961 the F.A. & C.A.O. had suggested that the question may have to be made known to the Railway Board. Subsequently, in his noting of 28th November, 1961 also he had invited attention to this matter and desired that the "Railway Board may be informed of the position, if not already done".

The Committee are surprised at the manner in which the Ministry tried to defend an obvious lapse on the part of the Railway Administration. From the facts placed before them they cannot but conclude that the financial implications of the two systems were not thoroughly gone into by the Railway Administration before switching over to the area contract system.

26. From the perusal of the Railway Board letter No. 61/WII/CT/94 dated 12th March, 1962 to General Manager, N.F. Railway, Pandu (Vide Appendix VIII), it is clear that there was some confused thinking on the part of the N.F. Railway administration in interpreting and implementing the Railway Board's instructions on the subject. The Committee consider this unfortunate and hope that such confusion will be scrupulously avoided in future, specially when dealing with important matters with wide financial implications.

Northern Railway—Extra payment to a handling contractor—Para 15, Page 11.

27. For sorting, loading and unloading wagons, the contractors are usually paid at "per wagon" rate at some stations, and at maundage rate at other stations.

In one such handling contract executed for a period of three years from April, 1957, in the absence of mention in the agreement of the stations, at which wagon rate was to be paid and those at which maundage rate was to be allowed, the loads handled by the contractor at all stations were paid for at wagon rates. The Railway Administration in January, 1959 decided to recover the erroneous payments with retrospective effect. The contractor did not accept this position and subsequently stopped work. The case was submitted to arbitration and the Arbitrator, in February, 1963 awarded a sum of Rs. 4,26,820.90 nP. to the contractor in full and final settlement of the case. The District Court upheld this award but the Railway Administration was considering an appeal to the High Court.

In evidence the Committee were informed that in the tender notice the quantum of work that was to be done by each of the 23 stations had been mentioned. The agreement, however, contained 2 schedules mentioning rates for 35 types of work required to be done by the contractor but the type of work to be done at a particular station was not mentioned. It was also urged that the contract document was not defective. It was a standard form which had been prescribed by the Railway Board after consulting the Ministries of Law and Finance and the rates for each type of work had been clearly stipulated. The witness added that the contractor had mis-interpreted some of the clauses of the agreement and charged double the rates for loading and unloading operations in respect of the same van at the road-side stations. He further added that it was for the first time that such a contract was awarded on this Division. The Comptroller & Auditor General pointed out that the form of agreement prescribed for a single station was adopted for the entire zone. This form could have been made more elaborate. The Chairman, Railway Board stated that there was no difference in the nature of the contract except in the case of the schedules for the types of work to be undertaken and the rates therefor. The Member (Transportation) later added that instructions had since been issued to the Railway Administrations that in future the stations and the items of work to be done there should be shown separately in the agreements. The contention of the Railways about the misinterpretation by the contractor is not proved as the arbitrator and also the District Court have upheld the contractor's contention. This shows the contract was defective.

The Public Accounts Committee have on many occasions impressed the need for proper scrutiny of agreements with private parties. They regret to observe that in this case the form prescribed for single stations was adopted in a routine way for the entire zone.

28. With regard to the over-payments the witness informed the Committee that certain irregularities were noticed by the Divisional Accounts Officer while inspecting a particular rebooking shed on the 21st August, 1957. In the meantime, the Audit Officer also found certain irregularities in the case of bills submitted by the contractor for another station. A meeting of the officers of different departments was then convened on the 18th and 19th April, 1958 and it was decided that from the month of March, 1958 reduction should be made in the bills of the contractor to recover the over-payments made to him. Orders were also issued to the effect that the bills should thereafter be prepared on the correct basis. The Committee enquired the reasons for the delay in effecting the recoveries of the over-payments made to the contractor. The irregularities came to the notice of the Administration in August, 1957 but the recoveries were started only 10 months after i.e. from June, 1958. The Ministry of Railways have submitted a note (Appendix IX) giving a chronological account of the action taken by the Northern Railway Administration during the period August, 1957 to April, 1958. It is seen from the statement that the irregularities were brought to the notice by the D.A.O. to the D.C.S. on 23-8-1957 and by the Deputy Financial Adviser to the Deputy Chief Commercial Superintendent on 26-8-1957. Despite several reminders from the Accounts Office it appears the matter was not expeditiously handled by the Administration including the D.C.C.S.'s office. **The Committee, therefore, desire that the matter should be further investigated and responsibility fixed for the inaction and delay in handling this case in the Railway Administration.**

29. With regard to further developments of the case, the Committee were informed that in terms of the agreement the General Manager had deputed one of the Senior Deputy General Managers as an arbitrator. The contractor disputed this on the ground that the General Manager could not delegate his powers in this regard. He took the matter to the District Court, which decided the matter in favour of the Railways. Thereafter, another officer was nominated as Arbitrator who, in February, 1963, decided the case in favour of the contractor. The District Court having upheld the award, the Railway Administration had since decided to file an appeal to the High Court. **The Committee may be informed of the final outcome of this case.**

30. Discussing in general the procedure and the results of cases referred to arbitration, the Committee enquired about the experience gained by the Railways in this regard. They desired to be furnished with a statement showing the number of disputes arising out of commercial contracts which were referred to arbitration during the last 5 years and indicating as to how many of them the awards were given in favour of the Railway Administration. From a note (Appx. IX) submitted to them the Committee find that out of 43 such cases referred to arbitration, during the 5 years '59-60 to 63-64, 27 had been decided of which as many as 25 had gone in favour of the contractors. In the light of this experience the Ministry of Railways would be well advised to examine the reasons for such a large number of cases having been decided against them and consider the feasibility of improving the procedure of reference of cases to arbitration.

Loss on account of delays in the finalisation of tenders, para 16, pages 11-12.

31. In paras 55-56 of their 1st Report (1962-63) the Public Accounts Committee had dealt with certain cases of delays in the finalisation of tenders within the validity period of offers. According to Audit such delays continued to occur on the Railway Administrations and in 16 such cases, which had come to notice, extra expenditure to the extent of about Rs. 90,000 had to be incurred, in obtaining the material from the same or other contractors by negotiation or due to higher rates quoted while retendering.

In yet another case the South Eastern Railway Administration failed to furnish certain clarifications to the Director General, Supplies and Disposals, within the stipulated time with the result that the same firm enhanced the rates and an extra amount of Rs. 43,640 had to be paid.

In evidence, the Member (Mechanical Engineering), Railway Board, stated that instructions had been issued to all the General Managers of Railways to ensure that tenders were finalised within the period of their validity. The Railway Administrations were sending periodical reports in this connection to the Railway Board, who in turn furnished quarterly reports to the Cabinet Secretariat. In spite of these instructions and checks, the witness added that delays occurred in some cases either because of the fact that the tenderers furnished insufficient information, particularly the technical details or due to the desire on the part of the Tender Committees to get a reduction in the rates by negotiation. In 11 out of 16 cases mentioned in the Audit Report delays occurred owing to the attempts made by the Administration either to negotiate with the

tenderers to bring down the rates or to call for fresh tenders. In the remaining five cases delays were due to other factors, like tabulating the quotations called for different items and the time taken in consultations with other Departments etc. In reply to a question the witness stated that there had been an improvement and the percentage of cases where delays occurred had come down from 6.6 to about 5. The witness further assured the Committee that efforts would continue to be made by the Railway Board to effect further improvements in the position.

The Committee feel that mere issue of instructions will serve no purpose until their compliance is insisted upon in all cases and the defaulters are suitably dealt with. They would further watch the implementation of the assurance given by the Ministry in this regard.

32. Explaining the circumstances of the particular case pertaining to the South Eastern Railway the witness stated that the supplier had quoted rates on the basis of his own drawings and specifications. This being a technical item the Railway Workshop was consulted in the matter which took some time. He added that the reference from the D.G.S.&D. was received on 24th May, 1962 requiring reply by the 30th May, 1962, but the last date of the validity of the offer was not mentioned in that letter.

The representative of the Department of Supply explained that with an earlier letter sent on 23rd March, 1962 the D.G.S.&D. had supplied to the Railway Administration a copy of the tender documents and a reference in these was also made in communication of 18th May, 1962. The D.G.S.&D. also sent subsequent reminders to the Railway Administration requesting them to expedite the remarks. The representative of the Railway Board, however, urged that the details contained in the tender documents could not be taken as final as in many cases the dates of validity etc. were subsequently changed by the tenderers. Moreover, the tender documents had been sent to the Controller of Stores Calcutta and were not in the possession of the Dy. Chief Mechanical Engineer Kharagpur who was required to examine the detailed drawings and specifications furnished by the firm. The Committee were further informed that there was a statutory increase in the price of steel even before the expiry of last date of validity and the extra payment made to the supplier represented the difference in the cost of steel.

The Committee are not satisfied with the explanation. In their opinion the Controller of Stores to whom letters were addressed by the D.G.S.&D. neither checked the position regarding the period of

validity of the offer with tender documents in his possession nor did he enquire this fact from the D.G.S.&D., when the latter was reminding him for an early reply.

The D.G.S.&D. also cannot be considered free from blame as he did not specifically mention this important fact in his communication. The Committee would suggest that to avoid such cases in further the D.G.S. & D. should invariably bring the period of validity of the offer to the notice of the indentors.

Loss due to non-determination of a contract in default Para—17—page 12.

33. A contract for supply from West Germany of 1,445 tons of M. S. Plates was placed on a firm on 31st December, 1960. The firm was required to keep the materials ready for shipment, duly inspected, ex-works by 31st March, 1961.

The firm informed the Board on 23rd February, 1961 that they had arranged for the supply of material from Italy instead of from West Germany and requested acceptance of this revised offer. The necessary "Mills Authority" from their new suppliers was, however, not received from the firm until 1st July, 1961. A valid performance guarantee bond was also not furnished before 15th January, 1961 as stipulated in the contract, but delayed till 4th June, 1961. By this time, the Continental market rate for the plates had come down considerably and the Board had in June, 1961, placed an order for similar plates on another firm, mostly at rates lower by about \$ 18 per ton. In spite of the various breaches of the contract by the firm and the fall in prices, the Board agreed on 1st August, 1961 to accept supply from Italy at the original rate, thus incurring an avoidable extra expenditure to the extent of about \$ 17,600 (Rs. 83,800). The delivery period was also extended successively upto 31st August, 30th September, and 31st December, 1961 reserving the right to levy liquidated damages.

The firm got the materials inspected and passed by the Director General, India Stores Department, London between 8th and 10th July, 1961 i.e., before the Board agreed to accept the supply from Italy, and actually supplied plates, without copper content contrary to the specification for which, however, they accepted a reduction of \$7.50 per ton in the rate.

The Hindustan Aircraft Limited for whom these plates were ordered, incurred an avoidable expenditure of Rs. 13,681 on account of delay in supply, towards making alternative procurement arrangements and payment of increase of ocean freight from 1st October, 1961. The Board's claim for Rs. 35,241 towards liquidated

damages for delay in supply was refuted by the firm attributing the delay in supply entirely to the Railway's failure to establish the necessary credit in time. However, a cheque for Rs. 13,681 had been given by the guarantor firm in December, 1963.

In evidence, the Member (Mechanical Engineering) Railway Board, stated that while it was true that in a subsequent tender called for a limited quantity a firm had tendered lower rates, it could not be considered as a fall in the market price. But for this offer the rates quoted by other firms were almost the same as that of the supplier in question. Moreover the performance of the new firm was not known to the Railway Administration and, in fact it made no supplies till June, 1963. Since the material was required urgently the Administration did not consider it advisable to change the source of supply at that stage. The witness added that they were able to get the supplies in time and thus avoid dislocation of work. The Financial Commissioner added that it had been their experience that having accepted an offer, it was better to pursue it. The Committee enquired whether it was not considered appropriate to negotiate with the contractor and seek a reduction in rates, in keeping with the lower rates offered by another firm. The witness stated that it would have amounted to a change in the original terms of the tender. In reply to another question he admitted that this course of action did not strike to them at all. The Financial Commissioner also agreed that this could have been done.

What struck the Committee in this case was the casual manner in which the Railway Board processed the contract. The supplier had defaulted not only in terms of specifications but also deliveries. He had failed to furnish the performance guarantee bond in time. But the Ministry apart from penalising the supplier did not even negotiate with him to seek a reduction in the cost in keeping with the latest offer received by them.

34. On being asked as to how the material which did not conform to specifications was accepted, the representative of the Department of Supply admitted that at first the inspector had inadvertently overlooked the absence of copper content but subsequently the mistake was detected in the Mission itself and the supplier was informed that the material was not acceptable and the supplies should not be shipped. Later on the matter was referred to the Railway Board and the H.A.L., who agreed to take the material after seeking a reduction in the price.

The Committee are surprised to note that even such an important fact that the plates did not contain copper was overlooked by

the Inspector. This cannot be considered as an inadvertant mistake but indicates lack of proper care in inspecting the material. They trust that the supply organisation will take suitable steps to avoid recurrence of such cases.

Western Railway—Extra payment to a handling contractor due to incorrect fixation of a lumpsum rate—Para 18, page 13.

35. A contract awarded by the Railway Administration for handling goods at a station for a period of three years from 1st May, 1957 provided, *inter alia*, for sorting and adjustment of about 4,342 vans per annum at a lumpsum rate of Rs. 1,800 p.m. The contractor represented in August, 1957 that insufficient work was being allotted to him. The Railway Administration on enquiry, became aware of the fact that no repacking work was expected to be done at this station, *i.e.*, about one third of the number anticipated at the time to be dealt with.

During the period from 1st May, 1957 to 31st January, 1958 only 995 irregular vans were repacked at this station, *i.e.*, about one third of the number anticipated at the time of awarding the contract. Negotiations were conducted with the contractor to reduce the lumpsum rate proportionately, but he agreed to a reduction of only Rs. 600 p.m. with effect from 1st July, 1958. According to Audit, the prevailing rate for repacking irregular vans was Rs. 2.50 per van, and therefore by the inclusion of an item of regular repacking work in the contract at this situation, the Railway Administration incurred an avoidable extra expenditure of about Rs. 42,500.

The Committee enquired the circumstances in which the contract was awarded without considering the nature of the work at the station. It was explained that Agra East Bank used to be a repacking station until November, 1956. On the rationalisation of the handling of sealed vans the quantum of work at this station fell considerably. At the time of inviting tenders, at the instance of the General Manager, figures of traffic dealt with during the last 3 years were collected and it was found that about 350 vans per month used to be dealt with at the station, but nobody pointed out at that time that the quantum of work at this station was likely to fall considerably in the changed circumstances. The witness admitted that it was definitely a lapse, which was due to lack of co-ordination in the Railway Administration. It was added that the rate for repacking irregular vans was Rs. 2.50 per van at other stations, but because the number of wagons was considered to be very large, a lumpsum rate was decided by the Administration. In the

next contract, however, the basis was changed from lumpsum to per wagon rate.

As regards the loss of Rs. 42,500 mentioned in the Audit Report, the representative of the Railway Board stated that in a composite tender the contractor while quoting the rates for different items went by the overall valuation and the monthly remuneration that he was likely to get. As against the lower rate quoted against this item, the other contractors had quoted much higher rates against other items, with the result that the overall valuation of the contract was about Rs. 2,300 or so more per month than that of the contractor in question. It was, therefore, not correct to assume that the whole of Rs. 42,500 could have been saved. As a result of negotiations the contractor had been persuaded to reduce the amount by Rs. 600 per month. Had the mistake been detected earlier the saving could have been at the rate of Rs. 600 per month at the most.

It was pointed out that though the contract had started from May, 1957, it was actually executed on the 25th March, 1958 and signed on 25th May, 1958, when all these facts were known to the Administration. The representative of the Railway Board mentioned that the contract had been given on the basis of rates quoted by the contractor. Only the signing of the agreement was delayed and no changes could have been made at that stage. He added that the only alternative was to call for fresh tenders. The Officers who dealt with the case at that time felt that the labour rates had gone up and fresh tenders would not throw up cheaper rates. It was, therefore, thought to be fair and just to negotiate with the contractor and seek a reduction in the rate.

The Committee regret to observe that lack of co-ordination and improper scrutiny of the tender documents resulted in extra expenditure in this case. They are not aware whether the Ministry had enquired into the reasons for this lapse. Apart from the initial mistake of omission to assess the quantum of work the Committee feel that the officers who finalised the contract and signed the agreement as late as May, 1958 with the full knowledge that the rates were unreasonably high also did not act in the best interest of Government. Having come to know the correct position, the officers could at least negotiate with the contractor and seek suitable reduction in the rates before entering into formal agreement with him. The Committee suggest that the matter may be thoroughly investigated and responsibility fixed for the various lapses.

North-east Frontier Railway—Loss in buildings of 300 sugarcane cages. Para 19, pages 13-14.

36. In December, 1955 the then North Eastern Railway Administration awarded a contract on the basis of open tenders, to equip 300 wagons with suitably designed cages for sugarcane traffic, at the rate of Rs. 1,130 per wagon. Due to some subsequent changes in the design, an additional payment of Rs. 300 was agreed to, revising the rates to a total of Rs. 1,430 per wagon. The contractor repeatedly complained of inadequate supply of underframes by the Railway Administration and asked for extension of completion date. Except for 6 Nos., the underframes were supplied to the contractor only between October, 1957 and February, 1960 and the contractor was given six extensions, to 31st March, 1960.

The Railway Administration thereafter terminated the contract in April, 1960 when the firm had completed 179 cages only. The contractor protested against the termination of contract and desired to go in for arbitration. As a result, the Railway Administration agreed to take over from the contractor his unutilised materials of the value of Rs. 60,631, which included 121 numbers of additional flap doors, valued at Rs. 23,964.

The representative of the Railway Board stated in evidence that in the earlier stages the contractor could not take up the work in hand as he had some difficulty procuring steel. He was granted extension of time on the understanding that he would make a few wagons for inspection by the authorities at Gorakhpur and start bulk manufacture afterwards. Eventually after 19 months he could produce a few trial wagons which were inspected and approved generally. The first wagon was produced in October, 1956. At this stage the operating department felt that it would be better to make certain minor modifications so that the wagons could be utilised for other purposes also. The contractor was thereupon asked to follow a new design and equip the remaining wagons with doors on an additional payment of Rs. 300 per wagon. The Contractor also assured them at this stage that as material had begun to come he would be able to start manufacture of the items in bulk. But there were operational difficulties in that the wagons were scattered all over the railway and it was not possible for the administration to supply wagons to the controller in such numbers as they would have desired. The Committee enquired as to why the contract was given to the firm even though it had not been able to produce any wagon for inspection for 19 months. The witness stated that this aspect was examined and the contractor was asked to expedite the work. Later in March, 1960, when the contractor asked for further extension the Administration reviewed the position and considering

the improved supply position of the general type of wagons and the fact that the demand for sugar cane traffic was being fully met it decided not to pursue this order. It was, therefore, decided in April, 1960 to terminate the contract. As for the unutilised material taken from the contractor, the Committee were informed that the same was purchased at the prevalent market price. The material included 57 tons of mild steel angles valued at Rs. 35,000 flap doors and spring washers etc. It was added that all these items would be suitably utilised by the Railway.

The Committee got the impression that the Railway Administration did not deal with this case with proper thought and vigour. The facts that the execution of the contract was not followed up with the contractor in the earlier stages when he produced only a few wagons after 19 months and subsequently the design was changed soon after the production of the first wagon, indicate that the Administration had not assessed their requirements fully before placing an order for 300 units. Subsequently also the inability of the Administration to make the underframes available to the firm placed them in an unenviable position. The Committee would like to be informed as to when and how the unutilised materials of the value of Rs. 60,631, taken over from the contractor were utilised by the Railway Administration.

Non-utilisation of Permanent Way Fittings—(Loose Jaws)—Para 20, page 14

37. During the year 1956-57, the Railway Administration placed indents on the Director General, Supplies and Disposals, for the indigenous purchase of Steel Loose Jaws—an ancillary equipment for steel sleepers. On the advice of the Iron and Steel Controller, the procurement by import of the steel sleepers had been taken up by the Railway Board direct. It was found by the Railway Board, after sending a Purchase Mission abroad to purchase steel sleepers, that the price of imported wooden sleepers was more favourable and involved less foreign exchange. The import of steel sleepers was, therefore, given up and the Railways, were advised in May, 1958, to examine whether any reduction in the requirement of jaws was possible and if so, whether the indents already placed on the Director General, Supplies and Disposals, could not be cancelled. The firms which were approached by the Director General, Supplies and disposals, did not agree to the cancellation of orders as the necessary raw materials had already been arranged by them and supplies to the Railways had almost been completed.

Out of 205.90 lakhs loose jaws received between 1956 and 1959, a quantity of 80.49 lakhs valued at Rs. 39.50 lakhs approximately, remained in stock on 31st March, 1963.

The Railway Board had informed Audit that about 11.11 lakhs loose jaws valued at Rs. 5.4 lakhs, had been used between March and October, 1963 mainly by the South Eastern Railway.

The Committee were informed in evidence that earlier the DGS&D had been asked to procure steel sleepers also, but when he failed to supply the material, the Iron and Steel Controller advised in April, 1957 that the Railway Board should themselves make direct arrangements for importing the sleepers. On being asked as to why orders for the Loose Jaws were placed without the steel sleepers having been procured, it was stated that the intention was that the Jaws should be available when the sleepers arrived so that they could be used without loss of time. Subsequently however, when the Purchase Mission was not able to procure steel sleepers, the Railway Board reconsidered the purchase of steel sleepers and decided to go in for wooden sleepers. As regards the price paid for the Loose Jaws to the different firms, it was stated that the price ranged between 46 to 56 Paise each depending upon the sizes, quality etc. As for the utilisation of the surplus stock, the Committee were informed that the jaws meant for the broad gauge track would be used by the end of the current year and those for the meter gauge would be utilised after the Durgapur Steel Project started manufacturing MG steel sleepers.

The Committee feel that with a little more planning the Ministry could have avoided this contingency of having locked up their capital in the purchase of material which was lying unused for the last 7 years. When the DGS&D failed to procure the steel sleepers, the unfavourable situation about their availability should have been evident to the Ministry. They should, therefore, have restricted their orders for the Loose Jaws if not altogether cancelled them.

North Eastern Railway—Non-utilisation of materials fabricated for covering a transshipment platform—Para 21, page 14-15 .

38. An abstract Estimate amounting to Rs. 18,79,000 for the execution of works required in connection with increasing the capacity at a transshipment point was sanctioned by the Railway Board in March, 1955. Subsequently, an additional narrow platform for transshipment of goods (not included in the Abstract Estimate) was included in the urgency certificate sanctioned by the Railway Board in March, 1958. A covering shed for this platform, was later on included in the revised Abstract Estimate sanctioned by the Railway Board in April, 1959.

The platform, without the covering shed, was constructed at a cost of Rs. 39,560. But materials for providing a shed over it had

already been fabricated at a cost of about Rs. 62,500 by December, 1957 and transported to the site of work at a cost of Rs. 986. In March, 1962 the proposal for having a covering shed was finally given up in view of low transshipment load at that station. According to the audit para no alternative use for the materials fabricated for the covering shed had been found till December, 1963.

It was explained in evidence that keeping in view the requirements of traffic it was proposed to increase the transshipment capacity of Manduadih station. Later on, by the end of 1958 the traffic began to fall at the station and all the plans were revised in 1958-59. On the opening of the Mokameh bridge in September, 1959 the traffic further decreased at the station and it was considered unnecessary at that stage to put up the covering on the platform. The structures fabricated for the shed had since been utilised at 5 other stations.

The Committee wanted to know as to why the Railway Board had sanctioned the covering of the platform in April, 1959 in spite of the fact that the trend in the reduction of traffic was known to them. The witness stated that the trend of traffic had to be observed over a period and it could not be judged in April, 1959 that the platform would not be required. It was only after the opening of the Mokameh bridge that the traffic fell considerably when it was decided to abandon the proposal.

While the Committee are glad to note that the material had since been utilised and that there had been no loss on this account, they cannot ignore the fact that material which was fabricated and ready in 1957 could not be utilised till the end of December, 1963 for lack of administrative decision. They are also surprised to find that even before the approval of the Railway Board was given the material had been fabricated and transported to the site. The representative of the Ministry promised to enquire into the reasons for the delay in the execution of the project. The Committee would like to be informed of the results of the enquiry.

Western Railway—Infructuous expenditure on providing a weigh-bridge—Para 22, page 15

39. A 55 ton capacity weighbridge programmed for installation at Dwaraka station was received at that place in 1956. On a review of the priority requirements of weighbridges at various stations, this weighbridge was ordered to be transferred to Kandla on 22nd March, 1957, but was actually transferred to Wankaner direct from Dwarka in August 1958 as a weighbridge from another place had by that time been transferred to Kandla. It remained at Wank-

aner uninstalled till 1st May, 1959 when a 60 ton capacity weighbridge ordered for that station was received. The 55 ton weighbridge was then returned to Dwaraka in June, 1959 and remained there unused till 10th May, 1961, when it was finally transferred to Jaipur. In the meantime the necessity for a weighbridge at Dwaraka was reviewed with reference to the traffic on the line and the proposal to instal a weighbridge was given up in October, 1960.

Earthwork to the extent of Rs. 40,214 was done at Dwaraka station between April and June, 1957 on certain works incidental to the installation of the weighbridge. This expenditure as well as the freight and handling charges on the movement of the weighbridge from station to station had become infructuous.

The Committee were informed that during 1954 to 1957 clay traffic at Dwaraka station was increasing which justified the installation of a weighbridge there. Subsequently it started dwindling so much so that after 1960 there was no traffic whatsoever. The main reason was that the cement factory which used to get its clay from Okha Mandi started getting sand from elsewhere. The Committee desired to know the reasons for the non-installation of the weighbridge at Wankaner. It was stated that there was some delay in the engineering works in connection with the installation of the weighbridge with the result that the original 60 ton weighbridge ordered specifically for that station during 1956-57 was received before the 55 ton weighbridge transferred from Dwaraka could be installed at Wankaner. Hence, it was transferred back to Dwaraka. As regards the expenditure on earthwork at Dwaraka, it was explained in evidence that in order to deal with the traffic at the station some engineering works were being undertaken at the time. The Administration felt that it would be financially beneficial if tenders for the earthwork for the weighbridge were called after combining them with other engineering works. At that time it was felt certain that a weighbridge would ultimately be installed at Dwaraka. In reply to another question the witness added that no harm had been done by the monsoon to the earthwork carried out. On being pointed out that the General Manager had ordered that the two works should be taken up separately as there was a technical objection to combine a work on urgency certificate with another for which there was no such certificate, it was stated that the General Manager had not objected to the earthwork for the weighbridge being carried out and according to the judgment of the local officers, it was better to undertake the work at that time than to wait for the weighbridge to arrive. Had the traffic not dried up, it was added, the weighbridge would have ultimately been instal-

led at Dwaraka and there would have been no infructuous expenditure. In the opinion of the Committee, this case discloses lack of proper planning and co-ordination on the part of the Railway Administration which resulted in costly equipment remaining unutilised for more than 6 years and other avoidable expenditure. In the first place, the Committee find no justification for the transfer of the weighbridge from Dwaraka to Wankaner when as disclosed during evidence a separate weighbridge had been ordered for that station as early as 1956-57, and when even civil engineering works had not been started. Further, the explanation for the infructuous expenditure on the earthwork is also not quite convincing to the Committee. Even granting that the work was combined with other engineering works for purposes of obtaining cheaper rates, there appeared to be no urgency for carrying out the actual work before the monsoon, specially when the General Manager had pointed out that the work should not have been combined with another on an urgency certificate. The Committee feel that the circumstances in which the local officers hurried with the earthwork which proved infructuous should be further investigated and responsibility fixed in the matter.

40. The Committee had also desired to be furnished with a statement in respect of all the Railways showing the details of weighbridges which had been purchased but not yet installed. A statement submitted by the Ministry of Railways is at Appendix X. The Committee are surprised to find that weighbridges purchased as far back as 1956 are still awaiting installation in the North Eastern and Central Railways. On the Eastern Railway also four weighbridges delivered between August 1959 and October, 1960 have not been installed so far. The Committee consider this to be highly unsatisfactory and desire that the Ministry of Railways should take suitable steps to ensure that such abnormal delays in the utilisation of costly plant and machinery are avoided in future.

South Eastern Railway—Infructuous Expenditure on the construction of underground oil storage tanks at Kharagpur, para 23, pages 15-16

41. After the completion of the construction of two cement concrete tanks for storing lubricating oil and axle oil etc., in the year 1956 at a cost of about Rs. 37,000 it was found that they were not altogether free from seepage of water. The Chemist and Metallurgist of the Railway, to whom the matter was referred after completion of more than 90% of the work, advised against storing such oil in these tanks. Expert opinion of three leading oil companies operating in India obtained at that stage was also against the storage of such oil in cement concrete tanks.

On being asked as to why technical advice was not obtained before the construction of oil storage tanks, the representative of the Ministry stated that the South Eastern Railway Administration were guided by the example of another steel tank with concrete lining which existed at Kharagpur Loco Shed and was being used for storage purposes. Later on when they found that there was some seepage in the tanks constructed by them they consulted the technical authorities. In the initial stages they did not think it necessary because they had seen another tank which had no difficulty. In reply to another question it was stated that the specifications used in the construction of these tanks were different from the specifications of the old tank. The witness added that after making certain additions and alterations at a cost of Rs. 6,000, the tanks were now being used for storage of rubber fittings for vacuum brake equipments etc. for which a shed costing approximately Rs. 88,000 would have been needed. It was further claimed that the Railway had saved about Rs. 45,000 in the long run.

The Committee regret to note that the construction of the storage tanks costing Rs. 37,000 was taken up without proper investigation. They can hardly accept the plea that the administration were guided by the example of another tank which had no difficulty since they did not follow the specification of the old tank. The Public Accounts Committee (1962-63) vide para 38 of First Report had come across similar cases which reveal the tendency on the part of Railway Administration to start engineering works involving heavy expenditure without proper investigation. They trust that the Ministry will take steps to ensure that such cases are avoided in future, and that technical advice is obtained well in advance of starting such works.

The Committee find it difficult to accept the claim of the Railways that by constructing the underground oil storage tanks and then converting them as sheds for storage of vacuum brake equipments they were able to effect a saving of about Rs. 45,000. This only indicates that the estimate of Rs. 88,000 for the shed was very much inflated.

Northeast Frontier Railway—Loss due to damaged empty cement bags, para 25, pages 16-17

42. During the period from 1958 to 1961, 6,17,594 bags of cement were received by the Executive Engineer, Construction, Pandu for utilisation on the various works under him. The terms of the agreement entered into with the various contractors entrusted with the execution of the works provided for return of the empty cement

bags by them in sound condition, failing which they were to be charged at 50 nP. per bag. According to Audit, the condition of the serviceability of the empty cement bags was not carefully examined at the time of their return nor were suitable arrangements made for their proper stacking. The faces of a large number of bags returned by the contractors were later on found to be cut with hatches, thereby destroying their serviceability. Of the empty cement bags which could not be disposed of by the Executive Engineer, 21,014 bags were lost and no credit was afforded for 1,92,131 numbers. The loss on this account was calculated at Rs. 75,666.

It was explained during the course of evidence that cement bags were hitherto being used by the Engineering Departments for their own internal purposes, such as for protection works or putting them under foundations. The cement bags mentioned in the audit report were sound enough for that purpose. Later, however, with effect from the 1st January, 1961 the cement companies started re-using the cement bags and they laid down certain conditions for accepting these bags. The cement companies employed a test of soundness which was different from the test applied by the engineering departments. Thus, the bags could not be sold to the cement companies. The Committee wanted to know as to why the bags which were considered to be sound enough were not fully utilised by the Engineering Department. It was explained that the number of bags which were received during this period was much higher than their normal requirements. Although the bags were useful for the Engineering Works, they had to be disposed of because they were in excess of requirements. On being asked whether the revised test for suitability of bags was communicated to the Railway Administration the witness promised to furnish the information. In a subsequent note* it has been stated that the DGS & D in their circular dated 25th January, 1961 had informed that all serviceable second-hand jute bags might be returned to the agents of the cement companies on payment. This circular was duly brought to the notice of all the Railway Administrations who in their turn advised their district engineers etc. **The Committee hope that the engineers in-charge of works are now properly following the revised specifications to ensure that cement bags are suitable for being returned to the cement companies. They would also like to be informed of the circumstances under which 21,014 bags were lost whether any enquiry had been conducted into the loss and if so with what result.**

*Not printed.

*Central Railway—Loss due to purchase of defective Steel tyres—
para 26, page 17*

43. The Director General India Stores Department, London entered into a contract with a French Firm in August, 1954 for the supply of 216 steel tyres. The tyres were shipped in January, 1955 duly inspected by the Railway Inspectorate in England, and were received in April, 1955. Under the terms of the contract, they were covered by a warranty for 12 months after their arrival at destination.

A few of the tyres used for the first time between February, 1956 and June, 1956 developed defects, and tests showed that they did not conform to ordered specifications. The defects were reported in July, 1956 to the Director General, India Stores Department, London. The French firm in the first instance suggested to the Indian Railways to carry out drop tests under much more stringent conditions than those provided in the contract specifications. Following the rejection of this suggestion, the firm invited the Railways to send back the tyres to them at their cost for examination. The suggestion was made in the firm's letter dated 20th June, 1957 to which no reply was sent until 18th August, 1960, when it was stated that the tyres could not be returned due to difficulties in exporting them from India and various formalities which had to be undertaken. Subsequently, the firm advised their inability to do anything more in the matter. Upto August, 1963 only 48 tyres could be used without any complaint and the loss on the remaining tyres was approximately Rs. 51,000.

