

**TWO HUNDRED AND TWENTY
EIGHTH REPORT**

PUBLIC ACCOUNTS COMMITTEE
(1984-85)

(SEVENTH LOK SABHA)

**CONVERSION OF VIRAMGAM-OKHA-PORBANDAR
SECTION**

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

Presented in Lok Sabha on 27.8.1984

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LOK SABHA SECRETARIAT
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PART II *

Minutes of sittings of the Committee held on

2.2.1984 A.N.

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(1984-85)**

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this 228th Report of Public Accounts Committee (Seventh Lok Sabha) on paragraph 6 of the Advance Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Railways) relating to Western Railways—Conversion of Viramgam-Okha-Porbander Section.

2. The Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Railways) was laid on the Table of the House on 4th April, 1983.

3. The Ministry of Railways (Railway Board) sanctioned in December 1971 the conversion of 557 kilometres of metre gauge section from Viramgam to Porbander and Okha into broad gauge at a cost of Rs. 42.93 crores. This conversion was planned to be completed in five years i.e., December 1976 in two phases. The first phase upto Hapa (268 kms) was completed in June 1980 after setting up temporary transshipment facilities at a cost of Rs. 84 lakhs. Subsequent to the opening of this section upto Hapa in June 1980, the pace of work on the project was slowed down, and phase II, which in May 1979 was proposed to be opened in March 1981, was expected to be opened in April, 1984. Thus, the project, which, according to the original plan, was to be completed in 5 years, had taken more than 12 years to complete and its cost had risen from Rs. 42.93 crores to Rs. 115 crores.

While the Committee agree that drastic cuts in allocations for the Project on account of difficult ways and means position of Government were mainly responsible for the heavy slippage in the execution of the Project, in their opinion, the practice of taking up too many projects at a time by the Railway Board, together with a lack of will on their part to execute the Project with due urgency had also contributed to the slippage in no small measure. The Committee have stressed that the Ministry of Railways (Railway Board) should take up only such number of projects at a time as they can expeditiously complete within the resources at their disposal; in case, however, in an emergent situation the Ministry have to slash the allocations they should see to it that, as far as possible, on-going projects, particularly high-priority projects at an advanced stage of execution, are only minimally affected.

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4. The Committee have observed that even in the late 'Seventies' when, on account of financial constraint, the track construction/rehabilitation work was at a low ebb, the position regarding supply of permanent way materials was not easy. The Railway Board have now a gigantic task ahead in having to rehabilitate heavy arrears of track renewals, in addition to on-going works. According to para 1.10 of the 187th Report of the Public Accounts Committee (1983-84), the arrears of track renewals, which were 13,000 kilometres at the beginning of the Sixth Five Year Plan in April, 1980, had gone upto 16,840 kilometres at the end of March 1982. The number of rail fractures had increased from 2293 in 1977-78 to 4900 in 1981-82. There must have been some further addition to the arrears since. The Committee have desired that the Railway Board, should in close coordination with the Ministry of Steel and Mines and State Forests Departments, will gear themselves to successfully meet this challenge and ensure that no work involving the use of p-way materials suffers on account of the shortage of such materials.

5. The Committee have also observed that the cost of hauling of a goods unit—one tonne one kilometre—is much less by BG (8.75 paise) than by MG (13.57 paise), and Gauge conversion projects are generally undertaken when a large volume of goods traffic is to be handled. These projects play an important role in the economic development of the relevant areas. In the interest of the economic development of the areas covered by the present on-going projects as also to avoid heavy time and cost overruns in their execution, it is imperative that more funds are allotted for these projects. The Committee have desired the Ministry of Railways (Railway Board) to approach the Planning Commission for the purpose so that at least such of the on-going conversion projects as are at an advanced stage of execution or are considered to be more urgent can be completed expeditiously.

6. The Committee have also noted that during the last ten years there was not a single project costing Rs. 5 crores or above which had been executed by the Railways within the envisaged time framework or within the resources originally estimated. In the opinion of the Committee, this is a sad commentary on the state of planning and execution of the projects by the Railways. The Committee have desired the Ministry of Railways (Railway Board) to have an indepth study so as to take steps to improve their planning and implementation machinery.