In evidence before the Committee it was stated that on receipt of the letter from the D.G.I.S.D., London on 18th June, 1957 that the firm was willing to take back the tyres at their own expense, the Railway advised the clearing agents to arrange for the necessary export, after obtaining the drawback from the Customs authorities. Under the rules if an article is exported within two years of receipt seven-eighth of the customs duty is refundable. In special cases the period can be extended to three years. In this case since the normal period of two years had elapsed the clearing agents suggested that the matter might be taken up at a higher level for the relaxation of the time limit. On receipt of the suggestion the Railway Administration started collecting material to make out a suitable case to be placed before the Customs authorities. This took some time. On the 22nd May, 1958 the clearing agents were supplied with relevant particulars and were asked to take up the matter with the Collector of Customs but by the time the matter was referred to them even the period of three years had expired. The Collector of Customs having rejected the

request the clearing agents approached the Central Board of Revenue who also did not agree. This decision was stated to have been forwarded to the Railway by the clearing agents *vide* their letter dated 16th October, 1958; but this communication was mislaid. Meanwhile the Railway Administration sent two reminders in May and July, 1959. On the 22nd July, 1959 they were informed that the decision of the Central Board of Revenue had already been communicated to them in October, 1958.

The Committee enquired as to why it was left to the clearing agents to approach the customs authorities and the matter was not taken up by the Railway Board direct. The witness explained that the Railway Board was informed only in September, 1959. Prior to this the Railway Administration was trying to settle this matter through the clearing agents. It was, however, admitted that there had been some delays in dealing with this matter at different stages.

In a note* submitted to the Committee it has been further stated that there had been delay on the part of the Railway, who could reply to the clearing agent's letter dated 29th July, 1957 only on 22nd May, 1958. There had only been internal correspondence during this period between different branches of the Stores and Mechanical Departments. For this delay responsibility had been fixed on two Assistant Controllers of Stores, two Superintendents and the dealing clerk. No disciplinary action could be taken against the A.C.O.Ss. These officers had proceeded on leave pending retirement in November, 1959 and February, 1960, and finally retired in May and October, 1960 respectively. Regarding the Superintendents the increment of one was stopped for one year and the promotion of the other was stopped for six months. The dealing clerk died on 28th September, 1959 and no action could be taken against him. The Committee deprecate the delays on the part of the Railway Administration in handling this important question. As regards the disciplinary action the Committee observe that while the matter was brought to the notice of the Railway Board in August, 1959 the officers in question retired only in May and October, 1960. The Committee desire that the circumstances under which no action was taken to fix responsibility earlier against the officers may be further looked into. The Committee would also like to know how many out of 216 steel tyres could be put to normal use and how many had to be rejected due to defects, and what was the loss suffered by the Railway.

*Not printed.

44. The Committee further enquired as to why the Railway did not take immediate steps to export the material instead of allowing so much time to elapse in negotiating for a refund of customs duty. They were informed that a total amount of Rs. 10,720:50 had been paid by way of custom duty on 216 tyres. The witness stated that the matter was not considered in this light by the Railway Administration. It was only in 1960 that the Railway Board decided that regardless of the custom duty the material should be exported but at this stage the firm had refused to bear the freight charges. **The Committee regret to observe the lack of prudence on the part of Railway Administration in ignoring the more important aspect of the case namely to return the defective tyres to the firm. They made attempts (which became futile because of the delay) to recover the customs duty paid to Government. It is surprising that in such an important matter the Railway Administration did not consider it appropriate even to apprise the Railway Board and seek their assistance.**

45. The Comptroller and Auditor General enquired whether the extant procedure for inspection of Store was not defective in that the Depot merely followed the first-in-first-out rule and took no steps to inspect the material within the warranty period. The Financial Commissioner stated that it was practically difficult to put into use and test the items within the short time. He added that experience had shown that no supplier of repute would refuse to replace the defective material simply on the plea that the warranty period had expired. **He, however, promised to examine the suggestion made by the Comptroller and Auditor General. The Committee feel that at least a sample check at least in the warranty period if not immediately on receipt of material should be possible to ensure that the goods are according to specifications.**

Central Railway—Loss due to incorrect indenting of an imported item—para 27, pages 17-18

46. Based on the Controller of Stores, Central Railways indents, the India Stores Department, London, placed an order in September, 1956 on a firm in U.K. for the supply of 370 numbers of Buffers at £28-5-0 each to be delivered in January, 1958. The Depot Officer, Matunga reported in July, 1957 that only 20 numbers of the item were required. The mistake in indenting was due to the depot staff having taken incorrectly, the combined consumption of this item and that of another item (which was a component of a different assembly). This mistake was attributed to their "lack of technical knowledge". The firm which was requested in July, 1957

to reduce the contracted quantity, agreed to do so, provided they were paid an enhanced price for the 20 numbers required, and also cancellation charges of £ 3,055-10-0. After further correspondence with the firm and the India Stores Department, London, the Administration decided,

- (i) to pay an enhanced price of £43-5-6 each for the 20 numbers required by them;
- (ii) to take over certain in semi-finished items and convert them into another component required by the Railway; and
- (iii) to pay cancellation charges in respect of certain other items not required by the Railway and getting credit for scrap value in respect of them.

The contract was amended accordingly.

On this transaction, the Railway Administration suffered a total loss of £1,964 (approximately Rs. 26,192). Besides, foreign exchange to the extent of £1,539 (Rs. 20,530) was spent on semi-finished material, which could normally be manufactured or procured indigenously.

In evidence, the representative of the Railway Board explained that the clerk who prepared the indent from the ledger card misunderstood the remarks contained against two items in that he considered them to be identical and their requirements were added together with the result that instead of 2 items 370 numbers were ordered. Further the Senior Officers who were responsible to check the indent also failed to detect the mistake. The ledger Supervisor concerned had been penalised by stoppage of increment.

As regards the loss suffered by the Depot on this account, the Committee were informed that normally in an order for small numbers the price was likely to be higher. As mentioned in the Audit Report the total loss came to £1,964. The Railway had since been able by spending some money, to convert for their own use, 350 buffer shanks that were received in semi-finished condition and thus been able to offset the loss by £1,053.

The Committee trust that the Railway Board would impress on the Railway Administrations the need to exercise better care and checks in the indenting of stores specially those involving expenditure on foreign exchange.

North Eastern Railway—Retrospective promotion of skilled artisans—para 28, page 18

47. The Railway Board issued orders in 1950 and 1951 upgrading some posts in the Railway Workshops in the skilled categories, making it clear that a special trade test should be conducted before the promotions are actually considered.

It was clarified by the Board in November, 1953 that the payment of arrears should be made with effect from 22nd May, 1950 to all staff who are found suitable for the posts after requisite trade test.

In the North Eastern Railway the trade tests were started only in 1955, and on the basis of these tests conducted even upto 1961, retrospective promotions from 22nd May, 1950 were made. Thus involved the payment of arrears amounting to about Rs. 85,000.

The Member, Staff, Railway Board explained in evidence that the intention was that the tests should be held within a reasonable time. He admitted that there was undue delay in holding the tests in this Railway, but payments had to be made to the staff in accordance with the undertaking given to the Labour Federations. A large number of people were tested and only those who passed in the first attempt were given promotions with retrospective effect. He added that there was no financial loss involved in this case. On being asked as to why the Railway Board did not prescribe a time limit for the holding of the tests the witness stated that it was left to the Railway Administrations. Having issued a policy order the Railway Board had expected that the Railways would comply with it. **The Committee regret to observe the abnormal delay on the part of the Railway Administration in conducting the trade tests. It is also surprising that the Railway Board having issued a policy order did not watch its implementation within a reasonable time. The Committee feel that the Railway Board should have prescribed a time limit for the implementation of their instructions. This would have avoided the anomalous situation of retrospective promotions being effected after a lapse of ten years and more.**

Eastern Railway—Loss of revenue due to non-revision of rent in respect of Railway land leased to outsiders—para 29, page 19

48. The Railway Board decided in October, 1952 that in respect of Railway land leased to private parties, the rent to be recovered should be subject to a minimum of 6 per cent of the market value of the land as assessed by local Revenue Authorities at the time of leasing out. The Board also desired that the market value of

land should be reviewed every 5 years and the rent revised, if necessary, provision for such revision being incorporated in the relevant agreement.

In respect of 161 out of 1,146 plots of Railway land in a division, no revision of rent was carried out since 1952. The loss of revenue due to non-revision of rent was pointed out by Audit in September, 1962 and the Administration revised the rents with effect from 1st April, 1963 in the majority of cases. In 30 cases, however, the revision was still under negotiation and involved enhancement of rent to the extent of Rs. 30,000 per annum (approximately).

According to Audit on the basis of the dates, when the Revenue Authorities advised the land values to the Administration, the non-revision of the rents, had resulted in a loss of revenue to the extent of Rs. 1.03 lakhs (approximately) upto March, 1963. The Administration had contended that the loss should be calculated only from the due date of renewal of the agreements, and that the loss on this basis would only be Rs. 71,800 (approximately).

It was admitted during evidence that there had been some delay in the revision of rents for 161 plots. The matter had been investigated and responsibility fixed on an Assistant Operating Superintendent and the dealing assistant. While the former retired from service before the audit objection was received, the latter had been penalised with stoppage of increment for 6 months. As regards the assessment of loss on this account it was urged that 110 plots were vacated as the lessees were not willing to pay the enhanced rent. After excluding their cases the loss would amount to about Rs. 17,000 as against Rs. 71,800 mentioned in the audit para.

This is another case in which the orders of the Railway Board were not implemented promptly by the Railway Administration resulting in loss of revenue. Since the rents are required to be reviewed every 5 years, the Committee suggest that a suitable machinery should be evolved, if one does not exist, to ensure that cases are taken up for review well in advance and the losses such as mentioned in this para are avoided.

South Eastern Railway—Loss on account of delay in relinquishing plots taken on lease from Calcutta Port Authorities—para 30, pages 19-20

49. Land measuring about 416 cottahs was taken on lease by the ex-B.N. Railway Company from the Commissioners for the Port of Calcutta and a portion measuring about 268 cottahs was leased out by the Railway to merchants for stacking coal. subject

to the condition that the traffic should be brought by them *via* Kharagpur on the ex-B.N. Railway instead of *via* Howrah on the ex-E.I. Railway. The remaining 148 cottahs of land was utilised by the Railway for sidings and roadways to serve the plots. This was done with a view to augmenting the earnings of the ex-B.N. Railway Company by diverting traffic otherwise accruing to the ex-E.I. Railway. As against this increase in traffic earnings, the extra expenditure on account of the difference between the rent charged by the Port Authorities and the rent charged from the plot-holders ranged between Rs. 17,000 to Rs. 41,000 per annum.

The ex-B.N. Railway Company was taken over by the Government in 1946 and the question of competition with the ex-E.I. Railway ceased to exist. But the Railways continued the facilities to the plot-holders in question on the ground that eviction of all plot-holders to make over vacant possession of land to the Port Commissioners and the realisation of arrear occupation fees upto the date of eviction, would have involved institution of legal proceedings against all plot-holders. Eventually, negotiations for relinquishing the land taken on lease, were started with the Port Commissioners in 1961, and it became possible by March, 1963 to relinquish most of the land, excluding a few plots, without handing over vacant possession.

The Committee were informed that the Chief Traffic Manager had recommended on 22nd November, 1948, that the plots should be relinquished to the Port Commissioner. Unfortunately, the records were mislaid in the General Manager's office and he entered into further correspondence with the Port authorities calling for copies of agreements etc. Meanwhile, in July, 1951 the Chief Traffic Manager, on the basis of certain calculations and assumptions, which later proved to be wrong, recommended that the plots might be retained as some net earnings would accrue to the Railways. The plots thus continued to be retained by the Railways. In the meantime the merger of the B.N. Railway with the Eastern Railway and the subsequent regrouping took place. Finally in 1958 the matter was examined afresh and the Port authorities were addressed in 1961 for the return of the plots. At first the Port Commissioner desired that vacant possession might be afforded but later he agreed to take back the plots as they were. The Committee desired to be furnished with a statement showing the total amount paid by way of rent to the Port authorities, rents realised from the lessees etc. They also desired to be informed as to how a mistake in calculating was made by the Chief Traffic Manager when he recommended in 1951 that the plots might be retained. The Ministry of Railways have since furnished a note which is at Apper dix XI. It has been stated in the

note that the Chief Traffic Manager had assumed that if the plots were returned to the Port Commissioners, the traffic booked to and from the plots would be treated as "via Shalimar traffic" and in that case one-end terminal charges and the additional charge of 4 Pies per maund, which was being recovered at the time, would have to be credited to the Port Commissioners' Railway. This assumption was, however, incorrect. Even if the plots had been relinquished by the ex-B.N. Railway and the Coal Depot continued to function on the plots directly under the Port authorities, the Railway would still have continued to retain these charges.

The Committee feel concerned to note the haphazard manner in which this question was examined at different stages in the Railway Administration. They could not get satisfactory explanation for the inordinately long time taken by the Railway after the recommendation for relinquishment of the plots was made first in 1948 and subsequently in 1958. Equally surprising is the fact that the ill-conceived contention of the Traffic Manager, when he suggested that the retention of the plots would bring net revenue to the Railway, was not properly examined by the senior authorities. The Committee may be informed of the progress made in the realisation of outstanding amounts from the 5 lessees.

Arrears in the recovery of rent for land leased for growing food crops—para 31, pages 20-21

50. In paragraph 30 of the Railway Audit Report, 1959, a mention was made of the arrears in the recovery of rent for surplus railway land handed over to the State Governments for being leased out to cultivators. The Railway Board assured the Public Accounts Committee that vigorous efforts would be made to obtain the particulars of the dues recoverable, maintain the land records and see that dues were realised with as little delay as possible. In February, 1961 instructions were also issued to the Railway Administrations for the proper maintenance of land records and to call for regular returns from the State Governments showing full particulars of land leased out to cultivators, amounts recovered from time to time and the Railway's share together with details of credit afforded to the Railway.

A review of the progress of recovery of the arrear rent had shown that the outstandings at the end of 31st March, 1963 (remaining unrealised on 30th June, 1963) had increased to Rs. 4.47 lakhs, and included Rs. 3.05 lakhs of the arrears relating to the period upto 31st March, 1961.

The maintenance of the land records continued to be unsatisfactory on the Central, Eastern, Northern, North Eastern, Southern

and South-Eastern Railways, with the result that the rent due was not readily ascertainable.

The Chairman, Railway Board explained that the Railways had given land in bulk to the State Governments who in turn had given it to the cultivators. While the records maintained by the Railways showed the details about their lands further information as to whom it had been given for cultivation, the position regarding realisation of rents etc. was not available in all cases. The witness added that realisation of rent was the responsibility of the State Governments. The Railways had appointed Land Control Officers to deal with these matters and they were constantly keeping touch with the State Governments. However, the response from the State Governments had not been very satisfactory and that was the reason for the accumulation of arrears and the unsatisfactory position of records. He added that there had been some improvement in the position since the matter was last examined by the Public Accounts Committee. The Railway Board were now considering a proposal whether a fixed lumpsum amount could not be recovered annually from the State Governments on the basis of past recoveries.

The Public Accounts Committee (1959-60) in para 52 of their 21st Report had deplored the tardy manner in which the Railway Administrations had been maintaining the land records and keeping watch over realisation of rents. They had then expressed the hope that the Railway Board would pursue the matter vigorously and arrive at a settlement at an early date. The Committee feel concerned to note that in spite of the assurance given by the Railway Board and the instructions issued by them to the Railway Administrations no material improvement had been made in the position. They would like to be informed of the proposal to recover lumpsum amounts from the State Governments, which was stated to be under examination of the Railway Board.

Encroachments on Railway land—para 32, page 21

51. In December, 1962 the position in regard to the increasing encroachments on Railway land was brought to the notice of the Railway Board, who stated that the Railways were being constantly urged to take all possible steps to stop encroachments and to evict the trespassers and that the rent for the period of unauthorised occupation of the land would be recovered as damages under the Public Premises (Eviction of Unauthorised Occupants) Act, 1958. The efforts of the Railway Administrations to clear and prevent encroachments, however, appeared to be inadequate as the number of

cases of encroachments increased from 32,550 on 30th September, 1961 to 36,610 on 31st March, 1963. On the Central, Eastern, Northern, Southern, South Eastern and Western Railways, the area involved was about 1,078 and 1,101 acres respectively during the corresponding period. The North Eastern and Northeast Frontier Railways had encroachments on 948 acres of land on 31st March, 1963 against 985 acres on 31st March, 1962. The Railway Board had explained to Audit that there had been no extensive fresh encroachments and that the increase was due to more careful verification of Railway boundaries and reporting of encroachments already existing and that on the Eastern, North-east Frontier and South Eastern Railways the encroachments had been caused by the influx of displaced persons who were in unauthorised occupation of Railway lands.

The Chairman, Railway Board informed the Committee that action was being taken under the Public Premises (Eviction) Act. The Railways have been able to eject some 10,000 unauthorised occupants but fresh encroachments by displaced persons specially in the border areas had subsequently taken place. He added that there were practical difficulties in dealing with the displaced persons so much so that they had not been able to clear the Sealdah station for the last 12 years. On being asked as to the machinery employed by the Railways to keep watch over their lands, the witness stated that Railway land was demarcated by boundary pillars and the Inspectors of Works and P.W.Is were supposed to see that there were no encroachments on the Railway land. In certain cases, however, even the boundary pillars were removed overnight, which made their task difficult. Further, in a large number of cases the encroachments were by the Railway staff in the shape of putting a verandah or a garden on the Railway land. **The Committee would like to be informed of the progress made in the clearance of encroachments by the different Railway Administrations. They may also be apprised of the steps taken by the Administration to check further encroachments. It was stated that the Inspectors of Works and the P.W.Is. were supposed to check the encroachments on Railway lands. In the opinion of the Committee, unless the staff who fail to keep proper watch are suitably dealt with, the situation would hardly be controlled.**

Southern Railway—Non-occupation of barracks built for Railway Protection Force—para 33, page 22

52. In pursuance of the Railway Board's directive in June, 1956, the construction of barracks at an estimated cost of Rs. 13,73,125 to accommodate Railway Protection Force staff at various stations in the Southern Railway was proposed in 1956-57 and 20 of them were

actually completed at 10 stations at a cost of Rs. 7.28 lakhs (approximately) by May, 1961. As the barrack type accommodation was not popular among the Rakshaks, only one of the completed barracks was occupied by the Railway Protection Force immediately after construction. A few of the barracks were, however, utilised subsequently for certain miscellaneous purposes. As a consequence of the non-occupation of the completed barracks, the work on three partly finished barracks at three other stations, was stopped from May, 1961 and the accounts of the contractors were settled finally. The total expenditure incurred on these three barracks was Rs. 26,481.

The non-utilisation of the bulk of the completed barracks and the stoppage of work on partly completed barracks had resulted in locking up of funds, the interest on which worked out to about Rs. 49,700 (approx.) upto August, 1963.

The Chairman, Railway Board explained that at that time it was considered desirable that about 50% of the Protection Force should be housed in barracks like the Police staff. Later on, these employees, who were mainly from the old Watch and Ward, did not like to reside in these barracks. He added that all the barracks had since been completed and were being fully utilised. At the instance of the Committee the Ministry of Railways have furnished a statement showing particulars of allotment of barracks to the R.P.F. staff and others on the Southern Railway which is at Appendix XII. In the opinion of the Committee the construction of the barracks was sanctioned without proper planning. Had the real requirements of the Protection Force been properly ascertained before starting the construction, the avoidable expenditure would not have been incurred. Further, from the statement furnished by the Ministry the Committee find that in several cases (at Perambur, Arkonam, Bangalore, Vijayawada and Tiruchirapalli) the barracks remained unoccupied for periods ranging from 1 to 4 years. The circumstances under which the buildings remained unutilised for more than one year may be enquired into.

North Eastern Railway—Non-utilisation of newly constructed service buildings—para 34, pages 23-23.

53. Some service buildings constructed at a total cost of about Rs. 91,800 have been lying unused for long periods on this Railway.

Cost Rs.

I. (i) Booking Office—Mau Junction	17,000	Completed in Nov., 1956.
(ii) Parcel Office Godown Parking area—Mau Junction	29,700	Completed in Feb., 1957.

(iii) Additions and alterations to new parcel office building and providing waiting hall.	8,700	Work stopped in Feb. 1959.
II. Goods shed at Chilh Station	14,899	Completed in September, 1956.
III. Transhipment platform at Samastipur Junction for the B. G. line.	21,500	

In the first case, the difficulty arose after construction of the buildings due to objections raised by the citizens of the place, about the location and facilities of access to the buildings. In the second case, a long approach road was necessary to give independent access to the goods shed. But after construction of the shed, the expenditure on this was not considered justified with reference to the traffic offering of the line. The goods shed was reported to have been brought into use from 22nd July, 1963 using only the existing kutchra road.

The Chairman, Railway Board informed the Committee that an overhead bridge was being constructed and the buildings at Mau Junction would then be utilised. On being asked to why the buildings were constructed on the other side of the city, the witness stated that the Railway had no land of their own towards the city area. Construction of the buildings on that side would have meant acquisition of land. At the instance of the Committee the Ministry of Railways have submitted a note according to which the foot-over-bridge at Mau Junction had since been completed. With regard to the additions and alterations to the new Parcel Office building, it has been explained in the note that the work was suspended due to certain objections raised by the citizens of Mau. As regards the other 2 buildings it was stated that they were being utilised as and when required. This is another case where construction work was taken up without considering all the pros and cons. The Committee recommend that instructions may be issued to the Railway Administrations that proposals for construction work involving huge amounts should be properly scrutinised by the competent authority to avoid such losses as mentioned in this and the earlier para.

Eastern and South Eastern Railways—Delay in the recovery of demurrage charges—para 35, page 23

54. Rules require that all charges, including demurrage and wharfage charges on consignments should be recovered from the parties before the goods are handed over to them. In the case of Collieries the demurrage also accrues for failure on the part of the colliery to load the wagons within the admissible free time. On the Eastern and South Eastern Railways, the realisation of arrear of

demurrage charges due from some big firms (both in the public and private sectors) had not been satisfactory in as much as charges aggregating Rs. 161.42 lakhs relating to the period from 1956 to 1963 were outstanding on 30th June, 1963. Subsequently, the Railway Board have intimated to Audit that the outstandings had been reduced to Rs. 123.08 lakhs (as in October, 1963).

In evidence the Committee were informed that the outstanding amount had since been further reduced from Rs. 161.42 lakhs to Rs. 5.27 lakhs. It was urged that in the case of big projects the ordinary rules could not be applied nor was it possible for the Railways to take any drastic steps such as stoppage of wagons etc., as it would not be in the national interest.

It was pointed out that out of the total amount cleared Rs. 93 lakhs was cleared by the Railways by way of recovery and the balance of Rs. 62 lakhs had either been waived or adjusted by revision of bills. The Financial Commissioner explained that the Eastern and South Eastern Railways were following different rules regarding assessment of detention period and it was a complicated process. It was urged by the project authorities that the wagons should be made available to them keeping in view their capacity to handle them. Besides it was also suggested that instead of taking into account the detention of individual wagons the total number of wagons at a particular time should be considered. At the instance of the Committee the Ministry of Railways have furnished a detailed* break-up indicating names of the parties in whose favour the amount of Rs. 48.45 lakhs had been waived.

While the Committee appreciate the progress made in the clearance of outstanding amount, they cannot overlook the fact that rules regarding collection of demurrage and wharfage charges were not rigidly followed by the Railway Administrations. In their opinion, the Railways being a commercial organisation should be more prompt and business-like in recovering these charges. The Committee would like to be informed of the further progress made in the recovery of outstanding amounts.

South Eastern Railway—Outstandings in the recovery of forfeited wagon registration fee—Para 36, pages 23-24

55. A registration fee per wagon is payable by the consignor of goods for allotment of wagons, which is liable to forfeiture under certain circumstances. Parties having regular transactions are permitted at the discretion of the Railway to pay a lumpsum deposit in lieu of payment for each indent for wagon. In cases where such

*Not printed.

lumpsum deposits are made, the Station Masters are required to furnish monthly firmwise statement of forfeiture to the District Divisional Officers for raising debits against the firms concerned and advise the Accounts Office of the amount involved for adjustment against the lumpsum deposits.

Contrary to the provision of these rules, six private parties out of 237 consignors enjoying the privilege, had no lumpsum deposits and in seventeen cases the accumulated dues against the firms having deposit, were far in excess of the amount of their deposits. In respect of these twentythree parties, the overall outstanding dues to end of March, 1963 had been assessed at Rs. 9.47 lakhs by the Railway Administration against their total deposit of Rs. 51,431 only.

The position of the outstanding dues as well as the amount of deposit as available in the registers maintained in the Accounts Office, in several cases, varied from those collected by the Chief Commercial Superintendent, due mainly to irregular receipt of monthly forfeiture statements in the Accounts Department. Besides, the outstanding dues had not appeared in the Traffic Accounts, and therefore the exact position of the dues, at any time, was not ascertainable from any account records. A committee had been formed by the Administration to examine the outstandings and the methods for its control through account records.

The Member (Transportation), Railway Board, explained in evidence before the Committee that out of 6 firms who were enjoying the concession in one case it had been found out that the Chief Traffic Manager of the ex-B.N. Railway had exempted the firm in the year 1952 from making payments for registration fee. The precise reasons for the grant of this concession were, however, not known. In the case of the other 5 firms no documentary evidence was available but it appeared that they were enjoying the facility for a long time. As regards the outstanding dues assessed to be Rs. 9.47 lakhs, the Committee were informed that as on 30th June, 1964 the position was as follows:

	Rs.
Amount recovered and adjusted	2,69,615
Amount being waived	2,96,000
Amount outstanding	3,79,835

The waiver was in the case of Hindustan Steel Limited.

In reply to another question the Committee were informed that the Enquiry Committee which had been set up by the Railway

Administration had recommended that in respect of wagons received in large numbers where they were more than adequate for the outward traffic, there should be no registration fee asked for. The Railway Board had accordingly issued orders that in view of the easy transport position Railways should not charge registration fee. The Committee regret to note the lapses on the part of the station staff and the Accounts organisation which resulted in the accumulation of arrears and the unsatisfactory position of accounts. Such lapses on the part of a commercial organisation are unfortunate. The Committee suggest that the reasons for these lapses should be further investigated and responsibility fixed in the matter.

Central Railway—Loss of revenue in licensing of ice-cream vending—para 37, pages 24—25

56. Departmental catering was introduced at the Bombay V.T. Railway Station (Central Railway) from October, 1956, on a directive from the Railway Board according to which sale of all articles except fruits at the station should be by the departmental organisation. The departmental manufacture of ice-cream was tried but the quality was not up to the standard and did not meet the requirements of the public. In July, 1960 the ice-cream vending at the station was let out for a period of 1 year to a private firm at an annual licence fee of Rs. 1,440 and a rent of Rs. 492 per annum for the premises. This contract was finalised on the basis of an application received from this particular firm and not on the basis of any tenders or advertisement. The licence was, subsequently, extended for a further period of 2 years from 1st July, 1961 at an enhanced licence fee of Rs. 3,000 per annum without any change in the rental charges.

At the Bombay Central and Churchgate stations (Western Railway), however, the practice was to purchase ice-cream in bulk from a reputed manufacturer at a trade discount of 30 per cent and sell it departmentally through commission vendors. This yielded a net revenue of Rs. 30,000 per annum. The same manufacturer had offered in May, 1957 to supply ice-cream on the same conditions to the Central Railway also.

The Central Railway Administration switched over to bulk purchases of ice-cream from the trade and departmental vending from 1st July, 1963 at the Bombay V.T. Station. Under this arrangement, a trade discount of 35 percent subject to a guaranteed minimum payment of Rs. 55,000 per annum to the Administration had been agreed to by the bulk suppliers, which secured a net revenue of about Rs. 40,000 per annum to the Administration.

The Committee desired to know as to how in spite of a directive from the Railway Board that all catering except fruits should be

done departmentally at all stations the contract for the ice-cream was given to a private party. They were informed that the manufacture of ice-cream was tried departmentally first with machinery taken over from ex-contractors and later with new machinery purchased for the purpose, but the quality of the ice-cream manufactured departmentally was very poor and there were no sales. In 1957 when a private Ice-cream Company made their first offer, the Chief Commerical Superintendent decided that they should continue with departmental manufacture of ice-cream. Later on in 1960 when the offer of the party in question was received, the C.C.S. though aware of the offer made in 1957 by the other firm, thought that it might be tried as an experimental measure for one year. Later, on the expiry of one year period the General Manager was of the opinion that since the contractor had successfully discharged the terms and obligations of the contract and the public were satisfied, the contract should be continued for 2 more years at an enhanced licence fee. The witness admitted that the financial return on the basis of the bulk purchases to be made from pure Ice-cream Limited was definitely better but the then C.C.S. and the General Manager were guided not so much by the financial return to the Railway as by the service to the public. In Railway catering, it was further urged, the general policy had been to lay more stress on the satisfaction of the public rather than on the financial return. **While the Committee appreciate the views expressed by the representative of the Railway Board that satisfaction of the public should be the main criterion for catering on Railways both departmental and through contractors, they nevertheless feel that the financial aspect also cannot be over-looked altogether. The Committee are not at all impressed by the naive argument that public satisfaction was of more importance because in the same city in another sister Railway ice-cream was sold under different arrangement which was not only giving full satisfaction to public but also handsome profit to the Railway.**

57. The Committee were further informed that in May, 1962 even before one year of expiry of the further extension period the Chief Commercial Superintendent had himself recorded that the contract should not be extended further and the Railway should go in for the same system as at Churchgate station. It was further added that when this contract was given and also extended for 2 years, the Administration was not sure about the suitability of the other arrangement followed by the Western Railway. The C.C.S. thought that on the basis of the then existing sales the Railway was not going to gain much or lose anything by switching over or continuing the existing arrangements. Later on, when he realised that the sales were quite high the C.C.S. ordered that the arrangement followed

by the Western Railway might be adopted. The Committee pointed out that it was quite possible that even at the time when the contract was extended, the Railway Administration was aware that the sales of ice-cream had gone up and enquired whether the explanation of the concerned officers was called for on receipt of the Audit para. It was admitted that there was such a possibility but their explanation could not be called as the two officers had retired 2 years before. **The Committee consider it unfortunate that the precise reasons for not following the better method were not ascertained before the officers retired from service. The explanation that the C.C.S. had subsequently issued orders for the adoption of the better method can hardly be accepted since having extended the contract for 2 years the Administration had placed itself in the helpless position and the decision taken in May, 1962 could not be implemented for more than one year i.e., upto 30-6-1963.**

58. In reply to another question the Committee were informed that the matter had come to the notice of the Administration even before it was pointed out by Audit. The Railway Board had received some complaints regarding the awarding of the contract in question but they were satisfied because a reasonable explanation was given by the Railway Administration. Two unsuccessful firms had represented their claims. In the case of one firm, it was found that it had already more than the maximum units prescribed by the Railway Board. So it could not be given any more contracts. The other man was not considered suitable for the award of this contract. It was added that in catering matters the General Manager was competent to give the contract and the Railway Board did not intervene in such matters unless a matter of policy was involved or some representations were received. The General Manager, being the local man, could judge the suitability or otherwise of the contractors particularly when there was no question of tender. In this case the contract was awarded to the firm because it had previous experience of the trade. At the instance of the Committee the Ministry of Railways have furnished a further note* indicating the basis on which the particular firm was selected for ice-cream vending in preference to others. It has been stated in the note that the firm in question were selling quality brand of ice-cream at some suburban stations such as Byculla, Dadar and Kurla and they had applied for being permitted to sell the same brand of ice-cream at Bombay V.T. The other firm did not possess any experience of running any catering establishment or dealing with supply of edibles including ice-creams. **The Committee do not approve the method adopted by the Railway Administration in awarding the contract to the firm without calling**

*Not printed.

tenders or even negotiating with the firm who had applied to them for similar licence earlier. They are surprised that even after the complaints were received the Railway Board did not enquire into the circumstances why tenders were not called before awarding the contract to the firm in question. The Committee take a very serious views of this irregularity and hope that such irregularities will be avoided in future.

Northeast Frontier and North Eastern Railways—Loss of earnings due to delay in reviewing and revising of licence fees for catering and vending contracts and non-recovery of rent—para 38, pages 25-26

59. In 1957, the Railway Board desired that 'licence fee, rent and other charges levied for Catering and Vending Contracts' should be reviewed and fixed in accordance with the directions communicated. Accordingly, the rates of the licence fees were to be reviewed and enhanced, and the rent was to be recovered for the first time. Upto 31st March, 1962, the rates of licence fees were not reviewed or enhanced, nor was the recovery of rent started on these two Railways.

The ex-Assam Railway became part of North Eastern Railway from 15th August, 1952 which was again bifurcated with effect from 15th January, 1958 into North Eastern and Northeast Frontier Railways. During this period, that is, upto 15th January, 1958, the old rates of licence fees, fixed in 1951, continued to apply.

After the bifurcation from 15th January, 1958 the Northeast Frontier Railway authorities also did not take urgent and sustained action regarding recovery of rent and the enhancement of rates of the licence fees. On being pointed out by Audit in September, 1960 the Administration took up the question in January, 1961 and finalised the principles regarding levy of the revised and enhanced rates of the licence fees in June, 1962. The enhanced fees which were 3 to 4 times of the rates fixed in 1951 were to be realised with effect from 1st April, 1962. The rent recoverable from the contractors had not been fixed though they had been warned regarding the levy of rent with effect from 1st April, 1962.

According to Audit, the loss during the period 1958 to 1962 after formation of Northeast Frontier Railway, on account of delay in revising the licence fees alone, would amount to over Rs. 5 lakhs approximately.

On the North Eastern Railway also, there was similar delay upto 1st April, 1963 in revising the licence fees and the fixation of rent was still to be finalised.

2156 Aii) LS—5.

It was explained during evidence that licence fees had to be determined on various considerations, for example, quantum of sales and profit, size and importance of the stations etc. It was necessary for the Railways to determine what was the quantum of sales and profit as no contractor would say that he was making a profit. Moreover, classification of stations had to be done on the basis of passenger traffic. In reply to a question the representative of the Railway Board admitted that about 18 to 24 months should have been quite sufficient to get all the information from all the contractors and traffic figures and it should have been possible to fix the rates by 1st August, 1959. But because of the extenuating circumstances, namely, the bifurcation of the Railways, this could not be done. It took almost a year and a half before the N.F. Railways started functioning normally. All the common files had to be built up and a lot of staff had to be recruited for the purpose. The witness further added that another important factor that had to be borne in mind was that the services should not be allowed to be affected as the catering services on the N.F. and N.E. Railways were rather of a poor quality. The licence fees were to be fixed in such a manner that it would not result in any increase in the price of eatables or other commodities that were being sold. Further, some contractors were leaving their business because of the revision of the rates. As a matter of fact when the licence fee was refixed the number of contractors on the Railway came down from 1250 to 1185.

As regards the estimated loss of over Rs. 5 lakhs on account of delay in revising the licence fees alone, it was stated that if the fixation had been done in 1958 on the basis of earlier passenger traffic, the fee would not have been as high as it was ultimately fixed in 1962. According to the N.F. Railway calculations a total sum of Rs. 70,000 per year would have been collected had the rates been fixed in 1958 whereas on the basis of the rates fixed the collection made in 1963 was Rs. 1.68 lakhs. It had, therefore, been claimed that instead of the Railway losing anything as a result of non-fixation of licence fees in 1958, they had gained an amount of Rs. 80,000. The representative of the Railway Board, however, admitted that it was a hypothetical statement and that it was difficult to say how much would have been the loss or gain. It was, however, certain that the 1958 fees would have been much lower than what they were in 1962. **The Committee can hardly appreciate the inarticulate argument advanced by the Railway Administration to cover the obvious lapse on their part. As already admitted by the Railway Board, there had been inordinate delay in implementing the Board's decision by the Railway Administration. The Committee feel that even after making due allowance for the problems created by the bifurcation**

of the Railways, the time taken by the N.F. Railway in implementing the Railway Board's decision was excessive.

60. The Committee enquired the position about the other Railways. They were informed that there was delay in the implementation of orders by different Railways. The reports were called for from Railways and wherever delays had occurred explanation would be called for and responsibility fixed. As regards North Eastern Railway, it was explained that most of the contracts were with the old R. & K. and O. & T. Railways and there was no provision for charging for electricity consumed and the licence fees were also very nominal. Those agreements had to be revised and as such there was lot of delay. The revised licence fees were fixed on 1-4-1963. The Railway Board had not accepted the reasons advanced for the delays and had asked the Administration to fix responsibility. The General Manager had appointed a Joint Committee consisting of 2 Heads of Departments to fix responsibility in this case. In the case of the Northeast Frontier Railway, however, it was stated that the circumstances were a little different from other Railways on account of bifurcation and dis-organisation and as such they could be exonerated. The Committee find that the time taken by the Railways in implementing the orders of the Railway Board issued as early as in 1957, to review and revise the licence fee, rent and other charges levied for catering and vending contracts has been excessive. The Committee would like to know when these orders were actually implemented on each Railway and what action has been taken where the delays were found to be avoidable. Earlier in the Report the Committee have commented upon another case where the decision of the Railway Board was implemented by the North Eastern Railway after about 10 years. The Committee would, therefore, suggest that while issuing orders for revision or enhancement of rates etc. which have a bearing on all the Railways, the Railway Board should in future lay down a definite date for the implementation of their orders. They should also call for periodical reports from the individual Railway administrations so that the Railway Board is kept fully informed of the progress of the implementation of their instructions.

North Eastern Railway—Heavy outstandings from Vendors and Refreshment room contractors, para 39, page 26.

61. Licence fees and electric current charges amounting to about Rs. 45,000 were outstanding from some catering and vending contractors, though the rules required that the former should be realised in advance every month, and the latter within a week of presentation of bills. The outstandings related to the period from 1951

to 1961 and included dues of about Rs. 31,000' from one contractor alone. Most of the contractors had ceased to be in the trade.

Further, a sum of Rs. 32,004 on account of electric current charges relating to the period prior to 1st July, 1951 was treated by the Railway Administration as irrecoverable in the absence of any specific provision in the agreement regarding recovery of these charges.

Explaining the circumstances leading to accumulation of arrears it was stated in evidence that the procedure adopted by the N.E. Railway with regard to recovery of electric current charges from the contractors was defective. There was no coordination between the Traffic Department and the Accounts Department. The Accounts Office sent the bills direct to the contractors but copies were not sent to the District Traffic Superintendent's Office or to the stations. Thus the station staff was not aware of the dues recoverable from the party. It was added that an effort was made to contact the licensee and quite a large amount had been recovered. In the case of the firm, which had large number of contractors, recovery could not be effected. Though the firm was no longer holding any contract with the railways, action was being taken to recover the amount through arbitration. It was further added that the accumulation of arrears was noticed by the Administration in 1955 and the Railway Board came to know about it only in 1959. The Railway Administration was asked to go into this question and fix responsibility at various levels. While the Railway had framed certain rules in 1960 regulating the recovery of dues from contractors, it had not been possible to fix responsibility on any particular individual. As regards the case which had been referred to arbitration, it was added that the agreement entered into by the firm with the B.N.W. Railway in 1934 did not stipulate any condition about the licence fee, rent or electric charges. When the licence fee and rent were revised in July 1951 the contractor refused to pay the amount. The General Manager convened a meeting in June 1955 when the contractor gave an undertaking to pay the charges. The last agreement with the contractor was for the period 10-12-58 to 9-12-61. While the amounts not covered by the agreement upto the year 1955 had been written off, the outstandings due to the subsequent period were being referred to arbitration. A notice served on one of the partners having been returned by the postal Department with the remark "addressee not traceable". it had been decided to issue separate notices to each of the partners. **The Committee may be informed of the final outcome of this case.**

62. At the instance of the Committee, the Minister of Railways have furnished a note which indicates that on the other Railways the

Department which presented the bill to the contractor (*viz.* electrical/engineering/accounts department) was responsible for the recovery of the amount of electricity/water charges and the Traffic/Commercial Department which controlled the contractors did not come into the picture. The Committee consider it unfortunate that such a lacuna should have existed on all the Railways. They have, however, been formed that this matter was considered in detail and a directive incorporating various measures for bringing about improvements was issued on the 10th October, 1961. The measures so indicated were as follows:—

- (i) Precise determination of charges due from contractors, particularly those relating to water and electricity. Separate meters, where possible, should be fixed;
- (ii) Timely intimation of dues to the contractors;
- (iii) A machinery for recording dues and their realisation and prompt advice to one nominated authority in Commercial Department at the Divisional or Head Quarters level;
- (iv) Nomination of officers in Accounts and the Commercial Departments for watching recoveries and for co-ordination when various departments are involved;
- (v) Initiating prompt and adequate action in respect of defaults and nomination of officers to whom the defaults should be brought to notice; and
- (vi) The security deposits to be adequate to cover dues for a reasonable period.

The Committee hope that with the above measures already adopted no accumulation will occur with regard to electricity and water charges to be recovered from contractors.

63. At the instance of the Committee the Ministry have also furnished the following statement showing the amounts outstanding against catering/vending contractors for over 3 years as on 31-3-64 on all the Railways:

Sl. No.	Railway	Amount outstanding for over 3 years as on 31-3-64 on account of									
		Licence Fee		Rent		Electricity Charges		Water Charges		Total	
1	2	3	4	5	6	7					
		Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
1.	Central	Nil		Nil		1098·92		324·00		1422·92	

1	2	3	4	5	6	7
		Rs. P.	Rs. P.	Rs. P.	Rs. P.	Rs. P.
2.	Eastern	58959·17	2906·02	11249·49	57·00	73171·68
3.	Northern	14930·62	34108·33	3059·89	0·56	52099·40
4.	North Eastern	35243·33	3492·35	37576·53	5068·52	81380·73
5.	Northeast Frontier	Nil	Nil	1070·65	Nil	1070·65
6.	Southern	Nil	719·82	1175·00	1127·29	5022·11
7.	South Eastern	2680·55	375·00	206·00	19682·00	22943·55
8.	Western	6946·38	3890·23	1266·64	80·10	12183·35
GRAND TOTAL:		118760·05	45491·75	56703·12	28339·47	249294·39*

*Out of the outstandings of Rs. 2,49,294·39 P., Rs. 49,026·90 P. have been recovered during the six months period from 1-4-64 to 30-9-64. Action is being taken to recover the balance amount of Rs. 2,00,267·49P.

The Committee observe from the above statement that the amounts outstanding on the North-Eastern, Eastern, South-Eastern, and Northern Railways are quite substantial. They desire that the Railway Board should enquire into the circumstances leading to the accumulation of large arrears on these Railways, take steps to liquidate these arrears and devise suitable measures to avoid such accumulation in future.

Cash discount on cost of steel supplied to the Railways by the Steel producers—para 40, pages 26-27.

64. The Railway Electrification Project Administration Calcutta, negotiated with M/s. TISCO to obtain a cash discount of 1% on bills for finished steel, on condition that 100% payment of the Bills would be made within 48 hours of presentation of the Bills; and availed of the discount from May, 1962. Both M/s. TISCO and IISCO were willing to extend the same concession to the Eastern Railway also on similar terms. Since the existing rules and procedures did not cover these conditions in full, the Eastern Railway approached the Railway Board in July, 1962 for approving the deviations. In respect of places other than Calcutta also, the steel producer were prepared to allow the discount if payment was made within 12 days from their demand notes. The Railway Board issued necessary orders only in December, 1963 to the Eastern Railway and the other Railway Administrations at Calcutta, to avail themselves of the cash discount

on steel supplied by M/s. TISCO and IISCO. As regard supply of steel in places outside Calcutta, the matter was stated to be under correspondence with the Ministry of Steel, Mines & Heavy Engineering. According to Audit had the discount facilities offered by the producer been availed of there would have been appreciable savings to the Railway.

The Committee were informed during evidence that a settlement had since been reached with the Steel Producers TISCO, IISCO and Hindustan Steel. The arrangements made with the Hindustan Steel after prolonged negotiation came into effect from 1st April, 1964, and in respect of Tata and Indian Iron the position was that for the supplies which were to be paid for in Calcutta the arrangement came into effect from 1st April, 1964 and those from outside Calcutta from 1st September, 1964. Explaining the time-lag in arriving at the settlement with the Steel Projects the representative of the Railway Board mentioned that the Companies had laid down certain terms and conditions which were contrary to the ordinary system of payments followed by Government. They had insisted that payments must be made in full through Banks and even without asking for test certificates. TISCO had made it a condition that even bills for material not qualifying for the discount should be paid within the stipulated period of 48 hours and had informed S.E. Railway that if payment was not made within 14 days penal interest at 12% per annum would be charged. The IISCO had stated that they would be sending only unsigned bills for payment by the Railways. Under the circumstances, the witness stated, the Railway Board had to correspond with the Ministry of Steel, Mines and Fuel to clear the position and ultimately the latter was able to secure the same terms as asked for by the Railways. The Committee wanted to know the reasons why the Railway Board, being a very large consumer of steel and knowing fully well that the matter was of great financial importance, did not take up the matter with the Steel Producers earlier. The representative of the Ministry mentioned that the real delay was that they had tried to bring in the Ministry of Steel, Mines and Fuel. Also they tried to arrange a meeting in November, 1962, but the Hindustan Steel was not ready to discuss these matters. Even when the Board had represented to IISCO and TISCO they were informed to consult the Ministry of Steel, Mines and Fuel. It was added that there was no lack of co-ordination between the Railway Board and the Steel Ministry who were being reminded in the matter.

In answer to another question, the Committee were informed that there was difference between negotiating a document through a bank and their agreeing to pay on demand immediately on presentation.

If it was through bank, they had to take the responsibility for all the demurrage and it was not possible to exercise any check with the test certificate. Whereas in the other case, a person had to look at the bill and correct errors, if any, before the payment was made. Negotiation through the bank was a major difference and the Steel Ministry were not advising them to accept it. They took a long time in persuading the main producers not to insist on this.

It was further stated that the arrangements had been accepted on an experimental basis and all the Railways including the Electrification Project were asked to report upto May, 1965 whether the system of making 100% payment within 48 hours worked well or there was any lacuna. The witness added that in regard to supplies, their experience had been quite unsatisfactory about test certificates, as a large portion of tested quality, steel had not been tested. The material would, however, be utilised and suitable reduction in price claimed from the firms. The Ministry have also furnished a written memorandum on this Audit para which is given in Appendix XIII.

While the Committee are glad to know that a settlement had ultimately been reached which would result in appreciable savings to the Railways, they feel that the matter could have been pursued more vigorously and the time lag of about 2 years in negotiating with the firms could have been reduced. In their opinion, the conditions advanced by the firms could have been settled by personal negotiations instead of relying on lengthy correspondence. It has been stated in the written memorandum that a meeting which was proposed to be held in November, 1962 between the representatives of the Railway Board, the Railways administrations and the steel suppliers did not take place. They are not aware whether any further attempts were made to have another meeting with the suppliers. Secondly it has been mentioned in the note that after it became increasingly clear that a common pattern applicable to all Steel Firms was not emerging, the F.A. & Co. Eastern Railway was asked in December, 1963 to negotiate with TISCO and IISCO and settle a procedure for obtaining discount on their bills rendered at Calcutta on the same terms as for the Railway Electrification Project. The Committee feel that side by side with their negotiations at the Board level this course of action adopted in December, 1963 could have been adopted earlier. In view of the large quantities of steel purchased by the Railways from the indigenous steel suppliers (as indicated by the annexure to the Appendix XIII), the matter deserved to be pursued more vigorously by the Railway Board. The Committee hope that such delays would be avoided in future. The committee cannot help feeling that due to the avoidable delay the Railways have suffered a substantial financial loss.

Larger consumption of coal due to inferior quality, Para 41, Page 27.

65. The fact that inferior quality of coal was being received by the Railways has been coming to the notice of the Railway Board from time to time. From February, 1962 onwards, direct contracts have been entered into between the Railway and the Collieries and a Railway Inspection Organisation was formed in the coal fields, as recommended by the Expert Committee on coal consumption on Railways (1958). In spite of these safeguards and the stipulation in the direct contracts that steam coal with no shales and slack and dust not exceeding 8% only, would be acceptable, the receiving railways have been complaining some cases that the coal actually received contained about 15% to 70% of slack and dust and about 5% shales.

A supplementary grant of Rs. 115.54 lakhs was obtained in November, 1962 "owing mainly to receipt of greater proportion than allowed for in the budget of inferior grades of coal by railways, resulting in higher rate of consumption of coal and necessitating larger total supplies to the Railways" under Grant No. 7—Ordinary Working Expenses—Operation (Fuel).

The representative of the Railway Board stated that additional funds through supplementary grant were asked for in November, 1962 as it was apprehended at that time that the consumption of coal would be higher on account of lower grades of coal being received by Railways from the coal trade. But this supplementary grant did not reflect the actual amount that they had spent in the shape of excess coal consumption because during the year they had to run much more railway service than originally anticipated and there was a large increase in traffic, which also accounted for excess coal consumption. Explaining further the witness stated that excess consumption in respect of quality of coal could be due to either (i) low grade or (ii) inferior quality of coal. While in the first case i.e. grade of coal no detailed inspection was needed. The Railway had to take whatever was allotted by the Coal Controller. While it was their effort to get a higher proportion of the selected grades, the allotment and availability was less than what they desired. As regards the inferior quality of coal the witness admitted the collieries at times loaded excessive dust or shale etc. in the consignments and inspection was necessary to check the loading of this defective coal. It was, however, added that the loading of inferior coal could not be avoided unless and until staff was increased and one inspector was posted for every colliery, but this would increase the cost of inspection which would not be commensurate with the results. At present inspection was only possible in the shape of either a surprise check

at the collieries or a thorough check at some of the big collieries, where large quantity of coal was being loaded. In reply to a question the witness stated that Railway Inspectors reported the irregularities noticed by them to the Chief Mining Inspector for taking necessary action against collieries. During the year 1962-63, 1560 warning were issued to the collieries and a sum of Rs. 43,284 was deducted from 14 collieries' bills. The Committee were further informed that Railways were trying to improve the quality of inspection by increasing the staff for the purpose. The Committee feel concerned to note that several collieries should continue to supply coal inferior in quality to that ordered and paid for. **The Committee desire that the Railway Board should take suitable measures in consultation with the Ministry of Mines and Fuel and the Coal Controller to put a stop to this undesirable practice. The Committee also hope that the Ministry of Railways would improve their Inspection Organisation and the quality of their inspections to eliminate losses on this account.**

South Eastern Railway—Avoidable expenditure by way of compensation paid to a Light Railway Company—Para 42, Pages 27-28.

66. A plot of land measuring 3,40,675 s. ft. was leased out by the ex-B. N. Railway to a Light Railway Company in the year 1939, without prior execution of a formal agreement, on grounds of urgency. The terms of the proposed agreement acceptable to both the parties and the amount of rent payable was finalised by the year 1950. One of the conditions in the proposed agreement was that the lease could be terminated by either party giving 6 calendar months' notice without the lessee claiming any compensation whatsoever. In the meantime, the South Eastern Railway became successors to the ex-B.N. Railway Company. The agreement, was, however, not executed by either party at any stage.

The Eastern Railway which required a portion of this land for certain of their works, approached the Light Railway Company in 1957 and later the South Eastern Railway in 1959, when only the little of the latter to the land was known, for its release. The South Eastern Railway thereupon served a notice on the Light Railway Company in June, 1959 to vacate the land, but the party disregarded the notice on the plea that no lease agreement as such was concluded with the ex-B. N. Railway or its successors. The Railway Administration sought legal opinion in the matter which indicated that the Railway's case was good in law but on practical consideration of the urgency of the Eastern Railway and the lengthy legal proceedings required for eviction of the licensee, settlement by negotiations was preferable. A settlement was reached in May, 1962 according to which the South Eastern Railway paid a compensation of Rs. 2.5

lakhs to the Light Railway Company for shifting its lines by the end of 1962. The Railway Administration had informed Audit that in the circumstances of the case, this was the most equitable and practicable solution particularly when the land was urgently required, and the Light Railway Company as a public utility concern could not be asked to shift on strictly legal considerations. According to Audit if the agreement had been actually executed, no compensation would have been legally payable.

The representative of the Railway Board stated in evidence that the land was handed over to the Light Railway Company piece-meal till 1940 or so. Meanwhile, an agreement was drafted but the Light Railway objected to the amount of rent. Thereafter, the area had to be verified which took some time. Subsequently, the regrouping of the Eastern Railway, the merger of the B. N. Railway and the subsequent bifurcation put the process back. It was, however, admitted that there was certain slackness on the part of Railway Administration due to which agreement could not be executed. The Ministry of Railways subsequently submitted a note in regard to this Audit para 42, which is given in Appendix XIV. In this note it has been stated *inter alia* that the public interest required that a settlement for early possession of land should be arrived at irrespective of the fact that legally they had no right to compensation and it was on this consideration of the balance of advantage that the compensation was agreed to. Even if that be so, the Committee feel that, it does not explain the failure of the Railway Administration to execute the agreement when the land was handed over to the Light Railway Company. It is all the more unfortunate that no agreement was executed for more than 12 years even after the terms of the proposed agreement acceptable to both the parties were finalised by the year 1950. The Committee deplore the slackness on the part of the Railway Administration and desire that the matter should be further investigated and those found guilty of neglect of duty suitably dealt with.

Northern Railway—Fraudulent drawal of stores on forged requisitions, Para 44, Page 29.

67. In October, 1961, it was noticed that certain materials said to have been supplied to the Foreman of a Loco Shed of the Northern Railway from a stores depot had not actually been received by him. While the matter was being investigated by the Railway Administration, an attempt was made in November, 1961 by some persons to draw stores from the same depot. The documents presented were found to be forged and the culprits were caught red-handed. Further

detailed examination of the records revealed that between December, 1959 and November, 1961, stores estimated at Rs. 62,000 had been drawn from three stores depots through special messengers on both forged and genuine requisitions, which did not reach the sheds and were, therefore, evidently misappropriated. The case was under further investigation by the Special Police Establishment.

Departmental rules, amongst other things, required that the Divisional Officer, should compare the copy of the Requisition-cum-issue note passed on to him by the indenting officer after acknowledging receipt of the stores as supplied by the depot, with another copy received from the issuing depot through the Stores Accounts Officer, before accepting and adjusting the debit. There was, however, an omission in the Divisional Office to do so with the result that the fraud remained undetected for quite some time. Audit had been repeatedly bringing this omission to the notice of the Railway Administration even before 1959.

In evidence the representative of the Ministry of Railways admitted that the fraud would not have been possible had the prescribed procedures been followed by all concerned. According to the procedure whenever any material was received by the indenter he was supposed to send issue notes to two different sources which in turn got a copy of the issue notes from the Issuing Department also. The two notes were compared in the Divisional Office. In this case this process of pairing of notes was not adhered to due to shortage of staff. The procedure had since been tightened up. In reply to a question the witness informed the Committee that after this fraud the Division had checked up past cases and no other case of fraud had been detected.

The Committee can hardly accept the shortage of staff as valid plea for not following the prescribed procedure which facilitated the fraud and resulted in heavy losses. They regret to observe that even when the omission was brought to their notice by Audit before 1959 no action was taken by the Railway Administration to improve matters. The Committee desire that the reasons for this lapse should be further investigated.

68. As regards the cases under investigation by the Special Police Establishment the representative of the Ministry of Home Affairs informed the Committee that in one case inquiry had been completed and the case was under trial. In another case a charge sheet was being issued. The Committee desired to be furnished with a list of cases of fraud etc. pending investigation with Special Police Establishment giving details about dates of detection, reference to S.P.E.,

the nature of the charges and their present position. The Ministry of Home Affairs have accordingly submitted a statement* which shows that 343 cases relating to the Railway Organisation were pending investigation by the SPE as on 30th November, 1964. Out of these only 21 cases had been registered on the basis of reports from the Ministry of Railways or some department under it whereas 322 cases had been taken up by the Establishment on their own. **The Committee find that quite a large number of cases out of these involve the allegations of "bribery and corruption", "misappropriation of money" and "disproportionate assets". They would urge upon the Ministry of Railways to tighten up their vigilance organisation in order to eradicate these mal-practices. The Committee also recommend that the Special Police Establishment should complete the investigations of these pending cases expeditiously.**

South Eastern Railway—Theft of released rails, Para 45, Pages 29-30.

69. About 20 miles of 90 lbs. rails released from track renewal works carried out on Adra-Asansol Section between December, 1960 and June, 1961 were stacked at different places alongside the Railway track and more than 100 chowkidars were employed to guard the materials. Most of these rails were cleared from the site only between March and September, 1962, though the rules required that the materials released from works should be lifted as and when available and sent to stores depots or to other places where these are required.

During the period from July, 1961 to March, 1962 when the released materials were lying along the track, 34 cases of thefts occurred involving a loss of about 18,360 rft. of rails costing Rs. 90,000 (approximately). Repeated thefts occurring between January and March, 1962 though reported to the local Government Railway Police, were not reported until March, 1962 to the General Manager and the Railway Protection Force, resulting in delay in the Administration appreciating the seriousness of the situation.

Existence of a number of motorable roads in the vicinity of the rail stacks and the delay in removing the materials appeared to have aided the thefts. Complicity of the Railway employees in the thefts was not established, but the departmental enquiry committee found that the chowkidars most of whom were casual labourers, were negligent in their duties and the supervisors were slack.

The police authorities to whom the thefts were reported, had recovered 140 places of rails worth about Rs. 7,650 so far and prosecuted 41 persons, the proceedings against most of whom were still pending.

*Not printed.

The representative of the Railway Board stated in evidence that it was one of the heaviest sections of the Railways and there was a transport crisis in 1961-62. So it was not possible at that time to run material trains to pick up the rails. The rails were stacked along side the track so that whenever there was relief in traffic they could run material trains and pick them up. He added that this was an organised theft by inter-State criminals who brought lorries, cut the rails and took them away. In answer to another question it was stated that from the very first theft the matter was reported to the police. The cases were not reported to the Headquarters' office but to the Divisional Engineer. As for the chowkidars, it was stated that one man was put in charge of patrolling work for every 2 or 3 miles and he could not remain stationary at one place. It was only in March, 1962 that the magnitude of the thefts came in for special attention and armed patrolling was introduced. The Committee were also informed that it would have been very expensive to remove the material by road.

The Committee feel concerned to note that the thefts should have been committed of such heavy material, over such a long period, in spite of security measures. It is also unfortunate that even after the thefts were reported prompt action was not taken to remove the rails from the site. The Committee would like to be informed about the results of cases of prosecution launched by the police.

Eastern Railway—Loss due to theft of Impedance Bonds, para 46, page 30.

70. In connection with the installation of automatic signalling track circuits over a length of 16 k.m. of railway line between Belur and Serampore, 90 Impedance Bonds, each costing Rs. 2,375 on an average, were installed at different rail joints during April and May, 1960. It took two years for the circuit to be put into commission, and during this period of 38 of these Bonds were stolen, involving a total loss of Rs. 88,437.

The representative of the Railway Board informed the Committee that the impedance bonds were installed in connection with the work of automatic signalling which had necessarily to be done over a period of time. Earlier in 1957, when some bonds were put up in another Section of Howrah no thefts were reported. After the thefts were detected the Railway Administration improved the method of fastening this equipment so that the removal became extremely difficult. In reply to a question it was admitted that the impedance bonds need not have been put so much in advance but the administration had no idea that they would be stolen. After the fastening

device was improved and patrolling by R.P.F. was introduced, the Railway Administration had been able to control these thefts. It was further added that the Railway Board had been wiser after the event and in future installations they would put impedance bonds last of all. It was also admitted that the impedance bonds could have been easily removed and put in the store as it would take only 10 minutes to open out the bolts etc. **The Committee consider it unfortunate that the thefts were reported the Railway Administration did not remove the impedance bonds and left costly equipment unattended on the track for one and a half years, resulting in a loss of Rs. 88,437 due to thefts. The Committee are of the view that this is a case of clear negligence on the part of the Railway Administration.**

Other cases of Losses, para 47, pages 30-31.

71. The Audit para gave a summary of the cases of losses adjusted in the accounts for the year and mentioned in "Annexure H" to the Appropriation Accounts of Railways Part II. Losses to the extent of Rs. 159.73 lakhs were adjusted during 1962-63, as against Rs. 96.04 lakhs during the preceding year. The increase of Rs. 63.69 lakhs, during the year under review was due partly to the adjustment of the cost of missing coal wagons as operating expenses (Rs. 31.16 lakhs) by one Railway and partly due to losses on account of deficiencies in fittings of rolling stock sent to workshops for repairs (Rs. 23.56 lakhs) exhibited by 4 railways in accordance with a decision taken by the Railway Board in July, 1963.

It was explained in evidence that it often happened that coal wagons booked for a particular station shed did not reach the destination either because they were intercepted by another railway or had lost the label in transit. Such Wagons were shown as "Missing Wagons" and payments made for them adjusted in 'work expenses'. As against these there were also "Unlinked Wagons", which could not be allotted to any particular shed or station. These were shown as "earnings". The Committee were informed that during the year 1962-63 the total cost of missing wagons was Rs. 162 lakhs and earnings were of the order of Rs. 112 lakhs. It was further clarified that the losses did not pertain to one year alone. In this connection, the Committee desired to be furnished with a note giving figures of losses and gains in respect of 'missing' or 'unlinked' coal wagons, for the years 1962-63 and 1963-64. A copy of the note received is enclosed as Appendix XV. From this note it is seen that the figures treated

as "missing wagons" and "unlinked wagons" during 1962-63 and 1963-64, were as under:—

	Missing wagons		Unlinked Wagons	
	No.	Amount in lakhs of rupees	No.	Amount in lakhs of rupees
1962-63	57,582	3,68	58,528	2,97
1963-64	37,328	2,30	63,530	3,70

The Committee feel that the magnitude of the problem is sufficiently large to merit special attention of the Railway Board. The Committee would, therefore, like the Railway Board to take immediate steps in this direction to reduce the malady. They would like to be informed of the special steps taken to reduce the incidence of 'missing' and 'unlinked' wagons.

72. As regards deficiency in rolling stocks coming to workshops it was explained that at times certain items were removed from an unserviceable locomotive or wagon to repair another unit. It was, therefore, not possible to say as to how much of the deficiencies were real losses.

In this connection, the Committee desired to be furnished with a note indicating whether the actual loss out of Rs. 23.56 lakhs (shown as loss on account of deficiencies in fittings of rolling stock sent to workshops for repairs) can be known and if so, what the actual loss came to. A copy of the note furnished by the Ministry of Railways is given in Appendix XVI. In this note, the Ministry of Railways have explained the practical difficulties involved in calculating the actual losses in fittings of rolling stock due to thefts and added that the position is being reviewed in consultation with Audit. The Committee would like to be informed of the result of this review. The Committee would, however, like to add that there should not be any unsurmountable difficulty in estimating the losses on account of deficiencies in fittings in the case of locomotives and coaching stock.

IV

Outstanding Recommendations

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

74. Replies received from the Ministry of Railways (Railway Board) and other Ministries/Departments showing action taken or proposed to be taken on the recommendations of the Committee pertaining to Railway Accounts have been included in Part III of this Report. While the Committee are glad to note that replies in respect of all the items except one [Sl. No. 39 of Appendix XI—para 42(5)—to 13th Report relating to para 58 of 1st Report 1962-63] have been received from the Ministry of Railways (Railway Board) etc., they find that notes in respect of Sl. Nos. 11 to 13 of Appendix XI (para 13 to 15) to 13th Report (1963-64) are still outstanding from the Ministry of Supply and Technical Development. The Committee deprecate such abnormal delays in the submission of notes in respect of their earlier recommendations and hope that the Ministry of Supply and T. D. will expedite the submission of these notes.

75. The Committee note that in the following cases the replies furnished by the Ministries are of an interim nature and would, therefore, await a further report thereon:

1. Sl. No. 27 of App. XI (para 29) to 13th Report.
2. Sl. No. 39 [para 42(2)] of App. XI to 13th Report relating to para 58 of 40th Report (1961-62).
3. Sl. No. 39 of App. XI [para 47(2)] to 13th Report relating to para 65 of 1st Report (1962-63).
4. Sl. No. 40 of App. XI (para 43) to 13th Report.

Western Railway—Extra expenditure due to extension of Zonal contract—[Sl. No. 18 (Para 20) to App. XI to 13th Report].

76. In this case the tenders for zonal contracts for electrical works in certain Divisions during the year 1959-60 opened on 6th March, 1959 were accepted on 22nd April, 1959. Although the rates were lower than those of the preceding year which were current up to the 31st March, 1959 instead of terminating the work orders of uncom-

pleted works or getting them completed at the new rates, the contracts for the preceding year were extended by the Railway Administration up to 30th June, 1959. In a subsequent note the Committee were informed of the decision to change the term of the zonal contracts to cover the period from 1st July to 30th June. This change was intended to enable the contractors to make their arrangements well in advance and take full advantage of the working season. Instructions were also then issued to the Railway Administration requiring them to initiate action in such a manner that the contracts for the new year were finalised before the 31st July each year. The Committee had then suggested that the feasibility of finalising the new contracts before the 30th June instead of 31st July each year should be examined. In a note Appendix XVII now submitted to the Committee, the Ministry of Railways have stated that the main idea underlying the decision that the tenders should be opened on the 1st of July, and should be finalised quickly before the 31st July is to avoid the repercussions that might arise as a result of the zonal contractors of the previous year getting to know the rates which are to come into force for the next zonal contract commencing from 1st July. The instructions had been issued keeping in view the fact that the month of July is generally a very lean month during which very few work orders are issued on most of the Railways. In any case instructions have issued as an experimental measure and will be modified, if necessary, on the basis of experience gained in the next year or two. **The Committee are not convinced with the reason advanced for finalisation of tenders after 1st July, i.e., the commencement of the term of the zonal contracts. In order that the contracts for the new year can be effective from the 1st of July, it is necessary that all formalities should be completed before that date. The Committee would, therefore, reiterate their earlier recommendation that the new contracts should be finalised before the 30th June, every year.**

Northern Railway—Encroachment of Railway land—Sl. No. 30 of Appendix XI (Para 32) to 13th Report (1963-64).

77. In this case the Railway Administration went on acquiescing in the repeated encroachments of Railway land by a private firm of New Delhi from 1942 to 1951. There were also delays at different stages in taking firm action against the firm after its licence had been terminated in June, 1951 with the result that the firm continued to be in unauthorised occupation of Railway land. The whole episode spread over a period of more than 20 years left a poor impression on the Committee. The Committee observed that there were reluctance and inordinate delays in applying whatever remedies, legal or

administrative, were available with the Railway Administration. They, therefore, desired that the matter should be fully enquired into and responsibility fixed. The Ministry of Railways (Railway Board) have accordingly submitted a note (Appendix XVIII) stating that the matter has been fully enquired into as desired by the Committee. The Ministry of Railways, while admitting that the case could have been dealt with more expeditiously at different stages at least during the periods 1953—57 and 1959—62, have come to the conclusion that it is not possible to fix responsibility on any single officer or even a set of officers. The Ministry of Railways have further stated that the matter had been handled by several officers at different levels in the ordinary course and finally at the level of 2 Senior Deputy General Managers of the Railway personally (one of whom is no longer in service) and that in the Railway Board, two different incumbents of the post of Chairman, Railway Board, at different times, both of whom have since retired, dealt with the case on lines which they believed to be most appropriate. It has further been pleaded that, since the matter had been amicably settled without involving any loss to the Railways, the case may not be pressed further and treated as closed. **The Committee are unable to accept that the case had been dealt with on the most appropriate lines. They consider it unfortunate that the matter was not dealt with firmly and with promptness both in the Railway Administration and the Railway Board. They trust that such cases will be scrupulously avoided in future.**

North East Frontier Railway—Loss in acquisition of land—Serial No. 32 of Appendix XI (Para 34) to 13th Report.