7. The Public Accounts Committee (1983-84) examined the Audit paragraph at their sitting held on 2 February, 1983.

8. The Committee considered and finalised this Report at their sitting held on 21 August, 1984.

The Minutes of the sittings ^{from} ~~from~~ Part II* of the Report.

9. For reference facility and convenience the observation and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix (II) to the Report.

10. The Committee place on record their appreciation of the commendable work done by the Public Accounts Committee (1983-84) in taking evidence and obtaining information for the Report.

11. The Committee would like to express their thanks to the officers of the Ministries of Railways. (Railway Board) and Shipping and Transport for the cooperation extended by them in giving information to the Committee.

12. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI ;
August 23, 1984
Bhadra 1, 1906

SUNIL MAITPA
Chairman,
Public Accounts Committee.

*Not printed. One cyclostyled copy laid on the Table of the House and 5 copies placed in Parliament Library.

CHAPTER I

A REVIEW OF THE PLANNING AND EXECUTION OF CONVERSION OF VIRAMGAM—OKHA—PORBANDER SECTION

1.1 Para 6 of the Advance Report of the Comptroller and Auditor General of India for the year 1981-82,—Union Government (Railways) relating to conversion of Viramgam—Okha—Porbander Section reproduced as Appendix I to the Report.

1.2 The Ministry of Railways (Railway Board) sanctioned in December, 1971 the conversion of 557 km. of Metre Gauge Section from Viramgam to Porbander and Okha into Broad Gauge at a cost of Rs. 42.93 crores. This conversion was planned to be completed in 5 years in two phases, first phase from Viramgam to Rajkot (181 kms.) and the second phase from Rajkot to Okha-Porbander (376 kms.) with an inter phase period of 4 months by providing temporary transshipment facilities at Rajkot, if necessary. The project anticipated a saving of Rs. 95.55 lakhs per annum due to BG operation of goods and passenger service and additional earnings of Rs. 275 lakhs per annum due to more traffic on completion. The survey report of this project specially stressed that the full benefit of conversion project would accrue only if the entire length of 557 kms. was covered in one stretch with the inter phase period of 4 months. The project initially scheduled for completion within 5 years had not been completed so far (October 1982). As against the original estimated cost of Rs. 42.93 crores the expenditure incurred on the project to the end of 31st March, 1982 was Rs. 66.87 crores and the revised estimated cost (July, 1982) was Rs. 97 crores.

1.3 The Committee desired to know why the project was not progressed after commencement in accordance with the original plan and survey report so as to complete it in five years in two phases with an inter-phase period of 4 months. In a Written reply, the Ministry of Railways (Railway Board) have explained the position as follows :

“When the project was sanctioned in 1971, the cost at the then prevailing price level had been estimated at Rs. 42.92 crores. The Project Report envisaged completion of the conversion within 5 years and this may perhaps have been possible if it were possible to allocate adequate funds for executing the project and further if there was

no escalation of cost during this period. Unfortunately due to world wide phenomenon of inflation, the prices of labour and materials rose at a very steep rate especially after 1973, and the availability of resources dwindled. The Government of India had to adopt rather drastic measures to reduce spending and economy cuts in expenditure, both revenue and capital were imposed, year after year. In view of the difficult ways and means position and the inflationary trends, the allocation of funds for executing Gauge Conversion Projects in different years remained inadequate and it became difficult to achieve the physical progress, as one would like to have it. The percentage of funds that could be allotted for Gauge Conversion projects, compared to the throw forward costs for their completion ranged from 12 to 14 per cent during the period 1973-74 to 1976-77, and thereafter reduced to about 9 per cent during 1977-79. It temporarily increased to 19.5 percent in 1980-81 but again came down to about 7-8 per cent during 1982-83 and 1983-84. The average percentage annual escalation of costs has, however, been more than the allocation of funds, thereby making it difficult to execute the ongoing projects at a satisfactory pace.