78. In this case the Railway Administration had been pressing the civil authorities time and again since 1948 for permanent acquisition of a plot of land already under their occupation on a rental basis. But when in February, 1954 the land owners themselves offered a reduced rate of Rs. 8,000 per bigha, the offer was declined on the ground that the rate was excessive. Subsequently, in October, 1955 the District Engineer recommended acceptance of the rate of Rs. 8,000 per bigha as reasonable. The Railway Administration, however, took no action till September, 1956, when they approached the Railway Board for sanction. The Railway Board pointed out in March, 1959 that the General Manager himself was competent to sanction the acquisition of land. Fresh acquisition proposals were submitted to the State Government and the compensation at Rs. 10,000 per bigha fixed again by the civil authorities was accepted by the Railways involving payment of an additional sum of Rs. 34,155. The Committee were not satisfied with the manner in which the case was processed both in the Railway Administration and the Railway

Board. While noting with regret the lapses on the part of the Administration the Committee were surprised at the delay of 2½ years on the part of the Railway Board in replying to the reference from the Railway Administration. In a note furnished to the Committee, the Ministry have given a detailed account (Appendix XIX) of the action taken by the Railway Administration in processing this case. It has been stated that the District Engineer, Dibrugarh on finding that there was hardly any suitable vacant land where quarters could be built and also that prices of land in Dibrugarh were soaring high, had recommended to the Regional Engineer, Pandu on 20th October, 1955, permanent acquisition of land at the rate of Rs. 8,000 per bigha. The headquarters office was not aware of this suggestion until in February, 1956 when the District Engineer sent a copy of his letter to the Chief Engineer. The Regional Engineer, Pandu himself recommended to the Chief Engineer the permanent acquisition of the land for the first time only on 11th April, 1956. **The Committee regret to note the delay of more than 6 months in dealing with this case in the office of the Regional Engineer, Pandu. They desire that the circumstances under which the case was not handled promptly in the office of the Regional Engineer may be enquired into.**

79. As regards the delay on the part of the Railway Board in replying to the reference from the Railway Administration, it has been admitted that there had been some avoidable delay in processing this case. It has been added that a review is already being made of the procedure of dealing with reference made to the Railway Board with a view to avoiding such delays. **The Committee desire that the reasons for the delay should be enquired into and responsibility fixed.**

NEW DELHI;

Dated the 24th February, 1965.

Phalgun 5. 1886 (Saka).

R. B. MORARKA.

Chairman.

Public Accounts Committee.

APPENDICES

APPENDIX I

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Note on

Revised estimates prepared in 1962-63 of probable goods traffic and of goods earnings.

When the Revised Estimates of the running year and the forecast for the year to follow are prepared early in January, wagon loading figures are available for about nine months, i.e. for the months April—November (inclusive) and the first two ten-day periods of December. In 1962-63 the height of the emergency was in October and November 1962, when loadings were higher by 8·84 and 13·6 per cent respectively as compared with the corresponding months of the preceding year. In compiling the revised estimates for 1962-63 it was noted that the revenue tonnage loaded from 1st April to 20th December was 9·13 per cent higher than in the corresponding period of the previous year. After taking into account the trend and other known circumstances it was assumed that it would be 13 per cent higher in the remaining part of the year. This forecast predicated an altogether unprecedentedly high increase for that part of the year, but in fact the revenue tonnage loaded in this part of the year (20th December 1962 to 31st March 1963) was 16·6 per cent higher, raising the additional revenue tonnage for the year 1962-63 by 13·78* million tonnes over that of the year 1961-62. Further, with the striking increase in movement capacity achieved by the Railways, a good deal of general goods traffic (which bears freight rates higher than the average) was carried

*The figures for total tonnage loaded, i.e. revenue plus non-revenue as furnished to the P.A.C. in the memorandum on excesses over voted grants are naturally different.

by the Railways. Thus there was not only more traffic than was anticipated but a good portion of it was higher rated traffic.

TABLE I
Tonnes Originating

(In millions of tonnes)

		Total (Revenue & Non-Revenue)			Revenue Earning only		
		Quantum		Variation over the previous year	Quantum		Variation over the previous year
				Absolute Per cent			Absolute Per cent
1958-59	· ·	137·3	2·7	+ 2·05	103·3	1·2	+ 1·16
1959-60	· ·	146·5	9·2	+ 6·73	110·7	7·4	+ 7·11
1960-61	· ·	156·2	9·7	+ 6·60	119·8	9·1	+ 8·21
1961-62	· ·	160·5	4·3	+ 2·74	125·6	5·8	+ 4·87
1962-63	· ·	178·8	18·3	+ 11·4	139·4	13·8	+ 11·0

The table above will show that in the four years preceding 1962-63, the *average* increase in *revenue traffic* was no more than 5·9 million tonnes (5·34%). In no case did the increase in one year over the previous one exceed 8·2 per cent (9·1 million tonnes). The increase of 11·0 per cent in 1962-63 as it turned out, was altogether exceptional.

Further, Table II (attached) will show that the distribution of the increase in the preceding two years, 1960-61 and 1961-62 as between the first eight and last four months was as follows:—

1960-61 over 1959-60

April to November	· · · · ·	+ 8·0%
December to March	· · · · ·	+ 6·0%

1961-62 over 1960-61

April to November	· · · · ·	+8·5%
December to March	· · · · ·	—0·33%

The reason for this is that in the months April—November, the average tonnage lifted per month is less than in the last four months of the year and it is *easier to achieve an 8 or 10 per cent increase in the traffic of these months* than in the cooler months, December to March, which is *the busy season* when traffic is always higher, rail capacity almost saturated and the same increase in traffic is much more difficult to achieve.

Nevertheless, in the year 1962-63, when the traffic lifted between April and 20th December, 1963 was only 9·13 per cent higher, an intelligent study of the trends led the Railway Board to assume the *unprecedentedly high increase of 13 per cent even for the busy season (December to March)*. In actual fact, (for a variety of reasons including the high devotion of railway servants working hard to achieve a complete lifting of all traffic flowing at a time of near emergency), the traffic increase was 3·6 per cent more even than the 13 per cent assumed.

The fact that 1962-63 showed an altogether exceptional pattern can be seen from the attached graph, where the trends of the immediately preceding year 1961-62 and of 1963-64, which follow the more usual patterns, are shown for comparison. (On the same graph, a broken red line indicates approximately what would have been a normal seasonal growth in the busy season. The actual development in tonnage lifted in 1962-63 showed a very much steeper rate of growth and was responsible for an increase in earnings and some increase in the operating expenditure beyond estimates).

It is difficult and hazardous task to forecast trends in traffic even knowing the trends of previous years. This will be seen also from the attached graph, wherein the traffic of 1964-65, month by month, is seen to be sometimes higher and sometimes lower than the traffic of 1963-64.

TABLE II

Approximate Revenue-earning tonnage loaded (Originating) based on wagon loading statements

All Railways

(Figures in millions of Metric Tons)

Months	1959-60	1960-61	%age variation over 1959-60	1961-62	%age variation over 1960-61	1962-63	%age variation over 1961-62	1963-64	%age variation over 1962-63
April . . .	8.98	9.62	+ 7.14	10.18	+ 5.86	10.60	+ 4.07	11.70	+ 10.4
May . . .	8.58	9.04	+ 5.40	10.17	+ 12.5	10.45	+ 2.71	11.71	+ 12.1
June . . .	7.94	8.57	+ 7.91	9.32	+ 8.81	9.92	+ 6.44	11.10	+ 11.9
July . . .	8.17	7.78	(—)4.77†	9.41	+ 20.9‡	10.44	+ 11.0	11.54	+ 10.5
August . . .	7.99	8.57	+ 7.20	9.68	+ 13.1	10.65	+ 9.95	11.36	+ 6.67
September .	7.69	8.61	+ 12.01	9.40	+ 9.18	10.23	+ 8.86	11.02	+ 7.71
October . . .	8.12	9.37	+ 15.38	9.62	+ 2.70	10.47	+ 8.84	11.54	+ 10.2
November .	8.64	9.86	+ 14.20	9.73	(—)1.34	11.06	+ 13.6	11.79	+ 6.65
December .	9.60	10.48	+ 9.23	9.95	(—)5.08	12.02	+ 20.8	12.40	+ 3.15

January	9.82	10.47	+6.62	10.41	-0.58	12.55	+20.5	12.54	-0.006
February	9.67	9.87	+2.06	10.02	+1.48	11.59	+15.7	12.12	+4.55
March	10.29	10.93	+6.29	11.24	+2.84	12.62	+12.3	12.57	-0.41

July 1960 witnessed the partial strike of Central Government servants and led to a dislocation of goods traffic. This was the reason for traffic in July 1960 being unprecedentedly less than in July 1959. The same fact also explains the apparent unusually large increase in July 1961 over July 1960—20.9%.

Increase in traffic over preceding year

	<i>April to November</i>	<i>December to March</i>
1960-61 over 1959-60	+8.0%	+6.0%
1961-62 over 1960-61	+8.5%	+0.33%
1962-63 over 1961-62	+8.1%	+17.2%
1963-64 over 1962-63	+9.5%	+1.8%

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of evidence tendered before the Public Accounts Committee*Points Raised:**Para 1 of Railway Audit Report, 1964*

- (a) Statement showing total Gross Earnings by railways comparing 1962-63 with 1961-62.
- (b) Statement showing the daily average in millions of passengers originating month-wise for the three years 1960-61 to 1962-63.
- (c) Statement comparing number of passengers originating in millions for 5 months—May to September—during 1962-63 over 1961-62.

Reply:

Statements in regard to (a), (b) and (c) giving the relevant information are attached.

Statement showing Total Gross Earnings

Indian Government Railways

7

(In lakhs of Rs.)

Railways	Year	April-December	January	February	March	January-March
1	2	3	4	5	6	7
Central	1961-62	69.47	8.16	7.65	9.44	25.25
	1962-63	78.45	8.88	8.87	11.11	28.86
	% Variation	+12.9	+8.82	+15.9	+17.7	+14.3
Eastern	1961-62	56.75	6.27	5.11	2.89	14.27
	1962-63	63.76	7.21	6.40	5.48	19.09
	% Variation	+12.4	+15.0	+25.2	+89.6	+33.8
Northern	1961-62	50.85	5.76	5.29	9.79	20.84
	1962-63	56.62	6.41	7.82	10.10	24.33
	% Variation	+11.3	+11.3	+47.8	+3.17	+16.7
N. Eastern	1961-62	17.12	1.82	1.86	2.88	6.56
	1962-63	19.07	2.39	2.23	3.48	8.10
	% Variation	+11.4	+31.3	+19.9	+20.8	+23.5
N. Frontier	1961-62	11.80	1.18	1.31	1.04	3.53
	1962-63	13.08	1.79	2.15	2.16	6.10
	% Variation	+10.8	+51.7	+64.1	+107.7	+72.8

1	2	3	4	5	6	7
Southern	1961-62	50,38	5,86	5,18	7,19	18,23
	1962-63	53,72	6,15	6,47	7,29	19,91
	% Variation	+ 6.63	+ 4.95	+ 24.9	+ 1.39	+ 9.22
S. Eastern	1961-62	52.09	6.19	6.06	9.00	21.25
	1962-63	57.88	7.11	9.02	13.01	29.14
	% Variation	+ 11.1	+ 14.9	+ 48.4	+ 44.6	+ 37.1
Western	1961-62	59.13	6.90	6.95	9.06	22.91
	1962-63	64.95	8.09	7.15	9.59	24.83
	% Variation	+ 9.84	+ 17.2	+ 2.88	+ 5.85	+ 8.38
TOTAL	1961-62	3,67.59	42.14	39.41	51.29	1,32,84
	1962-63	4,07.53	48.03	50.11	62.22	1,60,36
	% Variation	+ 10.9	+ 14.0	+ 27.2	+ 21.3	+ 20.07

**Statement showing the Number of Passengers Originating—
(Daily Average in Millions)**

Indian Government Railways

	1960-61	1961-62	1962-63
April	4.40	4.87	4.88
May	4.82	4.90	5.43
June	4.65	5.09	5.27
July	3.98	4.63	4.75
August	3.73	4.50	4.37
September	4.26	4.47	4.64
October	4.42	4.63	4.69
November	4.25	4.61	4.57
December	4.26	4.31	4.59
January	4.51	4.24	4.59
February	4.87	4.67	4.93
March	4.39	4.90	4.79

Statement showing number of Passengers Originating

Indian Government Railways

(Figures in millions)

Months	1961-62	1962-63	% increase or decrease in 1962-63 over 1961-62
May	152	168	+ 10.8
June	153	158	+ 3.54
July	143	147	+ 2.71
August	139	135	- 2.87
September	134	139	+ 4.29

APPENDIX II
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of evidence tendered before the Public Accounts Committee

Para 5 of Audit Report (Railways) 1964—Unnecessary Supplementary Grants/Appropriations

Point Raised:

Appropriation Grant Nos. 9 & 16

Details of court cases and arbitration awards for which provision had been initially included but did not ultimately materialise should be furnished.

Reply:

A statement giving the relevant information is attached.

Statement showing details of court cases and Arbitration Awards

Railways	No. of cases expected to be decided during 1962-63		No. of cases finalised and paid during 1962-63	
	Grant 9	Grant 16	Grant 9	Grant 16
Central	11	4	12	3
Eastern	90	1	36	1
Northern	43	4	5	3
North Eastern	5	1	3	1
Northeast Frontier	52	..	35	..
Southern	25	2	14	2
South Eastern	176	1	150	1
Western	8	1	8	1
TOTAL	410	14	263	12

APPENDIX III

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

Para 7(1)—Unnecessary or Excessive Re-appropriations.

Point:

A statement showing the number of cases (Railway-wise) relating to settlement of Provident Fund Accounts which are more than 3 years old and yet to be settled may be furnished. The reasons for the delays in the settlement may also be indicated.

Reply:

The total number of cases relating to settlement of Provident Fund Accounts which are more than 3 years old as on 30-9-1964 are indicated below Railway-wise.

Railway	Number of P.F. cases
Central	3
Eastern	4
Northern	6
North-Eastern	..
Northeast Frontier	4
Southern	59
South-Eastern	..
Western	..
TOTAL	76

The amounts not paid and brief reasons for the delay in settlement are shown in the statement attached.

Statement Showing the Amounts outstanding for various reasons together with the total amounts due and amounts already paid and the balance to be paid.

Reasons	No. of cases	Amount due	Amount paid	Balance due to be paid	Remarks
		Rs.	Rs.	Rs.	
(i) Succession Certificate not produced by claimant	7	77,937	761	77,176	
(ii) Guardianship Certificate not produced for receiving share of minors	2	5,715	1,974	3,741	
(iii) Due to question of re-classifying the post from non-ministerial to ministerial being under consideration	1	15,205	11,605	3,600	
(iv) Delay on account of the employee having served on two Railways	1	107		107	Since paid.
(v) Whereabouts of the employees concerned not being known	11	13,731	9,091	4,640	
(vi) Pending in Court	5	25,003	14,094	10,909	
(vii) Letter of Administration not produced by the employee	1	3,015	34	2,981	
(viii) Commercial debits and other recoveries not finalised	48	2,18,152	1,39,911	78,241	In 1 case, the balance due, Rs. 840/-, has since been paid.
TOTAL :	76	3,58,865	1,77,470	1,81,395	

APPENDIX IV

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

*Para 8 of Audit Report. (Railways), 1964—Savings in Grants
and Appropriations.*

Points raised:

Grant No. 15

A note detailing (i) the savings achieved in the estimate of the Bailadilla-Kottavalasa line, (ii) the progress of works and expenditure incurred so far and (iii) the allotment each year and the savings etc. for the years 1961-62, 1962-63 and 1963-64 with full reasons.

Reply:

(i) The sanctioned cost of Bailadilla-Kottavalasa Project is Rs. 55.32 crores. for an anticipated length of 271 miles. It is now expected that the total length will be 279 miles including the additional length from Bacheli to Kidendul. The anticipation is that this extra length of 8 miles can also be completed within the original sanctioned cost of 55.32 crores, although the expenditure for this extra 8 mile length by itself may be in the neighbourhood of about 2.25 crores. To that extent, there are savings in the original project, which have been achieved by way of reduction in the quantum of earth work by regrading, etc.

(ii) The progress achieved upto end of October, 1964, section-wise is as follows:—

I. Kottavalasa—S. Kota	—16.85 miles —92%
II. S. Kota—Koraput	—113.32 miles —62%
III. Koraput—Kuper	—126.00 miles —70%
IV. Kuper to Kidendul	—22.47 miles —164%

Overall progress—65 per cent.

Decision to take the line beyond Bacheli to Kidendul was taken only about December '63 and hence work on the last section, after completing the surveys, could commence only by March '64.

The major time consuming work on this project is about 39000 ft. of tunnelling. About 74% progress on tunnelling alone has been achieved up-to-date.

Total expenditure up to end of October 1964	Rs. 26.06 crores
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Total physical progress upto end less of October, 1964	65%
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Budget grant for the year 1964-65	Rs. 11.29 crores
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Approximate expenditure during the year up to end of October, 1964	Rs. 5.39 crores
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(iii) The information, with regard to the Budget allotment and the surrender in the 3 years, 1961-62, 1962-63 and 1963-64, with the Administration's explanation for the variations, is given in the note enclosed.

II. Expenditure incurred against the budget estimates during the last three financial years.

(Figures in lakhs of Rupees.)

Year	Budget Estimate		Actual Expenditure
	Budget allotment	Final Grant	
1	2	3	4
1961-62	5,80	3,40	3,12
1962-63	11,62	6,90	6,97
1963-64	13,22	10,59	10,58
1964-65	11,29	..	..

NOTE.—In the first year of construction 1960-61, the actual expenditure was Rs. 18 lakhs against the final grant of Rs. 21 lakhs and against the initial estimate of Rs. 20 lakhs.

*	•	*	*	•
2 & 3		3 & 4		
---		---		

1961-62	The surrender of 240 lacs is mainly due to the reduction in the quantities of earthwork consequent to regarding, less tempo of work on formation including tunnels, bridge work and also on account of difficulties in procurement of cement, steel, R. C. Pipes and P. Way Materials.	The saving of 28 lacs is mainly due to the full debits not received for acquisition of land, P. Way materials including girders, and less expenditure on account of payment to contractors for tunnelling works than originally anticipated.
1962-63	Surrender of 4.72 lacs is mainly due to non receipt of debits on account of acquisition of land, reduction in the quantities of earthwork, non-finalisation of contracts in certain sections slower progress of work in certain sections due to prolonged monsoon and resultant delay in commencement of work and also on account of delay in receipt of girders.	The excess of 7 lacs (or 1%) is marginal and falls within the permissible limits and is mainly due to adjustment of un-anticipated debits for P. Way materials.

	<u>2 & 3</u>	<u>3 & 4</u>
1963-64	Surrender of Rs. 2,63 lacs is mainly due to less payments for land, reduced expenditure, anticipated under bridges, ballast etc. non-finalisation of contractors in certain sections, non-receipt of girders, lower classification of Earth work than originally anticipated and shortfall anticipated in the receipt of building materials.	The saving of Rs. 1 lakh in about 10 crores is marginal.

(NOTE.—For the year 1963-64, the accounts have just been closed and the Appropriation Accounts for presentation to the Parliament are still to be finalized).

APPENDIX V

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of evidence tendered before the Public Accounts Committee.

Diesel Locomotive Works

I. *Position regarding number of officers and other staff of D.L.W. trained abroad in the manufacture of diesel locomotives.*

(i) *D.L.W. Staff Trained Abroad in Manufacture.*—In the year 1963, 9 officers and 16 supervisory staff of the D.L.W. were deputed to U.S.A. for training at the Works of the Collaborators (M/s. Alco Products, Inc.) and their associates to study the techniques in the manufacture of diesel locomotives. These personnel have since returned to India and are being utilised at DLW in the fields in which they had been trained, and in training others, at D.L.W. itself.

(ii) No personnel of D.L.W. are at present under training abroad

II. *Comparison of the original assessment of cost of Rs. 13·7 crores and the subsequent estimate of Rs. 19·57 crores for the project, and the reasons for the increase.*

The decision to set up the Diesel Locomotive Works (D.L.W.) at Varanasi was taken in June 1961 and the Project administration came into position in August 1961. Negotiations for a technical collaboration agreement were commenced in September 1961 and the agreement was finalised with M/s. Alco Products Inc. U.S.A. in February, 1962.

2. The work was included in the Works Programme for 1961-62 after taking Supplementary Demand from Parliament in November 1961, and appeared as a work in progress in the Pink Book for 1962-63. For the purpose of Pink Book provision, the anticipated cost of the work, as assessed on a very rough basis was shown as Rs. 13·7 crores chargeable to Capital.

3. In order to expedite the work on the project and to place funds at the disposal of the project authority for entering into commitments with regard to structural work, plant and machinery etc. for the project, it was necessary to prepare and sanction an urgency certificate to take up the work in hand to the extent considered essential

even before a detailed estimate for the work, which was contingent on the receipt of the project report from the collaborators, could be framed. In fact, when the urgency certificate was received, the collaboration agreement had not been finalised and was still under negotiations. The manufacture of diesel locomotives being an entirely new line of indigenous production, the project administration did not have adequate background of experience for framing a realistic estimate of the cost of the project. For making a quick estimate, for the purpose of an urgency certificate, the General Manager/Deisel Locomotive Works, had nothing to go by, beyond some figures that certain private sector would-be-builders had given to the railways some years earlier in making their proposal for manufacture, which was ultimately not accepted. The urgency certificate submitted by the GM./D.L.W. and sanctioned by the Board in December, 1961 for an amount of Rs. 13.7 crores was on a very rough basis. Even at that time, it was anticipated that variations may become necessary on receipt of the project report from the collaborators.

4. The collaboration agreement having been finalised in February 1962, the project report was received from the collaborator in June 1962, in the preparation of which our engineers were throughout closely associated. The detailed lists of plant and machinery were received by the middle of September 1962. On the basis of the project report, as also the list of plant and machinery, it was possible for the G.M./D.L.W. to prepare an abstract estimate for the project. The cost of the project as per this estimate was Rs. 19.57 crores and the estimate was sanctioned in February 1963.

5. The table below gives the anticipated cost under broad heads as per the present estimate in juxta position with corresponding figures in the urgency certificate:

(Figures in lakhs of Rupees)

	Abstract Estimate	Urgency Certificate	Variations
1. Preliminary expenses	3.1	4.4	-1.3
2. Land	29.0	21.5	+7.5
3. Structural engineering works	837.2	616.4	+220.8
4. Equipment	972.7	586.0	+385.8
5. General charges	112.0	140.4	-28.4
6. Miscellaneous	3.0	0.4	+2.6
TOTAL	1957.0	1370.0	+587.0

6. The increase is mainly on equipment (Rs. 3·86 crores) and structural engineering works (Rs. 2·21 crores).

Equipment (+ Rs. 3·86 crores)—

The increase under equipment is due to the fact that—

The provision for equipment and the cost thereof assessed at the time of the urgency certificate had been made on a very rough and tentative basis, as, at that time, D.L.W. did not have any data to make a complete and more realistic assessment, beyond some figures which certain private sector would-be-builders had given to the Railway Board some years earlier in making their proposal for manufacture which was ultimately not accepted. Only after the project report and the detailed and complete list of plant and machinery were received by D.L.W. by the middle of September 1962, there was a basis on which it was possible for the G.M./D.L.W. to prepare a realistic estimate for the purpose. Accordingly, provision was included in the abstract estimate.

Structural Works (+ Rs. 2·21 crores)—

The increase under Structural Works is broadly under the following heads. Brief reasons have been given against each head:—

*Workshop Structures (Rs. 52 lakhs).—*Increase due to higher retention price of steel, provision of an additional open steel gantry in the layout, and changes in the design and constructional features of some of the shop structures, found necessary after the receipt of the detailed project report.

*Township—(Rs. 148·7 lakhs).—*Increase due to larger number of quarters (2780) found necessary, as against 2200 quarters earlier included in the urgency certificate, and provision of marketing, educational, medical and recreational facilities etc. in the township.

*Administrative and Workshop Offices—(Rs. 20 lakhs).—*Increase due to additional area for the offices, the earlier provision made having been found inadequate on making a detailed assessment.

III. Progress of year-wise expenditure against target.

The information in the form of a summary is indicated below:—

(Figures in lakhs of Rupees)			
	Target	Actual or	
	(viz Budget	Estimated	
	allotment)		
1961-62	7	3	(Actuals)
1962-63	1,64	1,03	(Actuals)
1963-64	5,00	4,23	(Actuals)
1964-65	7,21	7,21	(Estimated)

NOTE: (i) The figures shown under the column "target" are the figures under "Final heads" as indicated in the original budget for the respective years.

NOTE: (ii) The estimated capital investment in the project is Rs. 19·57 crores. Against this, about Rs. 1·50 crores or assets were taken over from the Loco Component Works. The balance expenditure of Rs. 18·07 crores is to be incurred for creating additional assets in the project. It is expected to complete the project within the target date, and within the estimate sanctioned, viz. Rs. 19·57 crores. It is possible that although the project is completed in 1965-66, some small part of the expenditure will be carried over to the following year.

IV. Target of Production and Performance.

Target as per Production Schedule.—In accordance with the production schedule laid down as per the Project Report, the production of diesel locomotives in the Diesel Locomotive Works, during the Third Plan, was anticipated as follows:—

1963-64	.	.	.	.	.	.	.	.	3
1964-65	.	.	.	.	.	.	.	.	26
1965-66	.	.	.	.	.	.	.	.	54
									83

Assembly of knocked down locomotives.—For the early stages of production in D.L.W., the General Manager, D.L.W. desired (as envisaged in some measure in the Project Report itself) to have an order for some locomotives to be assembled from imported components and sub-assemblies, received in a knocked down condition, so that, the staff in the factory would gain initial experience in their assembly and knowledge of the various components and sub-assemblies, which would help them, subsequently when the manufacture of the locomotives in D.L.W. itself was taken up. In his assessment, it was desirable that experience should be acquired by assembling 12 locomotives. Accordingly, arrangements were made for the import of 12 locomotives in a knocked down condition for assembly in D.L.W. (to be financed from AID Funds which were already available).

The Board desired that G.M./D.L.W. should endeavour to turn out during the 3rd Plan, 95 locomotives in all, viz. 12 knocked down locomotives plus 83 partly manufactured locomotives. While noting the wishes and instructions of the Board, G.M./D.L.W. expressed difficulty in executing such a large programme, even big than the project report envisaged & based on thinking as it was at a very early stage, before the establishment of a factory in collaboration with ALCO Products, Inc., USA, had been taken up in full earnest. It has been the view of G.M. D.L.W. that the target should be 83

locomotives during the Third Plan including knocked down locomotives, but he would endeavour to turn out 91 locomotives, including 12 knocked down locomotives.

Arrangements made for financing the import of companies & sub-assemblies for the years 1963-64 & 1964-65.—In addition to the import of 12 locomotives in a knocked down condition, a loan was secured from the EXIM Bank for the purpose of procurement of 29 locomotive sets of imported components to cover the requirements of DLW's production for 1963-64 and 1964-65. In asking for 29 locos, the intention was to provide for a margin for locomotives which would be under different stages of manufacture, in DLW by the end of 1964-65, in addition to those which would be completed and turned out of the shops.

Actual production to the end of Nov., 1964.—Four locomotives assembled from knocked down components were turned out during the year 1963-64.

During 1964-65, by the end of November 1964, 7 knocked down locomotives and 2 locomotives partly manufactured in DLW have been turned out, making a total production of 9 locomotives, for the year 1964-65.

Difficulties in keeping up the production of locos as planned Planning for production was based on the premise that the components for the locomotives to be manufactured in DLW would be available in good time.

The locomotives to be manufactured and completed in DLW during 1964-65 (17 locomotives) were to comprise mainly of the underframe and superstructure to be built in the works, while the remaining components, by and large, were required to be imported.

For the first batch of 10 locomotives, on account of an unavoidable delay, due to Docks' strike in New York, in the shipment of imported components, ordered on Overseas Diesel Corporation, their receipt in the Works of DLW was delayed and thrown out of gear. Some components also got mis-despatched/over-carried/or missed in transit in the shipment, and these were not received in DLW. Although the expectations regarding delivery at DLW fructified in regard to a portion of the components, supplies with regard to others did not materialise in accordance with the anticipations. The short receipt in some of the components had also to be made good by fresh supplies. In the result, there has been a delay in the timely receipt of all the components for these 10 locomotives. The latest position is

that, excepting for a few components, full supplies against the others have been received and DLW expect to turn out these 10 locos, (two already turned out) during 1964-65.

With regard to the second batch of locomotives, (of which 7 more were scheduled to be turned out during 1964-65 in addition to the 10 referred to in the preceeding sub-para.), orders for imported components had been placed on Overseas Diesel Corporation for 19 sets. The arrangement with the Overseas Diesel Corporation was that they would obtain and supply the electrical equipment from M/s. General Electric Company U.S.A., whose equipments are fitted to ALCO locomotives. When the quotations for the electrical equipment for this batch of locomotives were received, it was found that M/s. General Electric Company had put up their prices by about 10% to 11%. Negotiations were carried out with them to try and bring down their prices to the maximum extent possible, and in this process there was a hold-up of about two to three months in the placement of firm orders for the electrical equipment. In spite of their best efforts, the Overseas Diesel Corporation have not been able to arrange timely delivery of the complete traction equipment sets even for the 7 locomotives scheduled to be turned out from DLW during 1964-65, from out of this batch, and the latest anticipation is that it may not be possible for all the traction equipment for the 7 locomotives to be received in time. D.L.W. are, however, getting on with the work of the construction of the super structure and the underframes of the locomotives in accordance with the schedule and hope to build these 7 locomotives also and turn them out early during 1965-66, thus completing in all 29 locomotives comprised in the 1963-65 programme.

On account of the difficulties set out above DLW expect to be able to complete and turn out only 18 locomotives (8 assembled and 10 partly manufactured) during the year 1964-65.

V. Percentage of indigenous content in the manufacture of locomotives in D.L.W.

Diesel Locomotive Works, Varanasi, made a start during 1963-64 in the assembly of diesel locomotives from imported components and sub-assemblies and upto the end of November 1964, 11 such locomotives have been completed. In these locomotives, a few fitments of indigenous manufacture valued approximately at Rs 20,000/- per locomotive have been used.

A start has also been made during 1964-65 in the manufacture at the Diesel Locomotive Works, Varanasi of the chassis and super-structure portion of the locomotive (other than the diesel engine and

the electric generating and traction equipment) and 2 such locomotives with an indigenous content of about 17·5% of the total cost of the locomotive (42% of the chassis portion and 2·25% of the electrical portion) have so far been completed. Of this extent namely, 17·5% indigenous content of the total cost of the locomotive, 14·75% (Rs. 1·72 lacs) is relating to the work put in by D.L.W. and 2·75% (Rs. 32,000) is in respect of items procured through the trade.

In the first instance, at Diesel Locomotive Works, during 1964 and 1965, the manufacture of the chassis and superstructure portion is programmed with progressively increasing indigenous content and during 1966, the diesel engine. A start in the manufacture of the electrical equipment is also expected to be made by Heavy Electricals India Ltd., Bhopal, in 1966.

The indigenous content of the locomotive is expected to be progressively increased, ultimately reaching the level of about 90% in the latter part of the 4th Plan. Thereafter only some specialised items will be required to be imported.

VI. Progress of the Project (construction phase upto the end of November 1964).

The progress of the project to the end of November 1964 is as under:—

Description of work	Proportion (%) of major sub-divisions of work to the whole	Proportion (%) of work completed under major sub-divisions of work	percentage of Col. 3 to Col. 2
1	2	3	4
<i>Civil Engineering</i>			
(a) Land	3	2·90	96·6
(b) Shops & Offices	30·50	25·98	85·2
(c) Township	24·50	18·57	75·79
Total Civil Engineering	58·00	47·45	82·00
Mechanical & (Electrical) Engineering	42·00	21·32	51·00
Total (Civil & Mechanical) Engineering	100·00	68·77	69·00

The progress on the Civil Engineering works is 82% completed, while the progress on the mechanical including electrical engineering portion is 51% completed. The overall percentage completion of the project as a whole is 69%, and is well in accordance with the schedule.

The project is scheduled to be completed by the end of 1965. It is expected to achieve this target of completion.

VII. Progress in the ordering, receipt and installation of machinery and plant.

The progress upto November 1964 is indicated in the form of a statement below:—

	<i>Imported</i>		<i>Indigenous</i>
(a) Total requirements	1455		
(b) Number that were already available with the Locomotive Component Works and which were taken over by D.L.W.	72	58(US Excess machines)	14
(c) Net requirements to be procured	1383	713	670
(d) Machines already ordered	1275	644	631
(e) Machines for which orders are yet to be placed	108*	69	39
(f) Machines received from out of these ordered	996	576	420
(g) Number of machines, out of 996, which have been installed.	858	483	375
(h) Number, which have yet to be installed	138	..	..
(i) Number under installation out of those shown against (ii) above.	61	..	..

NOTE—(i)—This leaves only 77 machines which have been received and are awaiting installation. Out of these 77 machines, 42 are light machines which can only be installed after erection of the heavy machines, in order to have space for foundation, erection and completion of flooring. The installation of machines is taken in hand and completed, in the sequence in which they are required and would be required, for the schedule of production, planned for the factory, and the progress in the installation is in keeping with and in fact slightly ahead of the requirements as per the production schedule. The whole work has been programmed in such a manner that all the machines referred to above as well as remaining machines which are to be received will be completed by September, 1965.

* (ii)—Orders for these machines have been finalised and are expected to be confirmed shortly.

VIII. Anticipated cost of production of locomotives in Diesel Locomotive Works year-wise.

1. The landed cost of the locomotive is Rs. 14.11 lakhs.*

2. The table below gives the anticipated cost of production in D.L.W.:—

	1963-64 Actual	1964-65	1965-66	1966-67	1967-68
Production Schedule	4(KD)	8 (KD) 10 (DLW Manufactured)	54	108	150
Manufacturing cost (in lacs of Rs.)	14.08	14.08 (KD) 15.27 (DLW manufactured)	15.27	14.19	13.50

*Based on ex-factory price of \$ 245,000 per locomotive.

NOTE:—The reason for the comparatively higher cost of production in the initial stages and more particularly during 1964-65 and 1965-66 is due to the fact that till production is increased the incidence of overheads including depreciation charges on assets distributed on the production during the year is much larger on account of the lower production. As production builds up, the *pro rata* distribution of these charges per locomotive gets reduced and this in turn is reflected in the total manufacturing cost per locomotive. It will be observed that the manufacturing cost during 1967-68 when the target is expected to be achieved, is anticipated to be lower than the landed cost of the locomotive.

APPENDIX VI

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

MEMORANDUM

Explanatory Notes on Excesses over Voted Grants and charged Appropriations during 1962-63; Vide para 9 (pages 5 to 7) of Audit Report (Railways), 1964.

General Observations:

The expenditure in 1962-63 exceeded the grants voted by the Parliament under five grants, as shown in detail in the enclosed Annexure 'A', as against excesses over two voted grants in 1961-62 and one in 1960-61. The aforesaid excesses over five voted grants are briefly indicated below:—

(In units of Rs.)

	Final Grant	'Real' excess of expenditure over final grant (after taking into account mis-classifications)	Percentage of excess over grant
Grant No. 3—Revenue—Payments to worked Lines and others.	28,08,000 (same as original grant).	24,117	0·9%
Grant No. 7—Revenue—Working Expenses—Operation (Fuel)	86,31,39,000 (including 3,62,81,000 Supplementary Grant)	87,75,029	1·0%
Grant No. 17—Open Line Works—Replacements.	1,20,40,17,000 (including 8,60,54,000 Supplementary Grant)	5,53,72,781	4·6%
Grant No. 18—Open Line Works—Development Fund.	22,98,00,000 (same as original grant)	19,26,454	0·8%
Grant No. 20—Appropriation to Development Fund.	23,21,97,000 (same as original grant)	18,84,53,425	81·2%

2. The excess over charged appropriations occurred in two cases as shown below (details in enclosed Annexure 'C'), as against four in 1961-62 and six in 1960-61:—

Final Appropriations	Real excess of expenditure over final appropriations	Percentage of excess over appropriations
5. Revenue Working Expenses— Repairs and Maintenance.	1,82,000 including 82,000 supplementary appropriation)	268 0.15%
17. Open Line Works— Replacements.	22,31,000 including 12,56,000 supplementary appropriation)	2,79,665 12.5%

3. The excesses over voted grants Nos. 3, 7, 17, 18 & 20, as reproduced in the attached Annexure 'A', based on the figures shown in para 57 of Appropriation Accounts 1962-63 Part I—Review and para 9 of Audit Report (Railways) 1964, are required to be regularised by the Parliament after taking into account the items of misclassifications in grants No. 7, 17 and 18 as detailed in Annexure 'B'.

4. The broad explanation for the excesses given in these general observations are supplemented by explanations in some detail which follow. In the first place, as will be observed from the figures given in the opening paragraph ante, the most significant excess occurred under voted grant No. 20—Appropriation to Development Fund—to the extent of Rs. 18.85 crores, representing more than 74 per cent of the total excess, under all the grants and appropriations of Rs. 25.48 crores. The Audit Report (Railways), 1964, has itself clarified (in para 9, page 5), that this item is strictly not an item of expenditure. The excess has been explained, on page 6 of the Audit Report (Railways) 1964, as due, amongst other things, to the increase in gross traffic receipts which, in fact, is the chief constituent of the excess.

5. The phenomenal increase in the gross traffic receipts in 1962-63, even over what could be envisaged in the Revised Estimate forecasts for the year presented to the Parliament on the basis of the first nine months' trend of earnings, was an unprecedented feature due to the spurt in traffic in the closing months of the year following the Emergency. The only other abnormal year in the recent past—though in the opposite direction—was the year 1958-59, which was one of particularly slow growth of economy and in which the revised estimates and the actuals were progressively less than what had been anticipated in the original budget estimates. Except in these two

years, which are now generally recognised as abnormal years, the actual traffic earnings as a rule have approximated remarkably closely to the estimates (budget or revised) notwithstanding the difficulties of predicting, even reasonably approximately the financial effect of suddenly changing patterns of rail traffic. The following figures for the last seven years for which completed accounts are available (from the commencement of the Second Plan) support the foregoing observations:—

(In crores of rupees)

	Budget Estimate	Revised Estimate	Actuals
1956-57	345.00	350.00	347.57
1957-58	377.90	384.40	379.78
1958-59	407.48	394.38	390.21
1959-60	422.03	422.03	422.34
1960-61	464.50	458.00	456.80
1961-62	499.02	501.24	500.50
1962-63	545.36	549.62	560.79
TOTAL (for 7 years).	3061.29	3059.67	3063.99

The freight tonnages lifted by the Railways in the last three months of the year 1962-63 (January, February and March 1963) were higher by 19.3 per cent, 15.7 per cent and 12.2 per cent than what had been lifted in the same months of the previous year respectively. On the other hand, in the first nine months of 1962-63, the increase over the corresponding period of the previous year had been only 10.5 per cent. These figures amply indicate the phenomenal spurt in traffic and the improvement in the freight lifting capacity of the Railways in the closing months of the year (1962-63) following the Emergency which could not reasonably be foreseen in the Revised Estimates of gross traffic receipts. There was also a change in the pattern of traffic in the aforesaid last three months by way of a greater proportion of movement of high-rated commodities, as shown by the overall rate of earnings from freight traffic which came to Rs. 24.28 per tonne as against a much lower figure of Rs. 22.2 for the corresponding months of 1961-62. The unexpected increase in traffic in the closing months of the year, including also the increase in passenger traffic, accounts for as much as Rs. 17.17

crores, out of the total increase of Rs. 18.85 crores over the budgeted surplus in the revised estimates which became available for transfer to the Development Fund and which figures as one of the excesses over Voted Grants.

6. Other items, besides traffic earnings, admittedly enter also into the calculation of the net surplus and add to the variations of actual surplus from budgeted surplus, as happened in 1961-62 and 1960-61. These other factors, however, did not come into play in 1962-63 in which year the variation was due to traffic earnings exceeding the estimates, on account of the unexpected spurt in traffic in the closing months of the year. It will be seen from the following figures of Revenue Working Expenses, that estimating of these expenses was remarkably accurate :—

Budget Estimates	.. ..	Rs. 423.94 crores
Revised Estimates	.. ..	Rs. 430.28 ..
Actuals	.. ..	Rs. 429.52 ..

As will be readily appreciated, increase of expenses over the initial Budget Estimates year after year, leading to Supplementary Demands on the basis of Revised Estimates, is inevitable when there are post-budget developments such as fresh concessions given to staff, post-budget increases in the price of coal and other materials, etc. Therefore, a comparison of the actual expenses should be with the Revised Estimates on which Supplementary Demands are based. In 1962-63 the variation between the Revised Estimates and the Actuals was only 76 lakhs or Rs. 430.28 lakhs, i.e., as little as 0.18 per cent.

7. Apart from the excess under the voted grant No. 20 'Appropriation to Development Fund' from surplus, which is explained in detail in the preceding paragraphs and excluding also the relatively small excesses over voted grants Nos. 3 and 18, the significant excesses are under the following two voted grants only:—

(i) *Under Grant No. 7.*—With an unexpected increase in traffic in closing months of the year, as already explained, there was an unavoidable excess, mainly on the Western Railway, of Rs. 85.13 lakhs over the voted final grant of Rs. 86.31 crores, which represents less than one percent excess.

(ii) *Under Grant No. 17.—Open Line Works—Replacements* — The excess which occurred mainly on the Central and South-Eastern Railways of Rs. 5.68 crores, over the final grant of Rs. 120.40

crores, represents an excess of Rs. 4.7 per cent. With very significant and unexpected increase in transport movements during the closing months of the year, it was only appropriate that necessary corresponding improvement of track should be effected, through speeding up of renewals when this became possible as a result of greater availability of track materials.

8. The Ministry of Railways would plead that significant excesses in expenditure over voted grants have not occurred since 1957-58 when several remedial measures were adopted. Instructions have been issued to the Railway Administrations reiterating that, in connection with the closing of the accounts for the year 1963-64, excesses should be strictly avoided. It is gratifying, however, that the progressively increased pace of expenditure on works reflects the timely implementation of the Railways' Plan Works, in order to achieve the full approved outlay on the Railway Development Programme in the Third Plan without lapse of sanctioned funds. It is regretted that the extent of such increased expenditure was not foreseen and budgeted for at the Revised Estimate stage in 1962-63. This was due, as already explained, to the fact that it was an exceptional year; with the onset of the Emergency and the unexpected spurt in traffic which followed in the closing months of the year, much beyond even what could be envisaged in the Revised Estimates, there was unavoidable consequential additional expenditure under different heads such as could not be foreseen and provided for in the Revised Estimates on the basis of which Supplementary Demands for Grants were obtained.

This has been seen by Audit.

*Additional Member, Finance,
Railway Board.*

Excess of Rs. 24,117 under Grant No. 3—Revenue—Payments to Worked Lines and others (in relation to the voted final grant of Rs. 28,08,000).

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

The excess of a little over 24 thousands works out to about 0.9 per cent of the final grant of 28.08 thousands. The excess is made up of a small excess of about Rs. 49 thousands under 'net earnings payable to worked lines' and a minor saving of about 25 thousands under 'Subsidy and Rebate'. The aforesaid excess of 49 thousands was the aggregate of small increases in the net earnings which became payable to certain worked lines on account of improvement in the gross earnings of those lines towards the closing months of the year over the forecast of traffic earnings,—a pronounced feature in 1962-63 for Indian Railways generally as explained in the introductory 'General Observations'.

The saving under 'Subsidy and Rebate' occurred mainly on the N. F. Railway on account of payment of rebate for the year having had to be deferred due to certain data for calculating the amount of rebate having not been received from the Company in time.

Excess of Rs. 85,13,309 under Grant No. 7—Revenue—Working Expenses—Operations (Fuel). (in relation to the Voted final grant of Rs. 86,31,39,000).

This grant deals with expenditure on coal and other fuel, freight and handling charges, sales-tax, excise duty and cess on coal and electric current for traction purposes. The excess of about Rs. 85 lakhs is a little less than one per cent of the final grant of about Rs. 86.31 crores, and occurred mainly on the Western Railway and was due to adjustment of heavier debits for freight, handling charges, etc., on fuel, incidental to the decision taken, in the context of the Emergency, to build up reasonably adequate stocks of coal for operational needs; also diversions, longer leads, etc., necessitated by the pattern of traffic in the closing months of the year.

It was sometimes necessary to make re-bookings and diversions of good quality of coal, within the limits of such coal received, in relation to increasing supplies of lower grade coal. This also resulted in increase under 'Freight and Handling charges'. Against the average monthly supply of about 55,549 wagons of lower grade coal during the first nine months of the year, the average monthly supply of such coal during the last three months was about 57,773 wagons; this resulted in increased freight and handling charges towards the closing months of the year and could not be precisely foreseen and taken into the revised estimates, on the basis of which the supplementary grant of 1,07.73 lakhs was obtained, further to the supplementary grant of 2,55.08 lakhs obtained in November, 1962.

The expenditure on the increased stocks of coal could be accommodated within the budget allotment under Capital Stores Suspense for the year, but additional provision under Revenue Grant 7 was secured through supplementary Grants to cover the related freight and incidental charges in respect of the aforesaid additional stocks, as well as the additional coal required for consumption to make up for the larger supply of lower grades of coal than allowed for in the budget. The freight and incidental charges were adjusted in the accounts of the year according to movement of the additional coal supplies as they actually materialised; precise forecast of such movements was not feasible depending as they do on actual transport conditions from time to time, which, as already explained changed greatly in the closing months of the year even after the Revised Estimates stage.

As shown in Annexure 'A' the excess requiring regularisation is Rs. 87.75,029 (after taking into account the erroneous adjustments including Rs. 2,72,500 in respect of freight and handling charges on fuel booked under Grant No. 9 instead of grant No. 7), in relation to a Voted final grant of Rs. 86,31,39,000.

Excess of Rs. 5,67,87,142 under Grant No. 17—Open Line Works—Replacements, (in relation to the Voted final grant of Rs. 1,20,40,17,0000).

This grant deals with expenditure on entire or partial, replacements of railway assets, such as rolling stock, machinery and works.

The excess of Rs. 5.68 crores over the final grant of Rs. 120.40 crores works out to 4.7 per cent and occurred mainly on the SE (2.28 crores) and the C (1.62 crores) Railways.

The excess was mainly under 'Works' (5.81 lakhs) partly offset by a relatively small saving under 'Rolling Stock' (13 lakhs).

The excess under 'Works' occurred chiefly due to improvement in the supply position of steel, girders and other permanent way materials, etc. Even over what was envisaged at the stage of revised estimates, resulting in acceleration in the progress of works, particularly track renewal works. A supplementary provision of 8.61 lakhs was obtained in anticipation of improved availability of permanent way materials, based on the anticipations of supplies for the remaining part of the year and the trend of receipts during the first eight months of 1962-63 as compared with that for the corresponding period of 1961-62. The actual improvement in the receipt of permanent way and other materials, however, proved to be even better particularly during the closing months of the year particularly in respect of indigenous supplies as a result of greater production by the steel plants than had been forecast (3.14 lakhs).

The other factors contributing to the excess under this grant were adjustment of debits for cost of materials, freight etc., and imported rails received by a railway in 1961-62 (2.01 lakhs), more advance payments to certain firms for supply of materials towards the close of the year (31 lakhs), credits for left over materials, etc., not received and adjusted to the extent expected (18 lakhs) and other minor variations (17 lakhs). There was also under-estimation of provision to the extent of about 25 lakhs in respect of certain items of expenditure in the final estimates. Against these excesses, there was a saving of 13 lakhs under 'Rolling Stock' representing the aggregate of minor variations.

After excluding the net amount of "Misclassifications" as detailed in Annexure 'B' the excess actually requiring regularisation by the Parliament works upto Rs. 5,53,72,781, in relation to a voted final grant of Rs. 1,20,40,17,000.

Excess of Rs. 17,94,251 under Grant No. 18—Open Line Works—Development Fund, (in relation to the Voted final grant of Rs. 22,98,00,000).

The excess of about Rs. 18 lakhs under this head was less than one per cent of the total allotment of Rs. 22.98 lakhs. The increase was chiefly the aggregate of three small excesses, namely (i) increased pace of expenditure on works consequent upon receipt of more materials and adjustment of debits therefore (7 lakhs), (ii) credits for certain surplus materials not received to the extent expected (9

lakhs) and (iii) certain expenditure relating to grant No. 16 having been inadvertently adjusted under this grant (2 lakhs).

These excesses being the aggregate of small variations on the different railways do not call for any special remarks. Including the net amount of misclassification, the excess actually requiring regularisation by the Parliament comes to only Rs. 19,26,454 in relation to a voted grant of Rs. 22,98,00,000.

Excess of Rs. 18,84,53,425 under Grant No. 20—Appropriation to Development Fund, (in relation to the voted final grant of Rs. 23,21,97,000).

Although technically this is an excess over the grant voted by the Parliament, it actually relates to the Appropriation to the Development Fund of the surplus for the year available as the close of the year's accounts. In dealing with this excess, therefore, allowance has to be made for the fact that the quantum of the net Railway surplus represents the net effect of the various factors, including earnings, affecting the Railway Budget, precise control over which is not feasible. At the time of the original budget, a surplus of Rs. 23.22 crores was anticipated, and this was proposed to be appropriated wholly to the Development Fund. The surplus expected at the stage of the revised estimates was about Rs. 23.20 crores which was practically the same as that anticipated at the time of original budget. The actual surplus at the close of the year, however, was Rs. 42.06 crores, and this was appropriated to the Development Fund thus resulting in the aforesaid excess of Rs. 18.85 crores.

The increase in surplus resulted chiefly from:—

- (i) Substantial improvement in the gross traffic receipts over the Budget anticipations particularly in Goods Traffic, attributable to spurt in traffic during the last months of the year 1962-63 after the emergency and the relative preponderance in the moment of high rated commodities as explained in the introductory 'General Observations' (Rs. 21.43 crores).
- (ii) Less expenditure on 'Open Line Works—Revenue', mainly due to shortfall in supply of certain materials and re-phasing of works, etc. (Rs. 1.55 crores),
- (iii) Increase under 'Miscellaneous Receipts' on account of transfer under this head of Government contribution to Provident Fund accounts of the employees opting for

pensionary form of retirement benefit; it was not envisaged at the time of budget that any further accretion of the aforesaid nature would occur to Revenue during the year under review as the last date of option was to expire on 31st December, 1961. As a result, however, of the extension of the date of option upto 31st March, 1963, some more serving employees opted for pension during 1962-63, and thus an additional amount representing the accumulated Government contribution and interest thereon in the Provident Fund Accounts of further optees during the year reverted to the Government and caused thus fortitious increase under 'Miscellaneous receipts' (Rs. 76 lakhs),

- (iv) Shortfall in payment of dividend to General Revenues due to the total Capital Outlay on which dividend is payable, being less than what had been anticipated in the Budget Estimates (Rs. 59 lakhs), and
- (v) Minor decrease under 'Miscellaneous Expenditure' (Rs. 9 lakhs).

As against the foregoing factors, there was an increase of Rs. 5.56 crores under Working Expenses, resulting mainly from (a) post-budgetary enhancement in the price of coal and higher rate of consumption of coal consequent upon larger supply of lower grades of coal and increased movements instituted by the Emergency (c.f. sub-para (i) Supra), (b) post-budgetary decision to credit Government contribution to Provident Fund Accounts of such temporary employees as had completed three years of service and as had been appointed before 15th November, 1957, new entrants from which date only were compulsorily brought under the pension scheme of retirement benefits, (c) raising of Special Emergency Reserve of Railway Protection Force for safeguarding of Railway Traffic, Workshops and other Railway installations and (d) post-budgetary decision to sanction 'night duty allowance' to certain categories of staff in pursuance of the Pay Commission's recommendations.

Excess of Rs. 268 under charged Appropriation No. 5—Revenue—Repairs and Maintenance (in relation to the charged final appropriation of Rs. 1,82,000).

The excess of Rs. 268 is just 0.15 per cent. of the final appropriation of 1.82 thousand. This was due to rounding off: the actual expenditure was Rs. 1,82,268, against the provision of Rs. 1,82,000, made in thousands of rupees.

*Excess of Rs. 2,79,665 over Appropriation No. 17.—Open Line Works—
Replacements.*

This excess resulted mainly because on one zonal railway payment of Rs. 394 thousand, was arranged through a cheque in favour of the Collector, Varanasi, who was the Land Acquisition Officer in respect of Compensation for certain land being acquired by the State Government for that railway as decreed by the Additional District Judge, Varanasi. The funds for this payment had inadvertently been retained by the railway under Capital voted, upto the final modification stage; but the payment on this account was adjusted as 'charged' and this resulted in an excess of 3,53 thousands under the 'charged' appropriation on that Railway as funds to cover this payment were omitted to be obtained. This excess was partly offset by savings of minor magnitude on the other zonal railways and resulted in the overall excess of Rs. 2,79,665 indicated above. The question of allocation of such payments has been further gone into by the Ministry of Railways and the attention of the Railways concerned has been drawn to the imperative need for rigid observance of the statutory provisions in regard to the correct provision of funds for and booking of, charged expenditure.

ANNEXURE 'A'

Statement showing Excess over voted Grants as shown in para 9 of the Railway Audit Report, 1964, as well as excesses worked out after taking into account, items of Misclassification.

(Figures in Units of rupees)

S. No.	No. & name of Grant	Original Grant	Supplementary Grant	Final Grant	Expenditure	Excess	Real Excess after taking into account misclassification	%age of Excess (Col. 6 to Col. 4)	%age of real excess (Col. 7 to Col. 4)
1		2	3	4	5	6		8	9
1.	3—Revenue—Payments to worked lines and others	28,08,000	..	28,08,000	28,32,117	24,117	24,117	0.9	0.9
2.	7—Revenue Working Expenses—Operation (Fuel)	82,68,58,000	3,62,81,000	86,31,39,000	87,16,52,309	85,13,309	87,75,029	1.0	1.0
3.	17—Open Line Works—Replacements	1,11,79,63,000	8,60,54,000	120,40,17,000	126,08,04,142	567,87,142	5,53,72,781	4.7	4.6
4.	18—Open Line Works—Development Fund	22,98,00,000	..	22,98,00,000	23,15,94,251	17,94,251	19,26,454	0.8	0.8
5.	20—Appropriation to Development Fund	23,21,97,000	..	23,21,97,000	42,06,50,425	18,84,53,425	18,84,53,425	81.2	81.2

ANNEXURE 'B'

Grant No. 7—Revenue—Working Expenses—Operation (Fuel)

S. No.	Particulars	Amount
1	Excess shown in the Appropriation Accounts	85,13,309
2	(a) Deduct :	
	(i) Expenditure relating to Grant 5 booked under Grant 7	9,228
	(ii) Credits relating to Grant 7 booked under Grant 9	4,646
	TOTAL :	13,874
	(b Add :]	
	Expenditure relating to grant 7 booked under grant 9 (Rs. 2,72,500) and grant 5 (Rs. 3,094)	2,75,594
	Real excess to be regularised by Parliament.	
	(1)—2(a)—2(b)	87,75,020

Grant 17—Open Line Works—Replacements

S. No.	Particulars	Amount
1	Excess shown in the Appropriation Accounts	5,67,87,142
2	(a) Deduct :	
	(i) Expenditure relating to grant 16 (Rs. 11,69,000 + Rs. 28,113 + Rs. 21,000 + Rs. 225,, grant 18 (Rs. 1,40,682), grant 14 (Rs. 10,983 and grant 5 (Rs. 10,000), booked under grant 17	13,80,003
	(ii) Credits relating to grant 17 booked under grant 18	1,60,792
	(iii) Credit relating to grant 17 booked under Earnings	728
	TOTAL :	15,41,523

S. No.	Particulars	Amount
	(b) Add :	
	(i) Expenditure relating to grant 17 booked under grant 18 (Rs. 46,583 + Rs. 15,964), grant 8 (Rs. 5,359) and grant 5 (Rs. 3,222)	71,128
	(ii) Wrong adjustment of certain credit as reduction of expenditure instead of credits or recoveries outside the scope of the grant	50,802
	(iii) Expenditure relating to grant 17 booked under grant 9	5,232
	TOTAL :	1,27,162
	Real Excess to be regularised by Parliament	
	(1) — 2(a) + 2(b)	5,53,72,781

Grant 18—Open Line Works—Development Fund

S. No.	Particulars	Amount
1	Excess shown in the Appropriation Accounts	17,94,251
2	(a) Deduct :	
	(i) Expenditure relating to grant 16 (Rs. 1,95,072), grant 17 (Rs. 46,583 + Rs. 15,964) and grant 5 (Rs. 6,151) booked under grant 18	2,63,770
	(ii) Credits relating to grant 18 booked under grant 14	2,086
	(iii) Credits relating to grant 18 booked under Earnings	15,418
	TOTAL :	2,81,274
	(b) Add :	
	(i) Expenditure relating to grant 18 booked under grant 17 (Rs. 1,40,682) and grant 5 (Rs. 42,370)	1,83,052
	(ii) Wrong adjustment of certain credit as reduction of expenditure instead of credits or recoveries outside the scope of the grant	69,633
	(iii) Credits relating to grant 17 booked under grant 18	1,60,792
	TOTAL :	4,13,477
	Real excess to be regularised by Parliament	
	(1) — 2(a) + 2(b)	10,26,454

ANNEXURE 'C'

Statement showing Excess over charged Appropriations as shown in para 9 of the Railway Audit Report 1964, as well as excess after taking into account items of misclassifications.

(Figures in Units of rupees)

S. No. & name of the Appropriation	Original Appropriation	Supplementary Appropriation	Final Appropriation	Expenditure	Excess	Real Excess after taking into account misclassification.	%age of excess of (Col. 6 to Col. 4)	%age of real excess (Col. 7 to Col. 4)
1	2	3	4	5	6	7	8	9
1. 5—Revenue—Working Expenses—Repairs and Maintenance.	1,00,000	82,000	1,82,000	1,82,268	268	268	0.15	0.15
2. 17—Open Line Works—Replacements.	9,75,000	12,56,000	22,31,000	25,10,665	2,79,665	2,79,665	12.5	12.5

APPENDIX VII

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

Para 11 of Audit Report (Railways), 1964—Assumption of common carrier's liability.

Points raised:

(a) Amount paid on account of the enlarged liability during the full year 1962-63 and also 1963-64, compared to the total compensation for claims payable.

(b) Details of claims paid on account of pilferages from sugar consignments at Kantapukur and those paid for pilferages as a whole during the years 1959-60 to 1963-64.

Reply:

Statements are attached giving the relevant information.

Item No. (A)

Statement showing the amount paid on account of the enlarged liability during the full year 1962-63 and also 1963-64, compared to the total compensation for claims payable.

Name of Railway	Total compensation paid for claims in 1962-63	Amount paid on account of assumption of enlarged liability in 1962-63	Percentage of column 3 to 2	Total compensation paid for claims in 1963-64	Amount paid on account of assumption of enlarged liability in 1963-64	Percentage of column 6 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs.	Rs.		Rs.	Rs.	
1. Central	58,56,196	70,444	1.20	68,37,411	24,523	0.36
2. Eastern	54,62,765	2,71,502	4.97	68,70,371	4,45,425	6.48
3. Northern	57,72,469	33,702	0.58	78,05,259	33,004	0.42
4. North Eastern	18,09,167	9,717	0.54	27,67,035	2,414	0.09
5. Northeast Frontier	37,05,144	12,772	0.34	22,70,706	1,897	0.08
6. Southern	41,75,733	1,16,071	2.78	47,75,156	63,663	1.33
7. South Eastern	78,19,624	6,992	0.10	70,34,284	1,87,433	2.65
8. Western	73,37,044	80,642	1.10	95,83,334	1,01,084	1.05
TOTAL :	4,19,38,142	6,01,842	1.40	4,79,43,556	8,59,443	1.79

Item No. (B)

Statement showing details of claims paid on account of pilferages from sugar consignments at Kantapukur and those paid for pilferages as a whole during the years 1959-60 to 1963-64

Year	Kantapukur Shed		Eastern Railway as a whole		Percentage of cases at Kantapukur to cases on entire Eastern Railway	
	No. of claims paid	Amount paid	No. of claims paid	Amount paid.	No. of claims paid	Amount paid
		Rs.		Rs.		
1959-60	3,019	3,71,264	9,480	11,21,537	31·84	33·10
1960-61	3,478	3,30,899	14,810	14,92,902	23·48	22·16
1961-62	4,491	4,65,079	15,475	15,28,877	29·02	30·42
1962-63	4,736	8,86,723	15,989	20,81,277	29·62	42·60
1963-64	6,069	10,23,212	18,316	24,85,484	33·13	41·16

APPENDIX VIII

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising of the evidence tendered before the Public Accounts Committee

Para 14—Northeast Frontier Railway—Extra expenditure caused by changing the Zonal Contract System into Area Contract System.

Point (1):

It was stated during evidence that the zonal rates were unworkable in the previous year and for that reason many of the works could not be carried out. A statement showing (i) the amount of work required to be done and (ii) that actually done by the zonal contractors on the N.F. Railway during the year 1961-62 may be furnished.

Reply:

The point apparently has arisen out of the following extracts of the N.F. Railway Chief Engineer's note read out during the course of evidence:—

“It is stated that zonal rates in last year were extraordinarily low with the result that contractors were not able to push on with as many works as it would have been desirable to get through. In fact the rates in some cases were unworkable.....”.

Since the Area Contract System was in force between 1-12-61 and 30-9-62, the information required by the Committee is presumably with reference to the zonal year from 1-10-60 to 30-11-61, i.e. just prior to the introduction of the Area Contract System. In that context the relevant information for zonal year from 1-10-60 to 30-11-61 is as follows:—

(a) Value of the work required to be done by the Zonal contractors	Rs. 84,97,892
(b) Value of the works actually done by the Zonal contractors	65,63,251

Point (2):

Copies of the relevant correspondence, namely (i) remarks of the F.A. & C.A.O. conveyed to the Railway Administration during

September and November 1961, (ii) Railway Administration's letter to the Railway Board written in January 1962, (iii) F.A. & C.A.O.'s D.O. letter to the Financial Commissioner dated February 1962, and (iv) Railway Board's reply of March 1962, may be furnished.

Reply:

A copy each of the relevant correspondence is attached *vide* Annexures A, B, C & D.

[*Note.*—The remarks of the F.A. & C.A.O. on the relevant subject were conveyed to the Administration in Sept. 1961 only and he did not offer any further remarks in Nov. 1961.]

Point (3):

A statement showing the works executed under the zonal system on the Railway from 1-4-1962 to 30-9-1962, indicating (i) the amount paid to the zonal contractor and (ii) the amount which would have been paid had the works been executed under the area contract system may be furnished.

Reply:

As already clarified earlier, the Area Contract System was in force between 1-12-61 and 30-9-62. The following information showing the value of works executed during the period from 1-4-62 to 30-9-62 under the Area Contract System and the amount that would have been payable had the works been executed at the Zonal rates for the zonal years 1960-61 and 1962-63 is furnished for facility of comparison:—

	Rs.
(a) Amount paid to the Area Contractors	28,72,148
(b) Amount which would have been payable had the works been executed at the Zonal rates for the Zonal years—	
(i) 1-10-60 to 30-11-61	22,64,422
(ii) 1-10-62 to 30-9-63	24,81,801

Point (4):

In March, 1962 the Railway Board advised the Railway Administration to adopt the area contract system only if it was advantageous. What happened to the work orders pending on that date? How many of these orders were continued till October 1962?

Reply:

(a) No. of Work Orders issued upto 31-3-62 under area contract system	Nos. 1580
(b) No. of Work orders completed within 31-3-62	450
(c) No. of work orders issued before March, 1962 but completed by 30-9-62	976
(d) No. of work orders issued before March, 1962 but not completed	154

ANNEXURE 'A'

Copies of F.A. & C.A.O.'s notes

In concluding para of C.E.'s note it is stated that calculation are based on tendered rates for works, which were accepted during the period from 1st June 1960 to 31st May 1961. Any special works which have been omitted from these calculations should be pointed out to the C.E. for inclusion therein.

2. The consumer's price for working class was 119.7 on the average during the period from Dec., 1959 to May, 1960 and 123.5 for the period from Dec. 1960 to May, 1961. Thus there is an increase of about 4% whereas the increase in the proposed area rates compared with the average of the zonal rates for the whole district for the period ending 30th September, 1961 is much higher. The statistics of increase in respect of three districts which have so far been checked viz., Haflong, Dibrugarh and XEN/Con. is shown below:—

District	Area rate proposed for the period ending 30-9-62	Average zonal rate for the period ending 30-9-1961	Percentage increase
1	2	3	4
(a) (i) Haflong Sub-Divn.]	79% above S.R.	} For maintenance works 64% above S.R. for new work 58% above S.R.	(Average)
(ii) Badarpur Sub-Divn.	71% above S.R.		
(b) (i) DBRT Sub-Divn.	75% above Zonal area	} average of the zonal rate 37.33 % which is based on the average tender rates for repairs and maintenance and new works.	28%
(ii) Mariani Sub-Divn.	74% above Zonal area		
(c) XEN/CON PNO	76% above Schedule of rate.	20.85 % for repairs works and 22.5% for new works.	47%

3. The schedule of rate current on this Railway contains labour rates only except for rates of Kutchra quarters which are labour and material ones. The Railway Board in their letter of 13-4-61 say that percentage increase or decrease over the schedule of rates for purpose of fixation of area rates should be computed on the basis of tendered rates for special work in the area in the previous 12 months. The rates obtained for special works can be applied in fixing area rates had the tenders for special works been invited at percentage cost above or below the schedule of rates. The tenders for special works were however invited for the cost of complete work (Labour and material) on the basis of special Schedules attached to the tenders. For example see tender rates for 'Construction of Cash Office with its Ancillary Works at Pandu.'

4. Thus the tendered percentages in respect of special works have been calculated with reference to Labour and material costs provided in the connected estimate. The application of these percentages which have relation to the cost provided in the estimate over the rates in the schedule for calculating area rates will not be correct. Board's letter of 13-4-1961 says that area rates should be fixed on the basis of accepted tendered rates for special works and other relevant factors. The factor described above viz. tender percentages for special works based on estimated cost is very vital one and has to be taken into account. The appropriate method to fix area rates will, therefore, be to increase the average rates prevailing in the particular area for the period ended 30-9-61 by 4% representing the increase in Consumer's price for working class mentioned above. If this is adopted the area rates will work as shown below against those proposed by the C.E.

Area	Rate proposed by C.E	Rate worked out at 4% increase over the average rates for the District for the period ending 30-9-1961.
(a) (i) Haflong Sub-divn.	79% above S.R.	63.5%
(ii) BPR Sub-Divn.	71% Do.	63.5%
(b) (i) DBRT Sub-divn.	75%	38.72%
(ii) Mariani Do.	74%	38.72%
(c) XEN CON PNO	76%	22.5%

SAO/F

F.A. & C.A.O.

The above may be pointed out to C.E. The economic working of the Zonal system over the Area system may also have to be made known to the Railway Board.

Sd/-F.A. & C.A.O.

12-9-1961.

As the Chief Engineer is not agreeable to calculate the area rates by allowing increase of 4% over the zonal rates for the period ending 30-9-1961 his proposal to adopt the area rates for the 3 Districts as shown in col. 2 of the table under para 2 of my note dated 8-9-61 may be accepted. The extra payment involved as a result of increase in area rates proposed by C.E. as compared with rates for the period ending 30-9-61 will be as follows:—

Haflong District	73,418
DBRT	8,10,989
XEN (Const.) (PNO-GHY) (area)	6,67,976
	<hr/> 15,52,383

G.M.'s sanction will be necessary for the proposed area rates.

Sd/- SAO/F

14-9-1961

In view of the circumstances explained by the CE Area Rate system which the Railway Board wanted to implement may be adopted. This involved extra cost as brought out by SAO/F. G.M.'s sanction may be obtained.

Sd/- F.A. & C.A.O.

15-9-1961

[NOTE—The remarks of the F.A. & CAO on the relevant subject were conveyed to the Admn. in Sept./61 only and he did not offer any further remarks in Nov./61.]

ANNEXURE 'E'

Copy of confidential letter No. W/SS/Con/28 dated 6-1-1962 from G.M., N.F. Rly. addressed to the Railway Board, New Delhi.