Under the circumstances, against the projected cost of Rs. 42.92 crores, for the VOP project as assessed in 1969, funds to the tune of Rs. 15.75 crores could only be made available, in the first 5 years, from within the available resources. Hence the work, on this project could not be completed in 5 years.

Further, by the time funds to the extent of Rs. 45 crores could be made available, i.e., by 1979-80 the cost of the project had gone up to Rs. 84.27 crores. By the end of March 1980 the balance funds required for completing the project was of the order of Rs. 39.61 crores, an amount which could not be allocated in one financial year in view of inadequate overall resources, as the amount allocated for the Gauge Conversion Project itself was of the order of Rs. 44 crores.

When the work on Phase I was completed and opened in June 1980, the funds requirement for opening Phase II was far in excess of the amount that could be allotted from within the overall allocation for Gauge Conversion Projects. It was, therefore, not possible to complete Phase II during 1980-81. In fact, during the period 1981-82 to 1983-84, funds to the extent of Rs. 34 crores have been

allotted to this project and these are still found to be inadequate to cover the balance cost of the project since the latest estimated cost of the project is now of the order of Rs. 115 crores. Subject to the availability of funds during the next financial year, it is expected that Phase II of the project will also be completed and opened in 1984.

1.4 The Committee desired to know how much of the increase in cost from Rs. 42.92 crores in 1971 to Rs. 115 crores in 1983 was due to (i) cost escalation under labour and stores, (ii) major material modifications after commencement of the project in 1971-72, and how much (iii) due to increase in general charges.

1.5 In written reply, the Ministry of Railways (Railway board) have stated :

“The break up of increase in cost is as follows :

	(Rs. crores)
(i) Cost escalation under labour & stores	63.85
(ii) Increase in cost due to major material modification	3.05
(iii) Increase in General charges (This is percentage of cost)	5.17
Total increase in cost (115-42.93)	<u>72.07</u>

1.6 The Ministry have added :—

“The project is expected to be completed with in the latest cost estimate of Rs. 115 crores. The estimate is, however, under verification on the Railway. The full line is opened to traffic in April, 1984.”

1.7 The Committee pointed out that while the Ministry complained of shortage of funds as the main reason for slow progress in the execution of the project, the figures given in the Audit Paragraph showed that even the Budget provisions for the years 1973-74 to 1978-79 were not fully utilised, and the actual expenditure in these years fell far short of the Budget allocations. In a note, the Ministry have explained the position as follows :—

"From 1973-74 onwards, the Railway Ministry had to impose economy cuts in the Budget outlays, in terms of directives issued by the Ministry of Finance, both for plan and non-plan expenditure, to reduce deficit financing in the country. The budget outlays were, therefore, altered during the course of the year due to various reasons.

From 1973-74 to 1975-76, the actual expenditure was less than the pink book outlays, ~~mainly~~ on account of divisions received from the Ministry of Railways to impose cuts in expenditure. During 1976-77, the pink book outlay was reduced from Rs. 5.76 crores to Rs. 3.48 crores not only on account of expenditure cuts, but also partially due to less receipts of P. way materials. In 1977-78, it became necessary to transfer some funds from VOP Project to a more important defence oriented Bhatinda Suratgarh Gauge Conversion Project, which was targeted for opening by March 1978. The P. way materials and funds had, therefore, to be transferred to Northern Railway to enable them to execute the priority projects. In 1978-79, however, 9OR rails and ST sleepers were in short supply, which resulted in savings in the allotment for the VOP Project and consequent reduction in final grants. The rolling of 9OR rails was started by Steel Plants after the middle of March 1979, due to which no rails were received during the financial year. There was also heavy shortage in manufacture and supply of ST sleepers by the Durgapur Steel Plant. These factors were beyond the control of the Ministry of Railways and the Western Railway. Savings against this projects, therefore, were transferred to other projects, resulting in reduction in Final grant....."

1.7 A. At the instance of the Committees, the Ministry of Railways have furnished the following figures of allotment as per pink-book and actual expenditure on VOP Project during the years 1973-74 to 1978-79 :

(Figures in lakhs of Rs.)