SUB.—*Fixation of Area Rates for the period 1-10-1961 to 30-9-1962.*

In terms of Railway Board's letter No. 58/WII/CT/119 dated 6-10-60 and even number dated 13-4-61 Area Rates were fixed on the percentage increase above the schedule of rates on the back-ground of accepted tender rates for special works in the areas. In consultation with FA&CAO the rates were sanctioned by the General Manager. While concurring to the area rates, the FA & CAO stated that extra payment involved as a result of area rates as compared with the rates for the period ending 30-9-61 will be as follows:—

	Rs.
Haflong District	73,418
Dibrugarh District	8,10,989
XEN (Construction) (Pandu-Gauhati Area)	6,67,976
Katihar District	37,515
Siliguri District	5,33,983
Bongaigaon District	11,22,000
Lumding District	2,83,797
	<hr/>
	35,29,678

Though the Area Rates were fixed no contractors were forthcoming for works in the entire Katihar District and in Majbat Sub-division of Bongaigaon District, for which Zonal tenders have been called, whereas for works under XEN/Construction in Pandu-Gauhati area several contractors offered to work at a lower rate than fixed, and in consultation with the FA & CAO the rate previously fixed has been reduced accordingly. Board's approval for working on Zonal system in the Katihar Engineering district was requested in Shri Venkataraman's D.O. No. W/362/198(A) dated 14-12-61 to Shri M. R. Reddy. The General Manager has since accorded sanction to the letting out of work in the Katihar Engineering district on the zonal system. Board's approval for working on Zonal system in the Katihar Engineering District and the majbat Sub-division of the Bongaigaon Engineering District may please be obtained and communicated early.

ANNEXURE 'C'

Extract of Para 10 of F.A. & C.A.O.'s quarterly D.O. letter No. FA/57/36/20 dated 17-2-62 to the Financial Commissioner, Railway Board.

10. *Introduction of Area Rates.*

Prior to 1-10-61 ordinary repairs and maintenance works and new minor works of contract value of Rs. 25,000 each or below were awarded to Contractors on the basis of competitive tenders. Except for kutchra quarters the schedule of rates in force on this Railway contains labour rates only and materials are issued by the Railway to the contractors for use on the works so let. For this purpose the Railway was divided into 57 zones. In implementation of the resolution recorded at the C.E.s Conference at Simla in June 1960, it was decided by the Board vide their letter No. 58/WII CT/19 dated 6-10-60 that they have no objection to the Railways following the zonal system to adopt the area contract system which is in force on the Eastern Railway, of having more than one contractor to carry out works in each area at fixed rates and that the fixed rates representing the percentage increase or decrease over the Schedule of rates for each area should be decided by the C.E. in consultation with FA & CAO on the basis of tendered rates for special works in the area accepted during the last 12 months. The adoption of area contract as system from 1-10-61 on the basis of fixed rates described above as opposed to rates fixed on the basis of competitive tenders is likely to result in extra payment of about 35 lakhs as compared with the payments during the year ended 30-9-61. The increase in rates over last year is partly attributable to increase of about 4% in the Consumer's Price for working class. The increase due to this factor works out to Rs. 1.4 lakhs approximately out of Rs. 35 lakhs.

ANNEXURE 'D'

Copy of Railway Board's letter No. 61/WII/CT/94 dated 12-3-62 to G.M., N. F. Rly., Pandu.

SUB.—*Introduction of area system on N. F. Rly., instead of zonal system.*

REF.—Your letter No. W/SS/Con/28 dated 6-1-62.

Please refer your above quoted letter. It is stated in this letter that in terms of Railway Board's letter No. 58/WII/CT/19 dated 6-10-60 the area system of contracts were adopted on your Railway. The Board's letter quoted only permitted the railway to adopt area system of Contracts if considered advantageous. It is not, therefore, clear how your railway took that this circular is an order to change over to area system of contracts. In view of the fact that the FA & CAO considered that a loss of Rs. 35 lakhs per annum would result, if the area system was adopted the Railway Board are unable to understand why your railway still decided to adopt the area system of contracts or how the FA & CAO concerned in the same. Detailed remarks may please be furnished in this case.

It is also not understood why the Railway Board has been asked to permit of your change over to Zonal system as the circular of the Railway Board referred to by you did not at all restrict the Railway choice in deciding whether to adopt Zonal or area contract system. It may please be clarified why your FA & CAO considers that the Railway Board's permission would be necessary before the area system of contracts should be replaced by Zonal system of contracts for certain districts.

An early reply is requested. You are also requested to refer to this office letters of even number dated 16th Jan./62 and to answer the specific points raised in that letter as a report in this connection has been asked for at a high level.

APPENDIX IX

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of evidence tendered before the Public Accounts Committee.

*Para 15—Northern Railway—Extra payment to a handling contractor
Points raised:*

(1) A statement showing the number of disputes arising out of commercial contracts which were referred to arbitration during the last five years indicating as to how many cases went in favour of Railways and how many went against them may be furnished.

Reply:

The relevant information is furnished below:—

- | | |
|---|-----------------|
| (A) Number of cases arising out of commercial contracts referred to arbitration during the last five years (1959-60 to 1963-64) | 43 cases |
| (B) Cases which were decided against the Railway in Arbitration— | |
| (i) Number | 25 cases |
| (ii) Amount claimed against the Railway | Rs. 26.71 lakhs |
| (iii) Amount awarded against the Railway | Rs. 10.47 lakhs |

Note

The amount awarded represents 39.5% of the amount claimed.

- | | |
|--|-----------------|
| (C) Number of cases which were decided in favour of the Railway— | |
| (i) Number | 2 |
| (ii) Amount claimed against the Railway which was totally disallowed | Rs. 11.95 lakhs |

Note

Of the two cases one related to Northern Railway and involved a claim for Rs. 9.96 lakhs.

(D) No. of cases which are still under reference to the arbitrator —

- | | |
|---|-----------------|
| (i) Number | 16 |
| (ii) Amount claimed against the Railway | Rs. 37.32 lakhs |

(2) The irregular payments made to the contractor came to the notice of the Administration in August 1957, but the recoveries were started only in August 1958. What were the reasons for one year's delay?

Reply:

A chronological account of the action taken by the Northern Railway Administration during the period August 1957 to April 1958 is given in Annexure.

The bills submitted by the contractor for the months, March, 1958 and earlier, were required to be recast by the Station Masters as per the decision taken at the meeting held in April 1958 on maundage basis in respect of TR/CR vans and other subsequent bills submitted by the contractor were modified in the D.S.'s office. The first recovery of Rs. 5,000 was made in June 1958 and a total sum of Rs. 30,000 was recovered from the bills for the months March 1958 to August 1958, the last instalment of Rs. 5,000 being recovered from the bills for August 1958 in the month of November 1958.

(3) In pursuance of the recommendation of the Public Accounts Committee made in their 13th Report (Third Lok Sabha) it was stated that instructions had been issued to Administrations to ensure that cases were not taken to arbitration without proper review being carried out at suitable level. At what level was the case referred to in this para considered before it was referred to arbitration and later on to the court of law?

Reply:

The instructions referred to in this para requiring the railways to ensure that cases were not taken to arbitration without proper review being carried out at suitable level were issued during July 1963. In the present case, the arbitrator was appointed earlier.

However, in this case, the approval of the General Manager was obtained:—

- (i) for referring the dispute to arbitration;
- (ii) for contesting the Arbitrator's award before the District Court; and
- (iii) for filing an appeal in the High Court against the decision of the District Court approving the award.

ANNEXURE

Chronological Account of the action taken by the Railway Administration during the period from 21st August, 1957 to 18th April, 1958.

- 14.8.57 D.A.O. Bikaner while examining the August Review of Grant No. 8 noticed that the expenditure on the handling work, was being incurred much more than the estimated amount and felt that contractor was being excess paid for handling of TR/CR vans. He reported the matter to Dy. FA.
- 21.8.57 Inspection of Suratgarh station was carried out by D.A.O. Bikaner and it was noticed that the contractor was being paid both for Inward and Outward TR/CR vans, which was irregular and resulted in overpayment to contractor.
- 23.8.57 Copy of the report was sent to D.C.S. Bikaner by D.A.O. Bikaner for examination and recovering excess payment from the contractor.
- 22/26.8.57 Dy. F.A. referred the matter to Dy. CCS/G for remarks.
- 26.8.57 D.A.O. Bikaner reported to Dy. CAO/T and Dy. F.A. about the excess payment to the contractor due to payment of van rate at non-repacking stations and payment for the double operations of the vans i.e. separately for inward and outward vans.
- 29.8.57 D.A.O. Bikaner sent copy of this D.O. of 26th August, 1957 to DCS-BKN for necessary action.
- 30.8.57 A.A.O./T Jodhpur to whom, the work of payment of handling bills was subsequently transferred from D.A.O.-B.K.N. also pointed out irregularity in payment to the contractor, to the DCS-BKN. The irregularities were the same as pointed in DAO-BKN's letter of 26th August, 1957.
- 3.9.57 DCS-BKN advised DAO-BKN and AAO/TA to make 50% provisional payment instead of 90% payment in future, till a final decision is taken.

- 4.9.57 DAO-BKN enclosed a copy of DCS letter of 3rd September, 1957 and asked for further instructions from AAO/TA.
- 5.9.57 AAO-TA directed DAO-BKN to make 50 percent provisional payment till a final decision was made.
- 20.9.57 Contractor represented against 50% provisional payment and it was decided by DCS Bikaner and AAO-TA Jodhpur that the contractor be paid at 90% provisional payment, as provided in the Agreement.
- 9.57 Dy. CCS/G passed on Dy. FA's D.O. of 22/26th August, (no date) 1957 together with its enclosures to DS-Bikaner for remarks.
- 15.10.57 D.O. reminder from Dy. FA to Dy. CCS/G for reply to his D.O. letter of 22/26th August, 1957.
- 28.10.57 AAO/TA sent a copy of DCS-Bikaner's letter of 9th September, 1957 to SAO/TA DKZ for copies of the instructions issued by his office for checking the items of van rates.
- 28.11.57 Another D.O. reminder from Dy. FA to Dy. CCS/G, for reply to his D.O. of 22/26th August, 1957.
- 6.12.57 An interim reply from Dy. CCS/G to Dy. FA stating that the matter was under examination.
- 12.12.57 AAO-TA Jodhpur's D.O. reminder to SAO-DKZ for reply to his letter of 28th October, 1957.
- 28.1.58 Another D.O. letter from Dy. FA to Dy. CCS G in reference to the latter's interim reply of 6th December, 1957.
- 2.58 A joint report was submitted by the Sr. ICG and TIC Rewari on the points of dispute with the contractor.
- 17.3.58 A copy of the report was sent by SAO T to AAO TA Jodhpur for remarks.
- 23.3.58 Another D.O. reminder from FA & CAO to CCS for a reply to Dy. FA's D.O. letter of 22/26th August, 1957.
- 24.3.58 AAO/TA Jodhpur's D.O. to SAO T for his comments on the joint report of Sr ICG & TIC Rewari. It was also proposed that a meeting of DCS-BKN, Divl. Audit

Officer. Bikaner, AAO-TA might be held to discuss the controversial issues.

18.4.58 Meeting held on 18th April and 19th April, 1958, between Traffic Accounts Officer Delhi Kishanganj, DCS-Bikaner and Divisional Audit Officer and AAO-TA Jodhpur. It was decided that pending confirmation by Headquarters Office, the contractor should be paid van rate at repacking stations only and

2. At repacking stations, only one operation should be paid. It was also decided that the bills for the period from 1st April, 1957 should be recast and excess payment recovered from the contractor.

APPENDIX X
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

Para 22—Western Railway—Infructuous expenditure on providing a Weighbridge.

Point:

A statement showing the details of the weigh-bridges which have been purchased but not yet installed, in respect of all the Railways may be furnished. The statement may include the dates of purchase, the price paid, the names of stations for which they were purchased and the reasons for the delay in installation.

Reply:

A statement furnishing the information in respect of all the Indian Railways is attached.

Statement showing (i) Date of Purchase of the Weighbridge (ii) Cost of the Weighbridge (iii) Stations for which Purchased and (iv) the reasons for the delay.

Railway	Date of purchase	Cost of the Weighbridge	Stations for which they were purchased	Reasons for the delay
Eastern	4 Weighbridges delivered between Aug. 59 & October, 1960.	Rs. 67,684 for each weigh-bridge.	1 at Sitarampur 1 at Asansol 1 at Dugda 1 at Pathardih	Due to change in the pattern of traffic and the introduction of BOX wagons for loading coal, the locations had to be altered. It was, therefore, decided to utilize the Weighbridges at Barakar, Ray, Kusunda and Pathardih. These weighbridges are expected to be installed shortly.
North Eastern	8 Weighbridges delivered on			
	June 56	1 Rs. 9,750	Gorakhpur Stores Depot	There was a considerable time lag between programming and actual supply of these machines. Pattern of traffic also changed due to the growth of Manduadih and Garhara transshipments. It was decided in May 1961 that weighing of wagons should be eliminated to the maximum extent possible to improve wagon turn round. In this context the decision taken previously had to be modified to suit the changed conditions, which resulted in the location of seven out of the eight Weighbridges being changed, one at Chupra
	May 61	1 Rs. 30,000	Gonda	
	July 61	1 Rs. 55,000	Chupra Jn.	
	July 61	1 Rs. 30,000	Muzaffarpur	
	July 61	1 Rs. 30,000	Gorakhpur	
	August 61	1 Rs. 55,000	Narkatiaganj	
	October 61	1 Rs. 57,000	Bareilly City	
	January 62	1 Rs. 55,000	Garhara Yard	

alone remaining unchanged. From the latest information available, six out of the eight Weighbridges are expected to be installed in another six to twelve months.

South Eastern	Nil	Nil	Nil	Nil	
Central	August 56	38,000 approx.	Warrangal		There was some initial delay connected with the preliminaries in the finalisation of estimates etc. and when the work of installation was about to commence, the pattern of traffic at Warrangal had changed considerably and the original justification for the provision of a weighbridge at Warrangal station did not any more exist as the traffic that was required to be weighed viz. timber and bamboos had decreased appreciably. It has since been decided to instal the weighbridge at Kazipet. The installation however, is being held up because of the remodelling of the Kazipet yard which is in progress.
Western	April 64	88,185	Ahmedabad		The weighbridge was received on 9-4-64 but the same was not installed as Ahmedabad was closed for goods traffic from 1-3-64 consequent on a Rationalisation scheme. The question of installing the weighbridge at another station is under the consideration of the Administration.
Southern	5 delivered on various dates as follows :	Rs.			
	1 on 3-2-63	64,869	Hubli Workshop		As an old weighbridge has been installed at Hubli workshop, the one indented for Hubli has been transferred to Kariganuru an iron ore loading station.

Railway	Date of purchase	Cost of the weighbridge	Stations for which they were purchased	Reasons for the delay
	1 on 5-6-63	Rs. 64,869	Quilon	The one intended for Quilon was transferred to the Neyveli Lignite project in view of the relative urgency of the latter and the one received in lieu has since been allotted to Koregaon and is being erected there.
	1 on 25-10-63	Rs. 1,18,044	Arkonam Stores Depot	Erection work is on hand.
	1 on 30-5-63	Rs. 1,18,044	Golden Rock Mech. Stores Depot.	Foundation work is on hand.
	1 on 19-10-63	Rs. 1,18,044	Golden Rock Engg. Stores Depot.	Do.
Northeast Frontier	1 on March, 56	Rs. 52,000	Katihar	Certain parts were received short from the firm. Side frame was also not received. Procurement of side frame involving foreign exchange was arranged in December 62. The foundation work was completed in August 63. Side frames despatched in August 63 did not reach destination and are being traced.
	1 on April 61	Rs. 59,700	Siliguri	Original site had to be altered due to remodelling undertaken in 1962-63, which has since been finalised.
	1 on Sept. 62	Rs. 58,000	Lumding	This is linked with remodelling of these yards and awaiting installation simultaneously with remodelling work.
	1 on Oct. 63	Rs. 62,000	Tinsukia	
Northern	Nil	Nil		Nil

APPENDIX XI

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

*Para 30 of Audit Report (Railways), 1964—South Eastern Railway—
Loss on account of delay in relinquishing plots taken on lease
from Calcutta Port Authorities.*

Points raised:

A statement showing year-wise:

- (i) the total amount of lease rent which has been paid by the Railways, after the merger in 1946, to the Calcutta Port Commissioners;
- (ii) the total recovery made by the Railways from the various sub-lessees; and
- (iii) the amount recoverable from five tenants from whom arrears of rent are yet to be recovered, may be furnished.
- (iv) It may also be indicated in the statement how the mistake in calculation was made by the Commercial Traffic Manager in 1951.

Reply:

Points (i) and (ii).—A statement is attached giving the relevant information for the period 1st November, 1947 to 28th February, 1963, the period of 15 years mentioned in the Audit Para (Annexure I).

Point (iii).—From 1st March, 1963, the C.P.C. authorities took possession of the bulk of the land. The latest position indicating the area of land yet to be handed over and the outstandings to be recovered and the action taken in the matter are indicated in another statement (Annexure II).

Point (iv).—In 1951, the *pros and cons* for the retention or relinquishment of the land was re-examined by the then Commercial Traffic Manager who then observed as follows:—

“Earnings realised from one end standard terminal and the additional charge of 4 pies per md., and payments to the C.P.C. Railway, in case of traffic from and to the Coal Depot during 1950-51 are as follows:—

	Earnings from Standard terminal of 6 Ps. per maund on traffic from coal depot	Earnings from additional charge of 4 Ps. per maund on general merchandise	Payment to CPC at the rate of 2 Ps. per maund on all goods traffic
	Rs. As. Ps.	Rs. As. Ps.	Rs. As. Ps.
Outward goods traffic other than coal .	1,441-7-6	960-15-8	480-7-10
Inward goods traffic other than coal .	33,427-10-0	22,285-1-4	11,142-8-8
Coal (Inward) .	*84,840-0-0	No additional charge levied on coal.	48,120-6-0
	1,19,718-1-6	23,246-1-0	59,743-6-6

*Standard Terminal Charge 8 as. per ton.
There is no outward booking of coal.

Total Earnings	Rs. 1,42,964-2-6
Total Payments	Rs. 59,743-6-6
Net Earnings	Rs. 83,220-12-0

It will, therefore, be observed that during 1950-51 though on the ground rent we lost Rs. 18,458-12-0, we earned Rs. 83,220-12-0 from terminal and other charges. If the Shalimar Coal Depot is returned to the Port Commissioners, then this traffic will have to be treated as via Shalimar traffic and one end terminal plus the full earnings from the additional charge of 4 pies per maund will have to be credited to the C.P.C. Railway. The retention of the Shalimar Coal Depot, is, therefore, financially justified”.

The above extracts indicate the grounds on which a decision was taken in 1951 not to relinquish the land.

It may, however be stated that it was incorrectly assumed that had the plots been relinquished in favour of the Port Commissioners the traffic booked to and from the plots would be treated

as "via Shalimar traffic" and, in that case, one end terminal charges—applicable to Shalimar—plus the full earnings from the additional charges of 4 pies per maund, would have been creditable to the Calcutta Port Commissioners Railway. The correct position was that, even if the plots had been relinquished by the ex. B. N. Railway and the coal depot continued to function on the relinquished plots, directly under the Port Authorities, the ex. B. N. Railway would have still continued to retain the standard terminal charges,—applicable to Shalimar—and the additional charges referred to earlier. To that extent, it would have made no difference at all to the earnings of the Railway, whether the plots were relinquished or not. This fallacy in assumption, at the time the financial appraisal was made by the Commercial Traffic Manager of the ex. B. N. Railway in 1951 was, no doubt, partly responsible for the wrong decision.

ANNEXURE I

Yearwise Break-up for the Years 1947-53.

Year	Total amount of rent including tax paid to CPC by the Rly. per annum	Total amount of rent including tax recoverable by the Rly. from licensees per annum	Difference of rent including taxes paid to the CPC and that recoverable from licensees per annum
1	2	3	4
1947 (Two months only)	7,012·62	4,457·20	(Col. 2-Col. 3) 2,555·42
1948 . . .	42,075·75	26,743·20	15,332·55
1949 . . .	42,075·75	26,743·20	15,332·55
1950 . . .	46,359·74	26,743·20	19,616·54
1951 . . .	50,643·75	28,465·00	22,178·75
1952 . . .	50,643·75	33,631·20	17,012·55
1953 . . .	50,643·75	33,631·20	17,012·55
1954 . . .	50,643·75	33,631·20	17,012·55
1955 . . .	77,452·61	44,365·08	33,087·53
1956 . . .	90,857·04	49,732·04	41,125·00
1957 . . .	90,857·04	49,732·04	41,125·00
1958 . . .	1,11,289·92	69,291·76	41,998·16
1959 . . .	1,18,100·88	75,811·68	42,289·20
1960 . . .	1,18,100·88	75,811·68	42,289·20
1961 . . .	1,18,100·88	75,811·68	42,289·20
1962 . . .	1,18,100·88	75,811·68	42,289·20
1963 (Two months only)	19,683·48	12,635·28	7,048·20
	12,02,642·47	7,43,048·32	4,59,594·15
Actual Amount realised	6,83,526·54		
	59,521·78		

ANNEXURE II

SOUTH EASTERN RAILWAY

Statement showing the position of outstanding against defaulting plot holders including additional accretion upto February 1963.

Sl. No.	Name of plot holder	Plot No.	Area in Cottahs	Date of expiry of notice period	Amount of rent and tax outstanding upto the date of expiry of notice period	Further accretion for the period upto 28-2-1963	Total of Cols. 6 & 7	Months for which payments made by parties with ref. to column 6
1	2	3	4	5	6	7	8	9
					Rs. P.	Rs. P.	Rs. P.	
1.	M/s. Mackenjc Lyall & Co.	24,25,33	12.77	31-12-62	18,464.15 (Apl. '57 to Dec. '62).	588.62 (Janr. '63 to Febr. '63).	19,052.77	August 1959.
2.	M/s. Dukhiram Jagannath.	6	4.21	31-3-61	6,504.68 (Apl. '53 & Sep. '53 to March '61).	2,038.49 (Apr. '61 to Febr. '63).	8,543.17	
3.	S. K. Ahmed Ali.	30	4.93	31-5-61	7,302.23 (Oct. '53 to May '61).	2,389.59 (June '61 to Febr. '63).	9,691.82	
4.	M/s. Sharma Bros.	47	4.94	30-9-59	3,896.96 (Janr. '53 to Sept. '59). (excepting the periods mentioned in Col. 9).	3,797.56 (Oct. '59 to Febr. '63).	7,694.52	Febr. '54 to June '54, Aug. '54 to Novr. '54, Febr. '55, Apr. & May '55, Febr. '56, July '57 to Nov. '57, Janr. '58 to Sept. '59.
5.	Shri Ramsurat Raijee Sharma.	49	5.27	30-9-59	7,169.75 (Jan. '53 to Sep. '59). (excepting the periods mentioned in Col. 9).	7,369.75 (Oct. '59 to Febr. '63.)	14,539.50	Febr. '54 to June '54, Aug. '54 to Novr. '54, Febr. '55, April '55, May '55, Febr. '56, July '57 to Nov. '57, Jan. '58 to Febr. '59, Apr. '59 to Sept. '59.
TOTAL			32.12 Cottah		43,337.77	16,184.01	59,521.78	

NOTE— Figures shown in column 7 'Further accretion etc.' represent the amount which would have been recovered from the parties concerned on account of rent and municipal taxes had the eviction notices not been served on them. These cases are now under estate action except in the case of item No. 2 i.e., Dukhiram Jagannath in whose case action is under way to write off as the amount has become irrecoverable due to party having no assets.

APPENDIX XII
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

*Para 33 of Audit Report (Railways), 1964—Southern Railway—
Non-occupation of barracks built for Railway Protection Force.*

Point raised:

Details of utilisation of the barracks should be furnished.

Reply:

A statement is attached.

*Statement showing particulars of allotment of barracks to R.P.F. staff
and others.*

(Southern Railway)

Sl. No.	Station	No. of bar-racks	Date of completion of building	Date from which put into use	How the barracks are being used.
1	2	3	4	5	6
1	Jalarpet .	1	4-1-60	10-2-60	Occupied by RPF staff
2	Erode .	1	31-12-62	1-1-63	Utilised for purposes of Postal Deptt.
3	Hubli .	1	15-2-60	16-2-60	As office of the Asstt. Security Officer, Hubli.
4	Pakala .	1	Aug., 1963	14-4-64	Aug., 63 to 13-4-64— As Engineering Training School and from 14-4-64 by RPF staff.
5	Madurai .	1	Nov., 1960	Nov., 60	From Nov., 60 to 16-11-63 utilised for storing cement etc. From 16-11-63 utilised by RPF staff.
6	Mysore .	2	12-1-60	8-10-60	One wing as Running Room. The other for dumping cement bags.
7	Perambur .	1	22-11-60	22-11-60	22-11-60 to 7-2-64 for stacking cement bags. 7-2-64 onwards under occupation by RPF staff.
8	Perambur .	1	22-11-60	22-11-60	22-11-60 to 8-11-63 for stacking cement bags. From 8-11-63 under occupation by RPF.

1	2	3	4	5	6
9	Perambur .	1	22-11-60	20-3-61	As a Social Welfare Centre.
10	Perambur .	1	22-11-60	26-6-62	As a Higher Elementary School.
11	Perambur .	1	March, 1960	26-6-62	As a Higher Elementary School.
12	Arkonam .	2	June, 1961	Feb., 1963	From Feb. 63 to 24-10-63 utilised for accommodating Mobile Labour Force. From 24-10-63 utilised for accommodating RPF staff.
13	Bangalore City.	2	22-8-59	15-9-62	As a subsidized Hostel.
14	Vijayawada	2	Oct., 1960	25-9-62	As a Primary School.
15	Tiruchirappalli.	1	12-3-59	6-5-63	As Accident Prevention Training School.
16	Tiruchirappalli.	2	21-1-61	6-5-63	As Accident Prevention Training School.

APPENDIX XIII
GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

Point:

Para 40—Cash discount on cost of steel supplied to the Railways by the Steel Producers.

"A written memorandum on Audit Para may be furnished, as promised in the course of evidence. The memorandum should also include the figures relating to the total purchases of steel made by the Railways yearwise from 1959-60 to date indigenously."

Reply:

A memorandum on the Audit Para is sent herewith, which also indicates the figures of the total indigenous purchases of steel by the Railways yearwise from 1959-60 to 1963-64.

Memorandum on Para 40 of the Audit Report, Railways, 1964.

As early as January, 1962, the Railway Board had made a direct reference to Messrs. TISCO and IISCO indicating their desire to avail of the cash discount of 1 per cent. (which they were reported to be giving to non-Government customers on certain conditions) and asking for waiver of their usual condition that the bills should be discounted through banks. The Railway Board thus opened negotiations with these two firms, as suggested by the Iron and Steel Ministry. TISCO's reply was to the effect that this matter had already been taken up with them by the Ministry of Iron and Steel, and that that Ministry should be contacted by the Railway Ministry. IISCO, on the other hand, merely sent a copy of their standard terms, which included negotiation of bills through their bankers. In February 1962, the Railway Board made a reference to the Ministry of Steel, Mines and Fuel. The Steel Ministry's reply was that the department had asked the producers to waive the condition of negotiation through Banks and this was under consideration.

2. The Railway Electrification Project Administration came to an arrangement with Messrs. TISCO, in May 1962, for a cash discount of one per cent. on their bills for finished steel, on condition that 100 per cent. payment of the bills would be made within 48 hours of the presentation of the Bills, and without any stipulation that the bills would have to be paid even if they were not accompanied by test certificates issued by the Director of Inspection (MET).

3. Simultaneously, the Eastern Railway who had learnt of the Railway Electrification's settlement with TISCO had discussions with Messrs. TISCO and IISCO about the one per cent. cash discount, and reported to the Board in July 1962 that the terms on which these firms were prepared to make a cash discount to the Eastern and S.E. Railways differed from those offered to the Railway Electrification Project in the following important respects:—

- (i) that the firms insisted on payment of the bills even if they were not accompanied by test certificates;
- (ii) that TISCO made it a condition that even bills for material not qualifying for the discount should be paid within the stipulated period of 48 hours in order to obtain a discount on finished steel only.

(iii) that TISCO made a further condition that if payment of non-discount bills is not made within 14 days, penal interest at 12 per cent. per annum would be charged for delayed payment and the facility of cash discount for prime quality steel would be withdrawn; and

(iv) that IISCO would send only unsigned bills.

4. Acceptance of these conditions which the firms had quoted to the Eastern and South Eastern Railways would have been a violent departure in the following important particulars from the Code rules for the check of stores bills and the current orders on the subject, which were based on fundamental principles adopted in all Government Accounts Offices.

Negotiating the bills through banks would mean that the bills would have to be paid without seeing, much less scrutinizing, them. The normal scrutiny of such bills is to ascertain that they are original claims signed by the authorised representatives of the firm; that the quantity, rate and description of the material covered by the bills conforms to those in the order for the materials; that the quality of the material is supported by a test certificate granted by the Director of Inspection (MET); that there is a clear Railway Receipt as proof of despatch of the specified quantities; that there are no arithmetical inaccuracies in the bills; and that any special charges claimed conform to the accepted conditions in the Purchase Order. Even in the case of the bills collected from the Calcutta Office of the steel firms; 48 hours were inadequate for these checks to be made, and considering the volume of transactions—the Railways being probably the single biggest purchaser of steel in India—the possibility of over-payments was not insignificant.

5. In the meantime, on 30th April 1962, the Bhilai Plant of the Hindustan Steel Limited had sent in to the Railway Board their terms for the discount, in which they had coupled the discount with liability for penal interest at 12 per cent. per annum on bills which were not settled within 12 days of presentation of documents. The Chittaranjan Locomotive Works did negotiate directly with Bhilai Works of H.S.L. for the cash discount of 1 per cent. but were informed by the latter in October, 1962 that they had withdrawn the arrangement for cash discount in April, 1962.

6. It was obviously desirable to negotiate a uniform set of conditions for the discount from all the steel suppliers, and, since the Ministry of Steel, Mines and Fuel was already seized of the matter,

the case had to be progressed with that Ministry. It was, nevertheless, proposed to hold a meeting in Calcutta in November 1962, between the representatives of the Board and the Eastern and S.E. Railways on the one hand, and the representatives of TISCO, IISCO and H.S.L. on the other, but this meeting could not be held. Correspondence between the Railway Board and the H.S.L. (who supply more than 60 per cent. of the steel for Railways), continued until March, 1964, when the H.S.L. finally agreed to drop the condition of levy of penal interest on bills after 12 days, and agreed also to permit the correction of arithmetical errors in the bills and to submit the requisite documents with the bills. Instructions to the Railways were issued to avail of the cash discount from H.S.L. within a few days of this agreement and the discount has been effective from 1st April, 1964 from H.S.L.

7. When the general question of cash discount was still unsettled, and it became increasingly clear that a common pattern applicable to all steel firms was not emerging, the FA & CAO/Eastern Railway was asked, in December 1963, to negotiate with the TISCO and IISCO and settle a procedure for obtaining the discount on their bills rendered at Calcutta on the same terms as the Railway Electrification Project. After further negotiations, both TISCO and IISCO agreed to the (i) bills being rendered normally with complete details, including test certificates, and (ii) to drop their insistence that steel bills not eligible for discount should also be passed within the 48 hours period. On 25th May, 1964, the Ministry of Steel and Heavy Industries communicated the Government's decision that all three steel producers, namely, TISCO, IISCO and H.S.L., would give up the condition of negotiating documents through their banks, and the Railway Board then issued instructions to all Railways, in August, 1964, laying down the terms and conditions to be observed in passing the bills of these two firms, which provided, *inter alia*, for the correction of arithmetical mistakes in bills before payment. It would be clear from what has been stated that this matter was being continuously pursued by the Railway Ministry, until acceptable terms were settled, on the basis of which the Railways qualified for rebate.

8. Direct negotiations with the H.S.L. for supplies from all their Steel Plants were concluded in March 1964 and instructions issued to Railways to obtain the 1 per cent. discount from 1st April, 1964.

9. A statement indicating the figures of the total indigenous purchases of steel by the Railways yearwise from 1959-60 to 1963-64 is enclosed.

*Consolidated position of quantity and value of indigenous purchases of steel
(Tisco, Iisco and H.S.L.) form 1959-60 to 1963-64.*

(Quantity in Metric Tons.
Value—Thousands of Rupees.)

Serial No.	Years	TISCO		IISCO		H.S.L.	
		Quan- tity	Value	Quan- tity	Value	Quan- tity	Value
1	1959-60	46619	35966	28096	23736	8875	1921
2	1960-61	53734	39883	40695	27026	10439	2395
3	1961-62	60915	41326	42148	33603	119407	71483
4	1962-63	111558	74750	81284	60936	384965	237010
5	1963-64	107341	71958	120025	79492	442551	284488

APPENDIX XIV

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of the evidence tendered before the Public Accounts Committee

Para 42—South Eastern Railway—Avoidable expenditure by way of a compensation paid to a Light Railway Company.

The paragraph, particularly its last sentence, suggests that it was the failure of the ex. B. N. Railway to execute an agreement in respect of the land they leased to a Light Railway Company in 1939 that resulted in the payment of compensation to the latter when it was desired to resume possession of some portions of that land.

2. The Ministry of Railways would like to bring it to the notice of the Public Accounts Committee that legal opinion obtained in 1961 from the Senior Counsel to the Government of India in Calcutta, a copy of which is enclosed herewith, makes it quite clear that the non-execution of the agreement did not affect the legal position to the detriment of the Railway. It will be evident from the legal opinion that, in the absence of any concluded agreement between the parties under which Railways are bound to pay compensation the Light Railway were mere licensees for consideration under a licence which is revocable upon reasonable notice, and such notice having been given, it would be the duty of the Light Railway to vacate on the expiry of the notice; and that when a licence is duly terminated upon reasonable notice, no question of payment of compensation arises. The legal opinion went on to say that the correspondence did not show that there was any binding agreement to pay compensation, and that there was no obligation in law to make compensation. It was, however, clear that, unless the Railways proceeded under the Public Premises (Eviction of unauthorised occupants) Act 1958, they could get possession only either by institution of a suit or by amicable settlement; that the suit would involve delay; and that, since the Light Railway were not likely to give up possession immediately unless compensation was paid, the amount of compensation would depend upon the urgency of the Railway's requirements and not on any principles of law.