Year	Allotment as per pink book	Actual expenditure	Difference 2-3
1973-74	641	396	245
1974-75	493	339	154
1975-76	400	348	52
1976-77	576	348	228
1977-78	550	338	212
1978-79	793	561	232

1.8 In evidence, the Member (Engineering) Railway Board stated : "For some years, there were directions that we should save from the Pink Book provision."

1.9 In another note, the Ministry have further stated :

"The total funds available for all Gauge Conversion Projects and the outlays provided for the VOP Project, during the period 1972-76, have been as under :

(Figures in crores Rs.)

Year	Total outlay for conversion projects.	Funds allotted for VOP	3 as percentage of 2
1	2	3	4
1972-73	3.29	1.31	39.82 %
1973-74	18.79	4.10	21.82 %
1974-75	20.31	3.37	16.60 %
1975-76	15.37	3.41	22.19 %

During this period, the following other important Gauge Conversion projects, were also in progress, have been sanctioned during the same period :

<i>Name of Project</i>	<i>Year of sanction</i>
(1) Bangalore-Guntakal	1972-73
(2) Barabanki-Samastipur	1972-73
(3) New Bongaigaon-Gauhati	1974-75

Taking into consideration, the fact that all these projects were important in their respective areas, and it was necessary to allocate maximum possible funds to these projects, it was not possible to allocate more funds for the VOP Projects in view of the over all constraints."

1.10 The Committee enquired whether the Railway Board had undertaken any exercise on cost benefit study of this project to fix *inter se* priority for early completion of this project specially on consideration of its efficacy to reduce cost of operation. In a written reply, the Ministry have stated :—

“No formal comparative cost benefit study has been undertaken. In view of the severe overall constraint on resources, however, the priority for the on-going projects was accorded after taking into account the stage of completion of the particular project and its importance from the traffic point of view so as to expeditiously complete those projects which were in a comparatively advanced stage of completion.”

1.11 In reply to a question in evidence, the Member (Engineering), Railway Board stated :

“It (VOP Project) was not a low priority work.”

1.12 The Committee pointed out that the Ministry of Railways (Railway Board) had themselves stated that MG operations were costlier than BG operations, *i.e.* the cost of hauling one tonne one km. was 8.75 paise by a BG goods train as against 13.57 paise by MG goods train on Western Railway. In view of this, the Committee desired to know why priorities were not accorded for completing the conversion projects already started. The Ministry have stated in a note :

“The severe constraints on resources, to a large extent restrict the speed of execution of the on-going projects. Relative priorities even amongst the on going conversion projects have to be accorded depending on their comparative importance from the traffic point of view and the benefit to be derived by early completion of projects which are in a comparatively more advanced stage of completion etc.”

1.13 The Committee then enquired whether the Railway Board had apprised the Planning Commission at any stage of the aspect of higher cost of haulage on the metre gauge than on the broad gauge system of Western Railway to seek more funds for early completion of this as well as other Gauge Conversion Projects. The Member (Traffic) Railway Board stated :—

“There is very close coordination and discussion between the Railway Board and the Planning Commission. The taking up of any new

line or gauge conversion has the specific sanction of the Planning Commission."

The Ministry have added in a note :—

"The Planning Commission has been approached from time to time as also during discussion of the Annual Plans, with complete data of cost of Projects and need for adequate funds to complete this at the earliest."

i.14 According to Audit, although availability of resources dwindled from 1973 onwards owing to steep escalations, the Ministry of Railways did not carry out reappraisal of their gauge conversion works in progress with a view to redraw their dates of completion in a realistic manner. On the other hand the following new gauge conversion works were sanctioned during the years 1973-74 to 1978-79.