3. The Railways urgently required the possession of the land in order to progress and complete *in time* a number of inter-connected works in Howrah Yard, which were held up for want of land. These works included a Fly-over connecting the Lilluah Sorting Yard with Howrah Goods yard, Coaching Yards at Tikiapara for the Eastern Railway and for the South Eastern Railway's suburban rakes, Remodelling of the Coaching Yard (south wing) and remodelling of the Howrah Goods Yard, including route-relay interlocking. The total cost of these works was Rs. 3:12 crores, and the expenditure already incurred on three of the works at the end of 1960-61 was about Rs. 89 lakhs. The completion of these works before the electrification of the Howrah-Kharagpur line and the conversion from D.C. to A.C. of the Howrah-Bandel-Burdwan section was of the utmost importance. The intricate yard remodelling works including route-relay interlocking required at least three years to complete. The target date for the electrification was December 1965. Any delay in the Light Railway vacating the land beyond 1962 would have caused a corresponding delay to the works, because they had to be completed well ahead of overhead electrification work being taken up.

4. In the circumstances, the public interest obviously required that a settlement for early vacation of the land should be arrived at with the Light Railway, irrespective of the fact that legally they had no right to compensation, and it was on this consideration of the balance of advantage that the compensation was agreed to.

Encl. As above.

Extracts of Railway Board's observations contained in Para I (iii) & (iv) of their letter No. 61/W5/RMI/5 dated 1-7-1961 to General Manager, Eastern Railway.

SUB.—Flyover crossing for Goods line between Lillooah Sorting Yard and Howrah Goods over the S.E. Railway Main Lines and alterations to Goods yard connected therewith to facilitate operation and prevent hold up to Goods traffic.

- • • • •
- (iii) As regards the proposal to get the matter settled by arbitration, the Railway Board feel that even arbitration requires the consent of the other party unless there is some existing agreement giving the Railway the right to take the other party to arbitration, which does not seem to be the case here. Arbitration proceedings, which will involve some delay undoubtedly and also some expense, would be worthwhile if there is a reasonable chance of (a) the Light Railway agreeing to arbitration and (b) the arbitrator deciding in favour of the Railways and declaring either that the Light Railways are not entitled to any compensation at all for moving their assets or alternatively only to substantially less compensation than the full cost of shifting. On this, it would be desirable to take legal opinion as to Railways prospects of success.
- (iv) According to legal opinion there has been no lease and no agreement which is binding about the condition on which the Light Railway can be required to move. Even then it would appear that the matter would have to be considered *de novo* and settled on principles of law. It is not known whether the Railways could under any circumstances expect the Light Railway to move all their assets on the land without any compensation. It would be useful to have legal opinion on this because such legal argument could then be advanced also before the arbitrator and could perhaps be expected to influence the arbitrator.

Opinion given by the Senior Counsel to the Government of India.

I have been asked to give opinion on the legal points raised in paragraph I (iii) and (iv) of the Railway Board's letter No. 61/W5/RM 1/5 dated the 1st July, 1961.

2. *As to para I (iii)*

In my opinion on a strict legal view Martins are not entitled to get any compensation. Here is no concluded agreement between the parties under which the Railways are bound to pay any compensation. Nor is there any law under which such compensation is payable. But before an arbitrator, strict legal views do not always prevail. An arbitrator is not bound to give reasons for his award and there is no appeal from his decision. In the circumstances I do not advise clients to go into the question of arbitration *at this stage*. After negotiations for amicable settlement have been opened, the matter may be referred to arbitration, if circumstances then so justify.

3. If the parties do agree to go to arbitration then the reference should contain—

- (a) a recital that the Railways deny that any compensation is payable, and
- (b) a condition that the compensation should not exceed a stated maximum limit.

4. If the arbitrator to be appointed is conversant with principles of law—then it may be said with some certainty that the Railways have a good chance of success.

As to para I (iv)

5. In my opinion, Martins are mere licensees for consideration, under a Licence which is revocable upon reasonable notice. Such notice has been given. In the circumstances, when the period of the notice expires, it would be the duty of Martins to vacate.

6. In my opinion when a licence is duly terminated upon reasonable notice, no question of payment of compensation arises. The correspondence also does not show that there was any binding agreement to pay compensation. Nor in my opinion, any obligation to make compensation in law is there.

7. The real difficulty in this matter, however, is as follows:

- (a) There are two points to be considered
 - (i) the question of getting *immediate possession* of the land in question:
 - (ii) the question of compensation.

(b) If the Railways do not proceed under The Public Premises (Eviction of unauthorised Occupants) Act 1958, then they can get possession.

(i) either by instituting a suit, or

(ii) by amicable settlement of the matter as to immediate possession.

Settling the matter of compensation at the same time, or leaving it to be decided later, as the parties may agree.

8. The Railways cannot agree to the first course as it involves delay. As to the second, Martins are not likely to give up immediate possession unless substantial compensation is paid. The amount of compensation that the Railways may be prepared to pay, in this case, *depends upon the urgency of the requirement*. In my opinion the matter cannot be settled on the basis of any principles of law.

APPENDIX XV

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Points arising out of evidence tendered before the Public Accounts Committee

Para 47—Other cases of losses

Point:

It was stated in the Audit para that the cost of missing coal wagons was Rs. 31.16 lakhs during 1962-63. In evidence it was stated that the total cost of missing wagons was Rs. 162 lakhs and earnings were Rs. 112 lakhs but losses shown in 1962-63 were not for that one year.

What are the figure of losses and gains in respect of wagons for the year 1962-63 only? What were the coal losses in the years 1962-63 and 1963-64 and what were the coal earnings for this period? If the figures include arrears, these may be shown separately.

Reply

In order to present the details in the proper perspective, it would be useful at the outset to give a brief resume of the procedure followed in regard to booking of coal for Railway use. Coal wagons are booked by the base (colliery) stations to distribution centres which arrange for despatch to the Loco Sheds on the respective Railways. Payment is made to the collieries by the Zonal Railways on the basis of statements sent to them by the collieries. During the course of transit of coal, there are both missing wagons and unlinked wagons at the destination points on account of various factors like transshipment at break of gauge points sometimes without proper recording of the transfer of contents of coal wagons; certain wagons being marked sick *en route* and the contents being transhipped into others again sometimes without proper recording, wagon labels being lost in transit, divisions to meet more urgent needs etc. Wagons booked to a particular station but not received there are treated as "missing wagons"; wagons received without full particulars in respect of which payment cannot be traced to have been made and wagons received without labels which are not intended for the particular station are treated as "un-linked wagons".

As, under the procedure explained above, payment has already been made to the collieries in respect of the "missing wagons", attempts are made to trace what happened to these wagons and how they have been dealt with, and if the attempt is not successful the value of these transactions is taken under a suspense head of account "Miscellaneous Advances Revenue". If, even subsequently, it is not found possible to trace the missing wagons, the amounts under "Miscellaneous Advances" are adjusted in due course to Ordinary Working Expenses.

In the latter type of cases, viz, unlinked wagons, after preliminary investigations, the value thereof is initially transferred to another suspense head of account "Stock Adjustment Account" and finally transferred from that account to earnings if further attempts to link payments are not fruitful.

It will be appreciated from what is stated above that, by and large, the so called "missing" and "unlinked" wagons are items to be mutually set off. What is lacking are full particulars of the booking and transit of the wagons etc. which would enable the linking of the transactions. It might be that wagons intended for one shed Railway and treated as missing may have gone to another shed on the same or another Railway and may have been treated there as unlinked. For the Indian Railways taken as a whole, setting off the missing wagons against the unlinked wagons is justified by practical considerations, in view of the massive volume of 7,50,000 wagons of Railway coal booked in a year, the un-identifiable nature of the commodity and the unavoidable mix-ups on account of missing labels, errors in documentation in long hauls etc.

Coming to the specific issue raised by the Committee, it is pointed out that it is difficult to isolate the figures of amounts credited to earnings in respect of transactions for a particular year or of losses pertaining to a particular year, as the transaction is a continuing one and finalisation of individual cases pertaining to any particular year could occur in any of the subsequent years. The figures treated as "missing wagons" and "unlinked wagons" during 1962-63 and 1963-64 are, however, available and are given below:--

	Missing Wagons		Unlinked Wagons	
	No.	Amount in lakhs of Rupees	No.	Amount in lakhs of Rupees
1962-63	57,582	3.68	58,528	2.97
1963-64	37,328	2.30	63,530	3.70

It will be appreciated that during the attempt of linking the transactions, which as explained above is a continuing one, many of these items may get cleared in the normal manner and only a residue may have to be adjusted as a loss or as a Credit to earnings according as missing wagons exceed unlinked wagons or *vice versa*.

In the years 1962-63, 1963-64, the value of such residuary adjustments was as follows:—

	1962-63	1963-64
Missing Wagons adjusted as loss.	31·16 lakhs	60 lakhs
Unlinked Wagons adjusted to earnings.	60·95 „	63 „

APPENDIX XVI

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Action taken on the recommendations of the Public Accounts Committee

Para 47 of Audit Report (Railways) 1964—Other cases of Losses.

Point

In the Audit para losses on account of deficiencies in fittings of rolling stock sent to workshops for repairs have been shown as Rs. 23·56 lakhs.

A note indicating whether the actual loss out of Rs. 23·56 lakhs can be known and if so, what the actual loss is may be furnished.

Reply

Only four out of eight Zonal Railways have reported a loss on this account in the Appropriation Accounts of 1962-63, according to the decision communicated by the Railway Board in July 1963, that items of losses or deficiencies in fittings of rolling stock coming to Railway workshops for repairs, attributable to thefts, should be treated on par with losses due to other cases of thefts and shown suitably in the statement of losses appended to the Appropriation Accounts. These instructions were to have effect from the accounts for 1962-63. The instructions envisaged that Railways should work out the figures of losses on account of thefts of rolling stock fittings from the monthly statement of losses compiled by each Railway Administration and submitted to the Board, and the evaluation of the losses in respect of individual fittings was to be made on the basis of the value of the individual fittings indicated in I.R.C.A. Conference Rules Part III.

The Board's instructions of July 1963 *ibid* contemplated that only known cases of theft of fittings in rolling stock sent to workshops should be included in the above category of losses. While a record of deficiencies of fittings in locomotives going into the workshops for overhaul are maintained, this is not possible in the case of

wagons, since the deficiencies are occurring in wagons moving all over the Railways in their hundreds of thousands. Actual experience has, however, shown that it has not been possible in their cases to isolate satisfactorily and fully the deficiencies due to thefts as distinct from deficiencies arising out of other causes. The assessment of the depreciated value of such deficient fittings has also been difficult, because of the very large number and types of fittings involved, and the absence of any records of the original cost, or the actual age of the fittings at the time the deficiencies occur. In the absence of this information, any computation made has necessarily to be *ad hoc*.

In view of the position brought out above, the Ministry of Railways plead their inability to indicate the actual loss out of Rs. 23·56 lakhs arising from thefts.. Further, in the light of the practical difficulties explained above, the Ministry of Railways are also reviewing the orders to see what revision in the procedure would be required and a decision on this will be taken in consultation with Audit.

APPENDIX XVII

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Action taken on the recommendations of the Public Accounts Committee.

Recommendation of the Committee:

Serial No. 17

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

Serial No. 18

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

(S. Nos. 17 & 18, Appendix XI to 13th Report, 1963-64).

Action taken by Government:

Recommendation No. 17

The observations of the Committee have been noted and suitable instructions have been issued to all Railway Administrations.

Recommendation No. 18

The Ministry of Railways would like to submit that the main idea underlying the decision that the tenders should be opened on the 1st of July, and should be finalised quickly before the 31st July is to avoid the repercussions that might arise as a result of the Zonal contractors of the previous year getting to know the rates which are to come into force for the next zonal contract commencing from 1st July. These instructions have been issued keeping in view the fact that the month of July is generally a very lean month during

which very few work orders are issued on most of the Railways. In any case these instructions have been issued as an experimental measure and will be modified, if necessary, on the basis of experience gained in the next year or two.

This has been seen by Audit.

*Additional Member, Finance,
Railway Board.*

APPENDIX XVIII

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Action taken on the recommendations of the Public Accounts Committee

Recommendation of the Committee:

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

(S. No. 30. Appendix XI to 13th Report, 1963-64).

Action taken by Government:

The matter has been fully enquired into as desired by the Committee. For an adequate appreciation of the matter, a complete account of the case is given below, in chronological sequence:—

(a) A brief reference to the genesis of the case is necessary. The firm had obtained, from the Central P.W.D. in 1941-42, a plot of land adjacent to the Railway land under reference, and had constructed a shed thereon. A small portion of the land belonging to the Railway, came under the shed. The letter of May, 1942, from the former (un-bifurcated) North Western Railway Administration to the party, while agreeing to regularise the transaction by a licensing agreement to cover an area of 1666 sq. yds., made the following observation currently:—

"It is realised that the encroachment was unintentional on your part".

At this date, it can only be presumed from this that the encroachment may have been due to the absence of a clear demarcation of the Railway land. A corrigendum to the initial agreement, which was signed subsequently on 19th of March 1945, regularised the occupation of a further area of 2866 sq. yds. of Railway land by the firm. As indicated in the Audit Paragraph, the firm later relinquished a portion of the land and executed an agreement with the Railway early in 1947, to cover 1152 sq. yds., for an annual rent of Rs. 2074-8-0.

(b) The first renewal agreement after Independence was executed by the former Eastern Punjab Railway in March 1948, to cover a period of 12 months from 1st June 1947. Thereafter, a renewal agreement was executed from year to year at the same rental, the last such renewal covering a period of 12 months from 1st June, 1950.

(c) As pointed out in the Audit Paragraph, the difficulty started when the firm, Messrs. Oriental Building & Furnishing Company Ltd., Connaught Circus, New Delhi, sub-let a portion of the land to their sister concern, "Pure Drinks (Coca Cola)", in July 1950, in violation of the agreement and also encroached on a further area of the land. Notices for removal of the encroachment served by the Railway Administration in November 1950 and April 1951, which are referred to in the Audit Paragraph, were followed up by a letter issued to the firm on 22nd May 1951 demanding that the Railway land should be vacated by the 31st May 1951 when the lease would terminate. The firm, in their reply of 28th May, 1951 to the Railway—a letter which is referred to in the eviction notice eventually issued on 20th June 1956—took the stand, which they have maintained in subsequent correspondence, that they had not ignored the notices sent to them in 1950 and 1951 and that their *bona fides* would be clear from the regular manner in which they had been paying rent and from the fact that they had made a request, in their letter of 20th July 1950, for allotment of the additional area. In the aforesaid letter of 28th May 1951, the firm also referred to a joint inspection of the site which had been made by the Chief Administrative Officer, the Administrative Officer "Engineering", the Divisional Superintendent and the Divisional Engineer of the Railway and which led the firm to believe that the further encroachment would be regularised.

The files do not indicate how the firm's above-mentioned letter of 28th May 1951 was dealt with. It was probably not considered necessary to reply to this letter, or it is possible that it escaped effective attention due to the heavy pre-occupations connected with the then impending organisational changes due to the integration

of the Bikaner State Railway and the Jodhpur State Railway—following Federal Financial Integration on 1st April, 1950—together with the integration of the Eastern Punjab Railway and of certain divisions of the former East Indian Railway, into the regrouped Northern Railway in April 1952.

(d) In the letter of the Divisional Superintendent, Delhi, (signed by the then Divisional Engineer, on behalf of the Divisional Superintendent) to the Chief Administrative Officer of the E. P. Railway, dated 6/20th February, 1951, the following statement was made:—

“To file one ejectment suit for the encroached portion of land, Government Pleader says that the litigation charges would be on *ad valorem* value which would be a lengthy and costly process. Kindly ask Law Officer to advise as to what suitable action is to be taken for removal of the encroachment”.

The specific direction, in reply to this, appears to have been issued from the General Manager's office of the re-grouped Northern Railway only on 23rd February 1953; in this letter, which issued over the signature of one of the Senior Scale Engineers attached to the Railway's headquarters office, it was stated that no rent should be accepted from the party as acceptance of rent would give them the status of tenants. It was added that, until such time as the notification regarding powers under the Government Premises (Eviction) Act 1950, was not issued in favour of the Senior Deputy General Manager of the Railway, no action could be taken in the matter as it was considered that a civil suit would be “very lengthy and drawn out”.

It is necessary to explain at this stage that, even though the Government Premises (Eviction) Act 1950, had been passed in April 1950, the Ministry of Defence, who were administering the Act, issued notifications only about the middle of 1953—June 1953—as indicated in the Audit Paragraph, designating Deputy General Managers of Railways as competent authority under the Act to take action against unauthorised occupants of Railway premises. That this function of administering the earlier Act, of 1950 was exercised by the Ministry of Defence and *not by the Ministry of Railways*, would be evident from Railway Board's directions to the Railways, issued in their office Memorandum No. 57/W2/QR/170 of 15/16th April 1958. After the Ministry of Defence had issued the notification in June 1953, the General Manager, Northern Railway's office circulated, for the information of all Divisional Superintendents, a

letter on 6th October 1953 explaining the entire position under the Government Premises (Eviction) Act, 1950, and followed it up with a letter, in January 1954, specifically addressed to the Divisional Superintendent, Delhi, asking for preparation of the necessary ejectment documents in the case under reference. Unfortunately, there was further delay in correspondence between the Delhi Division and the Railway Headquarters' Office, until the latter confirmed, in their letter of 29th June 1954, that, "in Delhi urban areas, the Railway plan would be sufficient proof of the title". The application for eviction was then submitted in September 1954, as stated in the Audit Paragraph.

It may be mentioned that, even as late as August 1954, the Divisional Office, Delhi, considered the alternative of filing a civil suit, notwithstanding the advice of the Railway Headquarters' Office to the contrary, received in Headquarters' letter of 23rd February 1953, already referred to. This alternative of a civil suit was apparently ruled out on the basis of advice obtained again from the Government Advocate—embodied in the Land Control Inspector's note of 6th August, 1954 recorded in the following terms:—

"I made a contact with the Government Advocate in the evening of August 2nd 1954, and consulted him on the points raised by me in my report dated 13th July, 1954, and he was pleased to advise me that a move for eviction of the lessees as well as the encroachments through civil court would be a lengthy and costly procedure; hence efforts should be made to get it done under the provisions of the Government Premises (Eviction) Act of 1950, as directed by the Headquarters' Office *vide* S. No. 123",

the reference S. No. 123 being to Headquarters' letter of 23rd February 1953 mentioned previously.

(e) In February 1955, the Senior Deputy General Manager gave an opportunity of a personal interview to the firm's representatives; the firm then made a submission, in their letter of 23rd May, 1955, and thereafter time was taken in the preparation of a fresh plan, as desired by the Senior Deputy General Manager, giving the exact measurements on the basis of a personal inspection to be done by the Divisional Superintendent, Delhi. In a letter of 19th June 1956, from the Divisional Office, Delhi, addressed to the Railway's Headquarters' Office, certain objections raised by the firm were finally dealt with; then the eviction order of 20th June 1956 was issued by the Senior Deputy General Manager, Northern Railway, for eviction of the premises within 15 days.

(f) It was at this stage that the matter first came to the notice of the Railway Board, through the firm's appeal to Chairman, Railway Board, Ministry of Railways, against the eviction order of 20th June 1956. The appeal was expressly stated as being in pursuance of Section 5 of the Government Premises (Eviction) Act, 1950, under which an appeal could be preferred, within ten days of the date of service of the notice, to the Central Government—the Chairman, Railway Board, being the Principal Secretary of the concerned Ministry of the Central Government. This appeal was put up to the Chairman, Railway Board (C.R.B.), with the following note:—

“C.R.B., who is the appellate authority, may kindly see for ‘A’ orders if a stay order may be issued and a report from the G. M., Northern Railway may be called for.”

The Chairman, Railway Board, recorded the following orders:—

“As at ‘A’.

Sd/- G. PANDE.
10th July, 1956”.

Sometime after the above stay orders had been conveyed to the Northern Railway on 17th July, 1956, calling also for a full report of the case, the Chairman, Railway Board, recorded the following further note after inspecting the site:—

“I have seen the site, and asked Senior Deputy General Manager to submit a plan. Put up when received.

Sd/- G. PANDE.
28th September, 1956”.

On receipt of a plan from the Railway, when the case was again put up to him, the Chairman, Railway Board, recorded the following note:—

“I called Senior Deputy General Manager and have asked him to submit further particulars to be put up when received.

Sd/- G. PANDE.
21st December, 1956”.

By the time the Railway Board could take up examination of the Railways' final reply of 3rd September 1957, advice was received,

under Defence Ministry's letter of 25th October 1957, that the Government Premises (Eviction) Act, 1950 had been declared *ultra vires* by certain High Courts. It was confirmed by the Ministry of Defence, on 5th May 1958, that the Ministry of Works, Housing and Supply, on the advice of the Ministry of Law, had issued instructions to all Ministries prohibiting any proceedings under the said Act and that the W. H. & S. Ministry were sponsoring fresh legislation to replace the Act of 1950.

(h) The new Eviction Act was promulgated in December 1958; the notification, declaring Senior Deputy General Managers of Railways afresh as competent authority to order eviction, was issued by the Works, Housing and Supply Ministry on 28th January, 1959. The delay on the part of the Divisional Superintendent, Delhi, in submitting a fresh application for eviction to the Senior Deputy General Manager was taken up in Chief Engineer's letter of 19/21, September, 1959, in reply to which the Divisional Superintendent explained, on 8th October, 1959, that the preparation of the plans showing the area under encroachment at different times had taken some time.

(i) While the proceedings under the 1958 Act, which were started in January, 1960, were still in progress, the firm addressed a letter on 14th February 1962 to the Northern Railway, with a copy to the Chairman, Railway Board. In this letter it was represented *inter alia* that the Government of India in the Ministry of Works, Housing & Supply had, in fact encouraged the firm's industry by giving the firm, land—adjacent to the Railway land—over which the firm's factory had been built. A copy of Works, Housing & Supply Ministry's letter of 27th July, 1954 was attached as a supporting document to this representation; this indicated that that Ministry had given the firm, on "perpetual lease", from 1st July 1954—in continuation of previous temporary leases which had expired on 30th June, 1954, a plot of land of area 0.6 acres on payment of a premium of Rs. 2,50,000 plus an annual ground rent of 2½ per cent thereof. After consideration of the aforesaid representation made by the firm, it was felt by the Chairman, Railway Board (Shri Karnail Singh) that it was administratively desirable to pursue proposals for an amicable settlement of this long standing case. The Railway was accordingly addressed, on 6th March 1962; this letter was not in the nature of formal stay orders in respect of the eviction notice, though it did have the effect of postponing enforcement of the eviction notice pending an amicable settlement. As a result of correspondence with the Railway Administration which followed, the Railway Board eventually, in their letter of

20th November 1962, to the Northern Railway, directed that the long pending case should be settled on the following basis:—

- (1) The firm should pay arrears of rent in full at 6 per cent of the lease hold value, for which purpose the value as assessed by the W. H. & S. Ministry in 1954 (from 1st July, 1954) for the adjoining land at Rs. 2.5 lakhs per acre was to be taken as an average for the entire period (1st July, 1950 to 31st December, 1962)—more or less as an *ad hoc* settlement.
- (2) After the firm had cleared the arrears, the land was to be leased for a further period of 20 years on a rent assessed at 6 per cent of the "present day value", subject to revision every five years, to accord with the prevailing market price.

(j) The firm, while sending a cheque for a sum of Rs. 1,06,390.43 nP towards arrears of rent for the period from 1st July, 1950 to 31st December, 1962, put forward, in their letter of 10th January 1963, a suggestion that the Railway land should be sold to them to obviate difficulties of re-assessment of market value every five years, as normally leases in New Delhi are subject to revision only at intervals of 25 to 30 years.

(k) At this stage, the Railway Board obtained the advice of the Ministry of Law, who confirmed that the acceptance and encashment by the Railway of the cheque as tendered by the firm, would not prejudice the the Railway's right to proceed with the eviction, if still necessary, under the Government Premises (Eviction of Unauthorised Occupants) Act of 1958. The Northern Railway was accordingly advised by the Railway Board and the firm was advised in turn to the same effect by the Divisional Superintendent, Northern Railway. The firm made a submission, in their letter of 6th May, 1953 to the Minister of Railway, enclosing copy of their letter of 2nd May 1963 to the Divisional Superintendent, Northern Railway, Delhi, indicating willingness to accept any reasonable decision of the Railway, either for sale of the land or for taking it on licence or lease. It was considered best at this stage that, instead of pursuing the matter through further correspondence, a representative of the firm should be called to settle the long drawn case; accordingly Shri Daljit Singh, a Director of the firm, came on 12th June 1963 to interview the Additional Member, Finance, Railway Board, in the latter's office when the Director, Finance, Railway Board and the Deputy Director, Civil Engineering, Railway Board, were also present. As a result of proposals which were accepted, without reservation, by the firm's representative at this interview, a letter dated

21st June 1963—clarified by a further letter of 25th June 1963—was sent by the Railway Board to the firm, making it clear that the renewal of licence of the land *would be limited to 10 years from 1st January, 1963 in the first instance—instead of 20 years as earlier proposed*—and that the Railway Administration could not waive the usual condition of re-assessment of market value every five years, nor either the condition in regard to payment of advance rent for a year in addition to security deposit equivalent to a year's rental. The indication in the aforesaid letter sent to the firm, of rental being based on a market value of Rs. 186/- per sq. yd. (equivalent of Rs. 9 lakhs per acre) was based on information which had been supplied by the Divisional Superintendent, Northern Railway, Delhi, to the Railway Board after ascertaining this rate from the Land and Development Officer, Delhi. The firm thereon furnished a cheque for Rs. 65,253.76 nP, with their letter of July 6, 1963, to the Divisional Superintendent, Northern Railway, Delhi, in full satisfaction of the demand for one year's advance rent from 1st January 1963 together with an equivalent amount as security deposit.

2. The transactions in this case should be reckoned from July 1950 when, as correctly pointed out in the audit para, the trouble started. As will be evident from the foregoing detailed narration, the initial encroachment in 1942 was considered by the former (pre-partition) North Western Railway as 'unintentional' and the transaction was regularised by a formal licensing of the plot of land.

3. As regards the events which covered the period 1950—1962, the Ministry of Railways respectfully submit that, while in retrospect it is possible to take the view that action should have been speedier or more effective than it was at different stages in the periods 1956-57 and 1959—62, there is nothing on record anywhere indicating, or even implying, that there was reluctance on the part of any official to proceed with the case in the ordinary course. The legal remedy of eviction through civil suit having been ruled out as likely to be expensive and prolonged—and this was currently recorded—the alternative remedy of administrative action under the Government Premises (Eviction) Act, 1950 was the only feasible course open to the Railway administration. It could not reasonably be envisaged that action under the Act—initiated in 1954-55—would be impeded by a series of fortuitous events. In the first place, it was not foreseen that formalities required to be complied with by the Railway administration under the Act would be prolonged to the extent of necessitating a detailed consideration of the firm's appeal in 1956 to the Chairman, Railway Board, who was the appellate authority under

section (5) of the 1950 Act. Before the Chairman, Railway Board, could issue final directions after a detailed enquiry, the 1950 Act itself was declared, in 1957, as *ultra vires* by several High Courts. This delayed matters unexpectedly, as it became necessary for the Railway administration to await the promulgation of the new Act in 1958—sponsored by the Ministry of Works, Housing and Supply—and the issue of a fresh notification by the W.H. & S. Ministry declaring Deputy General Managers of Railways afresh as authorities competent to order Eviction.

4. The representation of the firm to the Railway on 14th February 1962, endorsing a copy thereof to the Chairman, Railway Board marked the second stage when the matter came to the Railway Board's notice after fresh Eviction proceedings had been initiated in 1959-60. This representation could not very well be disregarded when the firm made a relevant point that another department of the Government of India had allotted the firm a plot of land adjoining, and of practically the same area as, the railway land, in question, on perpetual lease from 1st July, 1954—replacing the earlier temporary leases—on very reasonable terms. There was no significant delay in the issue of orders by the Railway Board for an amicable settlement, the details of the settlement being indicated in Railway Board's letter dated 20th November 1962. The Ministry of Railways would plead that, when the Railway administration could not show that the plot of land under reference was required for any essential railway or public purpose of over-riding importance, there was no valid ground for proceeding with the eviction and the recovering of arrears of rent and the finalising of a fresh lease from 1st January, 1963, in keeping with the standing rules and without involving any loss to the Railway (as explained separately in reply to serial No. 31 of the main conclusions/recommendations of the PAC), were considered in the circumstances as the most practicable steps to settle this long-drawn case.

5. Admittedly there is no indication on record that the Railway Administration had bestowed any attention on this case during the period 1950—53, not even by way of replying to, or refuting, the submission made in the firm's letter of 28th May, 1951 that a site-inspection by senior railway officials had led the firm to genuinely believe that the further encroachment was being regularised. It was on 23rd February, 1953 that the Railway Headquarters Office eventually advised the divisional office not to accept the rent that was offered by the firm, so that the firm might not acquire the status of a regular tenant. The Ministry of Railways would submit that lack of attention in the period 1950—53 did not in any case add to the delay, as the Ministry of Defence, Government of India, who administered the Government Premises (Eviction) Act, 1950, did not issue, until

June 1953, the requisite notification authorising Deputy General Managers of Railways to order Eviction. At this date, when many of the officers concerned are no longer in railway service, it can only be presumed that lack of action during the period 1950—53 was due to the major pre-occupations preceding and following the integration and regrouping of Railways including *inter alia* the formation of the Northern Railway in April 1952.

6. The Ministry of Railways, while admitting that the case could have been dealt with more expeditiously at different stages, at least during the periods 1953—57 and 1959—62, venture to submit that it is not possible to fix responsibility on any single officer or even a set of officers. The matter had been handled by several officers at different levels in the ordinary course and finally at the level of two Senior Deputy General Managers of the Railway personally—one of whom is no longer in service—and had also been handled at the highest level in the Railway Board. Two different incumbents of the post of Chairman, Railway Board at different times (both of whom have since retired, one in 1957 and the other in 1962) dealt with the case on lines which they believed were the most appropriate. In all the circumstances and now that the matter has been settled amicably, without involving any loss to the Railway (as explained separately in the Ministry of Railways' reply to Serial No. 31 of P.A.C.'s recommendation in the same case), the Ministry of Railways would plead that the case may not be pressed further and may kindly be treated as closed.

7. This has been seen by Audit.

*Additional Member, Finance,
Railway Board.*

APPENDIX XIX

GOVERNMENT OF INDIA

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Action taken on the recommendations of the Public Accounts Committee

Recommendation of the Committee

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

(S. No. 32 Appendix XI to 13th Report, 1963-64).

Action taken by Government.

Before dealing with the specific observations of the Public Accounts Committee, the Ministry of Railways would like to recapitulate briefly the more important facts of this case which have a bearing on the Public Accounts Committee's observations.

2. 1. The particular piece of land was requisitioned under the Defence of India Rules in 1945 and 29 units of kutchra quarters belonging to the Railway were located on this land. On its being derequisitioned in 1952, it was proposed to acquire the land permanently and a notification was issued by the Government of Assam on 20th February 1952 under Section 4 of the Land Acquisition Act. The first estimate of the value of land made by the

Civil Authorities on 15th April 1952 was Rs. 10,000/- per bigha, and this rate was considered too high by the Railway, based on their own enquiries. The Divisional Engineer, Dibrugarh in a letter dated 23rd April 1952 to the Dy. Commissioner pointed out that the land in the neighbouring area (Khalamari Village) had been estimated at Rs. 1,000/- per bigha only vide Dy. Commissioner's letter of 29th September 1951. Later, in February 1953, on further enquiries, it was learnt that M/s. Jalan Industries had purchased land in 1950 at the rate of Rs. 3,000/- per bigha and that they were prepared to accept an offer of Rs. 5,000/- per bigha plus some compensation to the Tea Garden to cover loss of valuable Tea bushes if the tea land was acquired. Even this offer was considered as too high. So ultimately the Chief Engineer of the Railway informed the Government of Assam on 25th July 1953 that though the Railway wanted the land, it could not proceed with the acquisition at the exorbitant rate of Rs. 10,000/- per bigha and requested that they may be permitted to make use of the land on an annual rental basis till alternative arrangements could be made elsewhere to house the staff, occupying the quarters located on this plot. Simultaneously, the Regional Engineer, Pandu was also advised to expedite the construction of alternative quarters.

2.2. In August, 1953, there was a representation to the Ministry of Railways (from Shri J. N. Hazarika, M.P.) on behalf of Shri B. C. Dowerah, the owner of the major portion of the area. It was urged in this representation that the owners of the land were experiencing serious hardship due to delay on the part of the Railway in finalising the acquisition and that the matter should be expedited without further delay. Later, in March, 1954, a reminder was received, requesting expeditious decision and indicating at the same time that the party was prepared to accept Rs. 8,000/- per bigha. Copies of these letters were forwarded to the Railway for detailed comments, which were received at the end of March, 1954. The Railway was inclined to the view that even Rs. 8,000/- per bigha was on the high side. The Railway Board accordingly informed Shri Hazarika on 15th April 1954 that the Railway did not propose to acquire the land in question. The Government of Assam also informed the Railway on 26th June 1954 that while the Pattadar was not willing to allow the Railway to occupy the land any more on rental basis he was however agreeable to reduce the rate to Rs. 8,000/- per bigha in case the Railway was prepared to acquire the land. Though no reply to the Assam Government direct was issued by the Headquarters Office, the Divisional Engineer, Dibrugarh in a letter dated 12th January 1955 informed the Deputy Commissioner, Lakhimpur that it had been decided by the Railway

not to acquire the land and that they will only retain it at an enhanced rental until the land could be released. On 22nd January 1955 the Revenue Secretary to the Government of Assam informed the Chief Engineer of the Railway that the acquisition proceedings were being withdrawn as suggested in the Railway's letter of 25th July, 1953. On 14th May 1955, the Chief Engineer, North Eastern Railway, issued instructions to the Regional Engineer, Pandu, to arrange for the vacation of the quarters by accommodating the staff in new quarters proposed for construction and to release the land in question to the State Government by 31st March 1956. This target date was later on extended to 31st December 1956. In the meantime, the Government of Assam asked the Deputy Commissioner, Lakhimpur on 10th June 1955 to proceed with the withdrawal of acquisition notifications etc.