<i>Year</i>	<i>Railway</i>	<i>Name of the conversion</i>	<i>Estimated cost</i>
			(Rs. in crores)
1973-74	North Eastern	Samastipur Darbhanga	4.75
1974-75	North East Frontier	New Bongaigaon to Gauhati	24.79
1976-77	South Central	Gunter-Macherla	8.21
1977-78	Northern	Suratgarh Bhatinda	14.00
	North Eastern	Varanasi-Bhatti	13.91
	Western	Delhi-Sabarmati	108.00
1978-79	North Eastern	Barauni-Katihar	20.00
	Western	Kapadavganj	4.05

1.15 The Committee pointed out that while on the one hand there was a drastic cut in the allocations for the existing on-going projects from 1973 onward on account of paucity of funds, on the other hand, New gauge conversion projects estimated to cost Rs. 197.71 crores were sanctioned during the years 1973-74 to 1978-79. In 1980-81, the Railway Board sanctioned some further

new gauge conversion doubling and new line projects for Rs. 321.46 crores and released funds to the extent of Rs. 27.35 crores for keeping these works in slow progress. The Committee wanted to know the reasons for sanctioning new gauge conversion projects in the subsequent years when the allocations for the present on-going project were drastically cut from 1973-74 onwards. The Committee also enquired whether the Ministry of Railways were not aware that this would result in spreading the available resources thin on the various gauge conversion works in progress. The Member (Engineering), Railway Board stated :

“Gauge conversion is a separate head and it has nothing to do with the new lines. And in this case, the allocation was nominal. We did not allocate any appreciable funds. The total allotment for the gauge conversion was very limited.

For example, in 1973-74, the amount required to complete the conversion projects on hand was Rs. 137.71 crores, against which the funds allotted were Rs. 18.79 crores. In 1974-75, the figures were Rs. 166 crores and 20 crores respectively.”

1.16 In a written reply, the Ministry have added :

“The 11 new Gauge conversion projects were approved during the period 1973-74 to 1978-79. Due to various considerations, the Bhatinda Suratgarh Gauge Conversion was approved in 1976-77 on strategic considerations and was taken up and completed with the topmost priority. The new Bongaingaon-Gauhati conversion was approved in 1974-75 and the Barauni-Katihar conversion approved in 1978-79 were part of the scheme to provide a new Northern BG Trunk route to the N. E. region. These projects have been accorded priority and funds are being allotted to the extent possible within the overall constraints. The other projects were approved to meet the aspirations of the people of different region. The Delhi-Ahmedabad Gauge Conversion, though approved in 1977-78 was, however, not finally cleared by the Planning Commission for want of resources.

It is seen that with sanctioning of new Projects the limited available funds have to be distributed on a larger number of projects, the actual distribution of funds was made keeping in view the relative priorities of the different projects, with lion's share being given to the five priority projects, viz, Barabanki-Samastipur (1972-73), Guntakal-Bangalore (1972-73), Viramgam-Okha-Porbander (1972-73)

New Bongaigaon-Gauhati (1974-75) and the Suratgarh-Bhatinda (1976-77). In this connection it would be pertinent to mention that in the initial stages, for the most gauge conversion Projects the requirement of funds is limited as the work is concentrated in the area of strengthening/rebuilding of bridges and earth-work in formation etc. where the physical progress is limited by the number of locations where speed restrictions can be imposed at a time, subject to the restriction of overall recovery time, in order to ensure uninterrupted traffic flow."

1.17 The Committee enquired whether before taking up new projects or making *inter se* allocation of funds among new/on-going projects, the Railway Board took into account their cost-benefit ratios. The Member (Traffic), Railway Board stated :

"So far on the Railway we have been making our plans, assessments and projects evaluations on the basis of economic cost. As far as capital investment by the Railways is concerned, economic benefits have not been quantified into the economy. That system has to be brought in this. This point is well known. Another point which has got fundamental bearing is this. I have got on my books the cost of conversion projects as a whole. For 1983-84 it is about Rs. 1,000 crores which may again be updated because of the escalation. The balance required to complete the work would be about Rs. 685 crores. My funds allotted for conversion projects are of the order of Rs. 50 crores. If I have to complete my projects, this would mean that for the next 13-14 years not a single new project should be undertaken. In the kind of the socio-economic conditions we are situated, I do not think it would be possible for us to do that. If we have to see that this investment takes care of the needs of the entire country, I am afraid it will be extremely difficult for us and this situation will continue for the next few years."