2.3. It may be explained at this stage that during the period 1953-54 there were unprecedented floods in the river Brahmaputra which led to the heavy cutting of Dibrugarh town area—a factor against the acquisition of land. But at the same time this also resulted in scarcity of suitable land for building purposes. Conditions, however, changed in view of the protection works which were completed by the State Government before the floods of 1955. The District Engineer, Dibrugarh, on finding that there was hardly any suitable vacant land where new quarters could be built and also that the prices of land in Dibrugarh town were soaring high, ranging between Rs. 7,500/- and Rs. 14,000/- per bigha, recommended to the Regional Engineer, Pandu, on 20th October 1955 permanent acquisition of the land at the rate of Rs. 8,000/- per bigha, as being reasonable in the changed circumstances. The Headquarters Office was not aware of this suggestion of the District Engineer until February 1956 when the District Engineer sent a copy of his letter to the Chief Engineer. The Regional Engineer, Pandu, himself recommended to the Chief Engineer the permanent acquisition of the land at Rs. 8,000/- per bigha for the first time only on 11th April 1956.

2.4. Meanwhile while dealing with a further representation received from the land owner the matter was again reviewed by the Railway Administration and the General Manager himself personally approved on 7th December 1955 the suggestion of the Private Secretary to the Chief Engineer that, on completion of the quarters elsewhere in Dibrugarh, an estimate for which had already been sanctioned, the plot under question should be vacated and the Railway Board informed accordingly.

2.5. In January, 1956 the land owners filed a Civil Suit in the Assam High Court praying for disposal of acquisition proceedings

expeditiously. On this petition, the High Court passed the following orders:—

“Let a rule issue calling upon respondent to shown cause why the writ as prayed for should not be issued or why such further order or orders be not passed as this court may seem fit and proper. The rule is made returnable within four weeks.”

On 7th February 1956, the Government of Assam vide notification No. RA16/48/201 dated 7th February 1956 withdrew from the land acquisition proceedings.

2.6. The Regional Engineer, Pandu advised the Chief Engineer on 18th February 1956 that it was not possible to vacate the land within the target date of 31st March 1956 as the site for new quarters had not yet been finalised and that he was arranging to engage the legal adviser and if necessary a Senior Advocate to conduct the case from the Railway's side with reference to the civil suit filed by the land owners. The Chief Engineer enquired from the Regional Engineer on 6th March 1956 what was holding up the final selection of site for the construction of the new quarters. The District Engineer advised the Regional Engineer and the Chief Engineer on 19th March 1956 about the difficulties regarding vacation of the land by 31st March 1956. The Chief Engineer in his reply directed the Regional Engineer on 13th April 1956 to retain the land upto 31st December 1956. Meanwhile for the first time on 11th April 1956, the Regional Engineer recommended to the Chief Engineer the permanent acquisition of land @ Rs. 8,000/- per bigha. Later on 14th July 1956, the Engineer-in-Chief, North Eastern Railway informed the Regional Engineer, Pandu that land would be required at Dibrugarh for construction of about 2000 quarters in connection with the proposed extension of the Mechanical Workshop at Dibrugarh. Thus a reconsideration of the earlier decision not to purchase the land became increasingly pressing. The Chief Engineer, North Eastern Railway, Gorakhpur, therefore requested the Railway Board on 15th September 1956 for reconsideration of the earlier decision communicated in their letter of 15th April 1954 and sought approval for acquisition of the land at Rs. 8,000/- per bigha in view of the acute shortage of staff quarters and non-availability of spare land belonging to the Railway for building quarters.

2.7. The Civil suit in the High Court came up again for hearing on 23rd November 1956 and the court ordered that the Railway should either proceed with the acquisition of land in question or vacate the land within two months. Reserving the judgment,

the court desired to know Railway's reaction. The Railway Advocate was instructed on 30th November, 1956 to inform the court as follows:—

"It has been proposed to acquire Shri Dowerah's land permanently and the matter has already been referred to Railway Board, who is the competent authority to decide the issue. It may take some time to receive Board's final decision. Please therefore obtain an adjournment till receipt of Railway Board's order or at least for a month on the above ground."

On this the High Court asked the Collector "to dispose of the acquisition proceedings according to the law."

2.8. The Government of Assam vide their letter No. RA/16/48/245 dated 6th June 1957 informed the Railway Administration that with the withdrawal of Government of Assam from the Land acquisition proceedings, the land vested in the owners and the Railway's occupation of land would be treated as unauthorised and asked the Railway Administration to vacate the land. The State Government continued to press for the vacation of the land but the Railway had been asking for time as it was proposed to acquire the land and a decision was awaited from the Railway Board. Ultimately the Railway submitted land acquisition papers again on 22nd September 1959 to the Dy. Commissioner, Lakhimpur.

3. In the light of the above facts, the Ministry of Railways would like to offer the following remarks on the Committee's specific observations:—

- (a) The Committee have observed that "they do not understand why no attempt was made by the Railway Administration to stop the withdrawal of proceedings by the State Government in February 1956 when the recommendation of the District Engineer was available in October 1955 and it was still under consideration."

As would be observed from paras 2.3 to 2.6, the decision of the Administration taken in 1953 of vacating the land and returning the same to the owners had not been reversed until September 1956. Even though the District Engineer had recommended in October 1955 to his Regional Engineer the acquisition of the land at the reduced rate of Rs. 8000/- per bigha, it was only on 11th April, 1956 that the Regional Engineer recommended the same to the Chief Engineer by which time the notification of the Government of Assam dated 7th February 1956 withdrawing the land acquisition proceedings had issued.

(b) The Committee have observed that "in November 1956 when the High Court wanted to know before 3rd December 1956 whether the Railway Administration still wanted to pursue the acquisition proceedings, there was no response from the Railway Administration."

As would be observed from para 2.7, the Railway did take action to make clear the Railway's intention in the matter.

(c) In conclusion, the Committee have commented on the delay of 2½ years on the part of Railway Board in replying to the reference from the Railway Administration.

The Railway Board agree that there has been some avoidable delay in processing this case. As already suggested by the Committee in para 46 of their 13th Report (Third Lok Sabha), a review is already being made of the procedure of dealing with references made to the Railway Board with a view to avoiding such delays.

This has been seen by Audit.

*Additional Member, Finance,
Railway Board.*

APPENDIX XX

*Summary of main conclusions/recommendations of the 32nd Report
of the Public Accounts Committee on Appropriation Accounts
(Railways), 1962-63 and Audit Report (Railways), 1964.*

Sl. No.	Para No. of Report	Ministry concerned	Conclusions/recommendations
1	2	3	4
1	2	Railways	The Committee observe from the table showing percentages of variations between total grants and disbursements during last 5 years that while in the case of voted grants the variations had been small, in the case of charged appropriations they were quite substantial. The Ministry of Railways would be well advised to examine as to why their estimates in the case of charged appropriations were so wide off the mark all these years.
2	4	—do—	The Committee feel that the position of non-utilisation of funds by the R.S.D.O. should have been evident to the Railway Administration before approaching Parliament for supplementary funds under these demands. Even granting that approval of Parliament was to be obtained for undertaking new surveys through the medium of supplementary grant, the Committee feel that a token provision could have been obtained for the purpose.

3 5 —do—

The Committee observe that under Grant No. 9 the Eastern and Northern Railways had anticipated as many as 90 and 43 court cases and arbitration awards, whereas the cases actually settled were 36 and 5 respectively. They are unable to see any reason as to why a better assessment was not possible even as late as in February, 1962 when the Ministry approached Parliament for supplementary grants. The Committee suggest that the reasons for such a inaccurate assessment on Eastern and Northern Railways should be investigated and suitable remedial measures taken to avoid recurrence.

4 6 —do—

The Public Accounts Committee (1963-64) while examining similar cases of inadequate and injudicious surrenders were informed by the Ministry of Railways that steps had been taken to simplify the accounting procedure and that the position in this regard would show an improvement in respect of accounts for the year 1962-63. The Committee regret to observe that instead of showing an improvement the position had further deteriorated.

The Committee trust that the Ministry of Railways will further tighten up the procedure and ensure that the Railway Administration keep them fully informed of the latest position and they in turn scrutinise the same properly before surrendering any amounts or approaching Parliament for supplementary funds.

5 7 —do—

The Committee trust that the Ministry of Railways will further examine the reasons for delays in settlement of these (Provident Fund) cases. As delay in settlement of retirement dues causes hardship to the retired employees the Committee would like the

1	2	3	4
			Ministry of Raiways to initiate suitable remedial measures to avoid such delays in future.
6	8	Railways	The Committee feel that these are further instances which indicate failure on the part of the Railways Administrations to watch the progress of expenditure under the Grants and assess their requirements suitably.
7	9	—do—	The Committee, while conceding that the precise estimates regarding equipment, plant and machinery could not perhaps be made earlier, find it difficult to see why there should be so much increase in the estimates for structural works etc. It is observed from the note that in increase of Rs. 148.7 lakhs in the township was due to larger number of quarters found necessary as against quarters earlier included in the urgency certificate and provision of marketing, educational, medical and recreational facilities etc. Similarly, Rs. 20 lakhs were added due to additional area for administrative and workshop offices. The Committee feel that these requirements could have been assessed more realistically even in the initial stages.
8	10	—do—	While the Committee appreciate that delay caused by the docks strike in New York was entirely beyond the control of the Ministry of Railways, they feel concerned to learn that some components of the locomotives were mis-dispatched/over carried etc. They desire

that the circumstances in which this occurred should be thoroughly investigated and suitable steps taken to avoid recurrence in future. The Committee would also suggest that efforts should be made to accelerate the tempo of production to achieve the targets laid down by the Railway Board for the Third Five Year Plan, viz., 95 locomotives in all including 12 knocked down locomotives.

9 11 —do—

The Committee hope that this target (having indigenous content to the extent of 90 per cent. in the later part of Fourth Plan) would be rigidly adhered to and if possible improved upon further.

10 12 —do—

The Committee had also desired to be furnished in this connection with further details about the terms of agreements entered into with the foreign collaborators and the extent to which they had been fulfilled. This information is still awaited.* The Committee would watch the progress of this project (Diesel Locomotive Works) and the achievements made to fulfill the targets of production etc. through subsequent Audit Reports.

11 13 —do—

While there has no doubt been some improvement in that the percentage of savings under the grant has been reduced from 29.6 in 1958-59 to 15.5 in the year 1962-63, the Committee are also untent of saving is still on the high side. The Committee are also unable to accept the plea of large number of works as ample justification for over-estimation under the Grant. They feel that with their experience in the matter of procurement of material etc. year after year, the Railway Administrations should have been able to frame their requirements much more precisely.

* Since received.

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12	14	Railways	The Committee would in this connection invite the attention of the Ministry to their recommendations contained in para 5 of the 15th and 21st Reports (Second Lok Sabha) wherein they had suggested the submission of periodical reports by the Supply Organisations to the indenting Ministers. They trust that these suggestions are being followed properly by all concerned.
13	15	—do—	The Committee regret to observe that as revealed in the present case even towards the close of the financial year the Administrations were unaware of the fact that expenditure under the grant was going to exceed the funds by Parliament. They would, therefore, like the Ministry to examine what improvements are necessary in the extent procedure for watching the progress of expenditure, to avoid recurrence of such excesses in future.
14	16	—do—	Subject to the above observations the Committee recommend that the excesses referred to above be regularised by Parliament in the manner prescribed in Article 115 of the constitution.
15	17	—do—	The Committee are not satisfied with the explanation offered in justification of employment of staff for running the grainshops especially on the Eastern Railway. They suggest that besides continuing efforts for closing down the grainshops, the question of reducing the staff should be examined to minimise the losses to the extent possible.

16 18 —do—

In the opinion of the Committee the residual work on the Northern Railway could have been dealt with more expeditiously. They hope that the residual work on the South Eastern Railway would not be allowed to drag on as happened on the Northern Railway and that it will be completed by the close of the financial year.

17 19 —do—

From the information furnished the Committee find that the number of claims paid on account of pilferages from sugar consignments at Kantapukur have been steadily rising. The Committee cannot view this drain on the exchequer with equanimity. They would like the Ministry of Railways to convene a meeting with the Ministry of Transport and the representatives of the Eastern Railway and Calcutta Port Commissioners to devise effective measures to put a stop to such pilferages from sugar consignments awaiting export at Kantapukur.

18 20 —do—

The Committee trust that the Railway administration will continue to make endeavours and take suitable measures to further reduce losses on this account.

19 21 —do—

The Committee regret to note the unsatisfactory state of store ledgers. They would like to be informed of the progress made in the clearance of these arrears and the final outcome viz. the shortages and surpluses detected in the stores.

20 22 —do—

On the suggestion of the Committee the Financial Commissioner, Railways assured the Committee that the whole matter relating to

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			clearing up of these cases (stock verification sheets) would be considered from all aspects and some officer would be specifically deputed to clear the arrears. The Committee would watch the results through subsequent Audit Reports.
21	23	Railways	<p>While the Committee do not want to go into the merits of the two systems nor do they want to question the administrative decision, they nevertheless cannot help observing that according to the facts disclosed in the note furnished by the Ministry, the stand taken by the Railway Board that the position regarding execution of works was unsatisfactory under the zonal system and improved considerably when they switched over to the area contract system is not fully borne out. The fact that as many as 10 per cent of the work orders issued upto 31-3-1962 remained uncompleted upto 30-9-1962 seems to indicate that no significant improvement had been achieved even after following the costlier method.</p>
22	24	— 10 —	<p>The Committee can hardly appreciate this stand. So long as the discretion vested by the rules is exercised rightly by officers there is no reason why they should feel that their actions are looked upon with suspicion. They are also surprised at the earlier observation that the "extra expenditure was only hypothetical." From a note subsequently furnished to them the Committee observe that during the period 1st April 1962 to 30th September 1962 a sum of</p>

Rs. 28,72,128 was paid to the area contractors, while if the zonal rates were followed only a sum of Rs. 24,81,801 would have been paid. This clearly brings out that there was an extra expenditure of Rs. 3,91,327 during the period of 5 months.

23 25 Railways

The Committee are surprised at the manner in which the Ministry tried to defend an obvious lapse on the part of the Railway Administration. From the facts placed before them they cannot but conclude that the financial implications of the two systems were not thoroughly gone into by the Railway Administration before switching over to the area contract system.

24 26 —do—

The Committee consider this unfortunate that there was some confused thinking on the part of the Railway Administration in implementing Railway Board's instructions and hope that such confusion will be scrupulously avoided in future, specially when dealing with important matters with wide financial implications.

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25 27 —do—

The contention of the Railways about the misinterpretation by the contractor is not proved as the arbitrator and also the District Court have upheld the contractor's contention. This shows the contract was defective.

The Public Accounts Committee have on many occasions impressed the need for proper scrutiny of agreements with private parties.

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			They regret to observe that in this case the form prescribed for single stations was adopted in a routine way for the entire zone.
26	28	Railways	The Committee desire that the matter should be further investigated and responsibility fixed for the inaction and delay in handling this case (referred to in para 27) in the Railway Administration.
27	29	—do—	The Committee may be informed of the final outcome of this case referred to in para 27 of the Report.
28	30	—do—	From a note submitted to them the Committee find that out of 43 cases referred to arbitration, during the 5 years 1959-60 to 1963-64, 27 had been decided of which as many as 25 had gone in favour of the contractors. In the light of this experience the Ministry of Railways would be well advised to examine the reasons for such a large number of cases having been decided against them and consider the feasibility of improving the procedure of reference of cases to arbitration.
29	31	—do—	The Committee feel that mere issue of instructions will serve no purpose until their compliance is insisted upon in all cases and the defaulters are suitably dealt with. They would further watch the implementation of the assurance given by the Ministry in this regard.

(i) The Committee are not satisfied with the explanation. In theid option the Controller of Stores to whom letter were addressed by the D.G.S.&D. neither checked the position regarding the period of validity of the offer with tender documents in his possession nor did he enquire this fact from the D.G.S.&D., when the latter was reminding him for an early reply.

Industry and
Supply.

(ii) The D.G.S. & D. also cannot be considered free from blame as he did not specifically mention this important fact in his communication. The Committee would suggest that to avoid such cases in future the D.G.S.&D. should invariably bring the period of validity of the offer to the notice of the indentors.

Railways

What struck the Committee in this case was the casual manner in which the Railway Board processed the contract of supply of M.S. Plates. The supplier had defaulted not only in terms of specifications but also deliveries. He had failed to furnish the performance guarantee bond in time. But the Ministry apart from penalising the supplier did not even negotiate with him to seek a reduction in the cost in keeping with the latest offer received by them.

Industry
Supply

The Committee are surprised to note that even such an important fact that the plates did not contain copper was overlooked by the Inspector. This cannot be considered as an inadvertent mistake but indicates lack of proper care in inspecting the material. They trust that the supply organisation will take suitable steps to avoid recurrence of such cases.

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33	35	Railways	<p>The Committee regret to observe that lack of co-ordination and improper scrutiny of the tender documents resulted in extra expenditure in this case. They are not aware whether the Ministry had enquired into the reasons for this lapse. Apart from the initial mistake of omission to assess the quantum of work the Committee feel that the officers who finalised the contract and signed the agreement as late as May, 1958 with the full knowledge that the rates were unreasonably high also did not act in the best interest of Government. Having come to know the correct position, the officers could at least negotiate with the contractor and seek suitable reduction in the rates before entering into formal agreement with him. The Committee suggest that the matter may be thoroughly investigated and responsibility fixed for the various lapses.</p>
34	36	—do—	<p>The Committee got the impression that the Railway Administration did not deal with this case with proper thought and vigour. The facts that the execution of the contract was not followed up with the contractor in the earlier stages when he produced only a few wagons after 19 months and subsequently the design was changed soon after the production of the first wagon, indicate that the Administration had not assessed their requirements fully before placing an order for 300 units. Subsequently also the inability of the Administration to make the underframes available to the firm placed them in an unenviable position. The Committee would like</p>

to be informed as to when and how the unutilised materials of the value of Rs. 60,631, taken over from the contractor were utilised by the Railway Administration.

35 37 —do—

The Committee feel that with a little more planning the Ministry could have avoided this contingency of having locked up their capital in the purchase of material which was lying unused for the last 7 years. When the DGS&D failed to procure the steel sleepers, the unfavourable situation about their availability should have been evident to the Ministry. They should, therefore, have restricted their orders for the Loose Jaws if not altogether cancelled them.

36 38 —do—

While the Committee are glad to note that the material had since been utilised and that there had been no loss on this account, they cannot ignore the fact that material which was fabricated and ready in 1957 could not be utilised till the end of December, 1963 for lack of administrative decision. They are also surprised to find that even before the approval of the Railway Board was given the material had been fabricated and transported to the site. The representative of the Ministry promised to enquire into the reasons for the delay in the execution of the project. The Committee would like to be informed of the results of the enquiry.

37 39 —Do—

In the opinion of the Committee, this case discloses lack of proper planning and co-ordination on the part of the Railway Administration which resulted in costly equipment remaining unutilised for more than 6 years and other avoidable expenditure. In the first place, the Committee find no justification for the transfer

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Railways

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of the weighbridge from Dwaraka to Wankaner when as disclosed during evidence a separate weighbridge had been ordered for that station as early as 1956-57, and when even civil engineering works had not been started. Further, the explanation for the infructuous expenditure on the earthwork is also not quite convincing to the Committee. Even granting that the work was combined with other engineering works for purposes of obtaining cheaper rates, there appeared to be no urgency for carrying out the actual work before the monsoon, specially when the General Manager had pointed out that the work should not have been combined with another on an urgency certificate. The Committee feel that the circumstances in which the local officers hurried with the earthwork which proved infructuous should be further investigated and responsibility fixed in the matter.

The Committee consider this (weighbridges awaiting installation) to be highly unsatisfactory and desire that the Ministry of Railways should take suitable steps to ensure that such abnormal delays in the utilisation of costly plant and machinery are avoided in future.

The Committee regret to note that the construction of the storage tanks costing Rs. 37,000 was taken up without proper investigation. They can hardly accept the plea that the administration were guided by the example of another tank which had no difficulty since they did not follow the specification of the old tank.

The Public Accounts Committee (1962-63) *vide* para 38 of First Report had come across similar cases which reveal the tendency on the part of Railway Administration to start engineering works involving heavy expenditure without proper investigation. They trust that the Ministry will take steps to ensure that such cases are avoided in future, and that technical advice is obtained well in advance of starting such works.

The Committee find it difficult to accept the claim of the Railways that by constructing the underground oil storage tanks and then converting them as sheds for storage of vacuum brake equipments they were able to effect a saving of about Rs. 45,000. This only indicates that the estimate of Rs. 88,000 for the shed was very much inflated.

The Committee hope that the engineers in-charge of works are now properly following the revised specifications to ensure that cement bags are suitable for being returned to the cement companies. They would also like to be informed of the circumstances under which 21,014 bags were lost whether any enquiry had been conducted into the loss and if so with what result.

The Committee deplicate the delays on the part of the Railway Administration in handling this important question. As regards the disciplinary action the Committee observe that while the matter was brought to the notice of the Railway Board in August, 1959 the officers in question retired only in May and October, 1960. The Committee

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desire that the circumstances under which no action was taken to fix responsibility earlier against the officers may be further looked into. The Committee would also like to know how many out of 216 steel tyres could be put to normal use and how many had to be rejected due to defects, and what was the loss suffered by the Railway.

42 44 Railways

The Committee regret to observe the lack of prudence on the part of Railway Administration in ignoring the more important aspect of the case namely to return the defective tyres to the firm. They made attempts (which became futile because of the delay) to recover the customs duty paid to Government. It is surprising that in such an important matter the Railway Administration did not consider it appropriate even to apprise the Railway Board and seek their assistance.

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43 45 —do—

The Committee feel that at least a sample check at least in the warranty period if not immediately on receipt of material should be possible to ensure that the goods are according to specifications.

44 46 —do—

The Committee trust that the Railway Board would impress on the Railway Administrations the need to exercise better care and checks in the indenting of stores specially those involving expenditure on foreign exchange.

45	47	Railways	<p>The Committee regret to observe the abnormal delay on the part of the Railway Administration in conducting the trade tests. It is also surprising that the Railway Board having issued a policy order did not watch its implementation within a reasonable time. The Committee feel that the Railway Board should have prescribed a time limit for the implementation of their instructions. This would have avoided the anomalous situation of retrospective promotions being effected after a lapse of ten years and more.</p>
46	48	Do.	<p>This is another case in which the orders of the Railway Board were not implemented promptly by the Railway Administration resulting in loss of revenue. Since the rents are required to be reviewed every 5 years, the Committee suggest that a suitable machinery should be evolved, if one does not exist, to ensure that cases are taken up for review well in advance and the losses such as mentioned in this para are avoided.</p>
47	49	Do.	<p>The Committee feel concerned to note the haphazard manner in which this question was examined at different stages in the Railway Administration. They could not get satisfactory explanation for the inordinately long time taken by the Railway after the recommendation for relinquishment of the plots was made first in 1948 and subsequently in 1958. Equally surprising is the fact that the ill-conceived contention of the Traffic Manager, when he suggested that the retention of the plots would bring net revenue to the Railway, was not properly examined by the senior authorities. The Committee may be informed of the progress made in the realisation of outstanding amounts from 5 lessees.</p>

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48	50	Railways	<p>The Public Accounts Committee (1959-60) in para 52 of their 21st Report had deplored the tardy manner in which the Railway Administrations had been maintaining the land records and keeping watch over realisation of rents. They had then expressed the hope that the Railway Board would pursue the matter vigorously and arrive at a settlement at an early date. The Committee feel concerned to note that in spite of the assurance given by the Railway Board and the instructions issued by them to the Railway Administrations no material improvement had been made in the position. They would like to be informed of the proposal to recover lump sum amounts from the State Governments, which was stated to be under examination of the Railway Board.</p>	200
49	51	Do.	<p>The Committee would like to be informed of the progress made in the clearance of encroachments by the different Railway Administrations. They may also be apprised of the steps taken by the Administration to check further encroachments. It was stated that the Inspectors of Works and the PWIs were supposed to check the encroachments on Railway lands. In the opinion of the Committee, unless the staff who fail to keep proper watch are suitably dealt with, the situation would hardly be controlled.</p>	
50	52	Do.	<p>In the opinion of the Committee the construction of the barracks was sanctioned without proper planning. Had the real requirements</p>	

of the Protection Force been properly ascertained before starting the construction, the avoidable expenditure would not have been incurred. Further, from the statement furnished by the Ministry the Committee find that in several cases (at Perambur, Arkonam, Bangalore, Vijayawada and Tiruchirapalli) the barracks remained unoccupied for periods ranging from 1 to 4 years. The circumstances under which the buildings remained unutilised for more than one year may be enquired into.

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| 51 | 53 | Do. | <p>This is another case where construction work was taken up without considering all the pros and cons. The Committee recommend that instructions may be issued to the Railway Administrations that proposals for construction work involving huge amounts should be properly scrutinised by the competent authority to avoid such losses as mentioned in this and the earlier para.</p> |
| 52 | 54 | Do. | <p>While the Committee appreciate the progress made in the clearance of outstanding amount, they cannot overlook the fact that rules regarding collection of demurrage and wharfage charges were not rigidly followed by the Railway Administrations. In their opinion, the Railways being a commercial organisation should be more prompt and business-like in recovering these charges. The Committee would like to be informed of the further progress made in the recovery of outstanding amounts.</p> |
| 53 | 55 | | <p>The Committee regret to note the lapses on the part of the station staff and the Accounts organisation which resulted in the accumulation of arrears and the unsatisfactory position of accounts. Such</p> |

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lapses on the part of a commercial organisation are unfortunate. The Committee suggest that the reasons for these lapses should be further investigated and responsibility fixed in the matter.

54 56 Railways

While the Committee appreciate the views expressed by the representative of the Railway Board that satisfaction of the public should be the main criterion for catering on Railways both departmental and through contractors, they nevertheless feel that the financial aspect also cannot be over-looked altogether. The Committee are not at all impressed by the naive argument that public satisfaction was of more importance because in the same city in another sister Railway ice-cream was sold under different arrangement which was not only giving full satisfaction to public but also handsome profit to the Railway.

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55 57 Do.

The Committee consider it unfortunate that the precise reasons for not following the better method were not ascertained before the officers retired from service. The explanation that the C.C.S. had subsequently issued orders for the adoption of the better method can hardly be accepted since having extended the contract for 2 years the Administration had placed itself in the helpless position and the decision taken in May, 1962 could not be implemented for more than one year i.e. upto 30th June, 1963.

56 58 Railways

The Committee do not approve the method adopted by the Railway Administration in awarding the contract to the firm without calling tenders or even negotiating with the firm who had applied to them for similar licence earlier. They are surprised that even after the complaints were received the Railway Board did not enquire into the circumstances why tenders were not called before awarding the contract to the firm in question. The Committee take a very serious view of this irregularity and hope that such irregularities will be avoided in future.

57 59 Do.

The Committee can hardly appreciate the inarticulate argument advanced by the Railway Administration to cover the obvious lapse on their part. As already admitted by the Railway Board, there had been inordinate delay in implementing the Board's decision by the Railway Administration. The Committee feel that even after making due allowance for the problems created by the bifurcation of the Railways, the time taken by the N.F. Railway in implementing the Railway Board's decision was excessive.

58 60 Do.

The Committee find that the time taken by the Railways in implementing the orders of the Railway Board issued as early as in 1957, to review and revise the licence fee, rent and other charges levied for catering and vending contracts has been excessive. The Committee would like to know when these orders were actually implemented on each Railway and what action has been taken where the delays were found to be avoidable. Earlier in the Report the Committee have commented upon another case where the decision

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of the Railway Board was implemented by the North Eastern Railway after about 10 years. The Committee would, therefore, suggest that while issuing orders for revision or enhancement of rates etc. which have a bearing on all the Railways, the Railway Board should in future lay down a definite date for the implementation of their orders. They should also call for periodical reports from the individual Railway administrations so that the Railway Board is kept fully informed of the progress of the implementation of their instructions.

59	61	Railways	The Committee may be informed of the final outcome of this case referred to in para 61 of the Report.	204
60	62	—do—	<p>The Committee consider it unfortunate that such a lacuna in the procedure for recovery of dues from contractors should have existed on all the Railways.</p> <p>The Committee hope that with the above measures already adopted no accumulation will occur with regard to electricity and water charges to be recovered from contractors.</p>	
61	63	—do—	The Committee observe from the statement (given in para 63) that the amounts outstanding on the North Eastern, Eastern, South Eastern and Northern Railways are quite substantial. They desire that the Railway Board should enquire into the circumstances lead-	

ing to the accumulation of large arrears on these Railways, take steps to liquidate these arrears and devise suitable measures to avoid such accumulation in future.

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—do—

While the Committee are glad to know that a settlement had ultimately been reached which would result in appreciable savings to the Railways, they feel that the matter could have been pursued more vigorously and the time lag of about 2 years in negotiating with the firms could have been reduced. In their opinion, the conditions advanced by the firms could have been settled by personal negotiations instead of relying on lengthy correspondence. It has been stated in the written memorandum that a meeting which was proposed to be held in November, 1962 between the representatives of the Railway Board, the Railways administrations and the steel suppliers did not take place. They are not aware whether any further attempts were made to have another meeting with the suppliers. Secondly, it has been mentioned in the note that after it became increasingly clear that a common pattern applicable to all Steel Firms was not emerging, the F.A. & Co., Eastern Railways was asked in December, 1963 to negotiate with TISCO and IISCO and settle a procedure for obtaining discount on their bills rendered at Calcutta on the same terms as for the Railway Electrification Project. The Committee feel that side by side with their negotiations at the Board level this course of action adopted in December, 1963 could have been adopted earlier.

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In view of the large quantities of steel purchased by the Railways from the indigenous steel suppliers, the matter deserved to be pursued more vigorously by the Railway Board. The Committee hope that such delays would be avoided in future. The committee cannot help feeling that due to the avoidable delay the Railways have suffered a substantial financial loss.

63 65 Railways

The Committee desire that the Railway Board should take suitable measures in consultation with the Ministry of Mines and Fuel and the Coal Controller to put a stop to this undesirable practice. The Committee also hope that the Ministry of Railways would improve their Inspection Organisation and the quality of their inspection to eliminate losses on this account.

64 66 Do.

Even if that be so, the Committee feel that, it does not explain the failure of the Railway Administration to execute the agreement when the land was handed over to the Light Railway Company. It is all the more unfortunate that no agreement was executed for more than 12 years even after the terms of the proposed agreement acceptable to both the parties were finalised by the year 1950. The Committee deplore the slackness on the part of the Railway Administration and desire that the matter should be further investigated and those found guilty of neglect of duty suitably dealt with.

	67	Do.	The Committee can hardly accept the shortage of staff as valid plea for not following the prescribed procedure which facilitated the fraud and resulted in heavy losses. They regret to observe that even when the omission was brought to their notice by Audit before 1959 no action was taken by the Railway Administration to improve matters. The Committee desire that the reasons for this lapse should be further investigated.
66	68	Railways <hr/> Home Affairs	The Committee find that quite a large number of cases out of these (pending investigation by S.P.E.) involve the allegations of "bribery and corruption", "misappropriation of money" and "disproportionate assets". They would urge upon the Ministry of Railways to tighten up their vigilance organisation in order to eradicate these mal-practices. The Committee also recommend that the Special Police Establishment should complete the investigations of these pending cases expeditiously.
67	69	Railways	The Committee feel concerned to note that the thefts should have been committed of such heavy material, over such a long period, in spite of security measures. It is also unfortunate that even after the thefts were reported prompt action was not taken to remove the rails from the site. The Committee would like to be informed about the results of cases of prosecution launched by the police.
68	7	Do.	The Committee consider it unfortunate that even after the thefts were reported the Railway Administration did not remove the

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			impedance bonds and left costly equipment unattended on the track for one and a half years, resulting in a loss of Rs. 88,437 due to thefts. The Committee are of the view that this is a case of clear negligence on the part of the Railway Administration.	
69	71	Railways	The Committee feel that the magnitude of the problem (loss due to missing coal wagons) is sufficiently large to merit special attention of the Railway Board. The Committee would, therefore, like the Railway Board to take immediate steps in this direction to reduce the malady. They would like to be informed of the special steps taken to reduce the incidence of 'missing' and 'unlinked' wagons.	268
70	72	Do.	The Committee would like to be informed of the result of the review to find actual losses in fittings of rolling stock. The Committee would, however, like to add that there should not be any unsurmountable difficulty in estimating the losses on account of deficiencies in fittings in the case of locomotives and coaching stock.	
71	74	Railways Industry and Supply	While the Committee are glad to note that replies in respect of all the items except one [Sl. No. 39 of App. XI para 42(5) to 13th Report relating to para 58 of 1st Report 1962-63] have been received from the Ministry of Railways (Railway Board) etc., they find that notes in respect of Sl. Nos. 11 to 13 of App. XI (para 13 to 15) to	

13th Report (1963-64) are still outstanding from the Ministry of Supply and Technical Development. The Committee deprecate such abnormal delays in the submission of notes in respect of their earlier recommendations and hope that the Ministry of Supply and T.D. will expedite the submission of these notes.

72 75 **Railways**

The Committee note that in the cases (mentioned in para 75) the replies furnished by the Ministries are of an interim nature and would, therefore, await a further report thereon:

73 76 —do—

The Committee are not convinced with the reason advanced for finalisation of tenders after 1st July i.e. the commencement of the term of the zonal contracts. In order that the contracts for the new year can be effective from the 1st of July, it is necessary that all formalities should be completed before that date. The Committee would, therefore, reiterate their earlier recommendation that the new contracts should be finalised before the 30th June every year.

74 77 —do—

The Committee are unable to accept that the case had been dealt with on the most appropriate lines. They consider it unfortunate that the matter was not dealt with firmly and with promptness both in the Railway Administration and the Railway Board. They trust that such cases will be scrupulously avoided in future.

75 78 —do—

The Committee regret to note the delay of more than 6 months in dealing with this case in the office of the Regional Engineer, Pandu. They desire that the circumstances under which the case

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			was not handled promptly in the office of the Regional Engineer may be enquired into.
76	79	Railways	The Committee desire that the reasons for the delay on the part of the Railway Board in dealing with the case mentioned in para 78 should be enquired into and responsibility fixed.