1.18 In reply to a question, he stated :

"A relative assessment will have to be gone into. There are certain projects which either from the point of view of Defence or from the point of view of the regional development of an area, have been given the highest priority."

1.19 When asked the level at which the priority was fixed, the witness added :

“By the Government. Even in respect of those projects, the money has to come from within the total allotment which is made to us. This allotment is again decided on year to year basis. If you give me a project which will take four years and will cost Rs. 400 crores, unless I get those Rs. 400 crores within those four years, it will not be possible for me to complete that project. We are not in a position to provide the requisite resources for meeting the total requirements of the country...You have to give us sufficient resources to develop the railways.....Unless you assure that, I am afraid any Department is bound to suffer the inadequacies.Every year when we have the allocation made, the first exercise that we do is to sit down and see that these are the on-going projects. Then we tell the Railways that in view of this what is the spill over required. We say that these are the works you take up now and limit the new items of work to a certain ratio. We do limit the new works but because of the long spread over and the time taken by these projects, I am afraid these escalations do take place.”

CHAPTER II

DELAY IN RECEIPT OF PERMANENT WAY MATERIALS— RAILS SLEEPERS FROM 1972-74 TO 1980-81.

2.1 The procurement of rails and sleepers as per requirements of the railways are centrally planned and arranged by the Ministry of Railways (Railway Board) in December of every year. According to Audit Report, the project could not get its requirements of new as well as second hand released rails (for sidings, yards etc.) in any year from 1972-73, since these were earmarked for use in various secondary relayings on branch line and new constructions. Though second quality of arisings of new rails from steel plants were available during 1974-75 to 1977-78 at equivalent cost as for released rails, this source was tapped rather late in 1978-79. Similarly for wooden sleepers required for the work on consideration of its technical suitability, no special arrangements were made in any of the years. The use of alternate types viz., steel sleepers, for this project was approved by the Railway Board only in September, 1977. The steel sleepers, besides being costlier than wooden sleepers, involved extra expenditure on drilling, cold pressing etc. There had thus, been inadequate arrangements for supply of track materials which constituted the main components of the projects, affecting its progress and escalating its costs.

2.2 The Committee desired to know why the Ministry of Railways (Railway Board) could not make timely arrangements for procurement of rails and sleepers for the project. The Ministry of Railways (Railway Board) have stated in a note :

“Although the availability of rails and sleepers procured by the Railway Board every year is limited, the allotments are made on the basis of urgent need for different projects in different regions.

Since the rails and sleepers could not be actually utilised for the VOP conversion prior to 1979, the supply of rails and sleepers during the earlier period was limited to the barest minimum and the annual allocations during this period was mainly utilised for construction of bridges, earthwork and other structures.

During 1978-79, the Western Railway did not receive the 9OR rails as the rolling in the 1st quarter of 1979, from which the supply was to be made to Western Railway was started late after the middle of March 1979.

As regards supply of steel trough sleepers, there was a wide gap in the performance of Durgapur steel plant, between its commitments and actual supplies, which was in the range of 62 to 77% in different years prior to 1979-80, and in fact reduced to about 33% in 1980-81. This resulted in short supply of sleepers year after year. It was only possible to supply full quantity of sleepers to VOP Project by sharing the needs of the line and/or other projects.

As soon as the bridges, earth work in formation and other structures were ready on the VOP projects, Phase I, however, adequate quantities of rails and sleepers were made available to Western Railway so as to ensure its timely opening in June, 1980."

2.3 During evidence, the Member (Engineering) Railway Board stated :

"The point is that unless the whole line is converted, it cannot be used. There is no point in doing only 50 kms. in the first year. What we decided was that let the formation and all the bridges be completed first and they were completed by 1979-80. And immediately the next year we rushed all the material and the first phase was opened. Now for the next phase, we have started sending the materials.

2.4 In reply to a question, the Chairman, Railway Board added :

"First and foremost when we took up the construction of new lines or conversion of metre gauge into broad gauge, the most critical item is the bridges. It may take two years, three years or even more sometimes for the bridges to be constructed. Then the next phase comes. Simultaneously we engaged the labour and constructed the embankments. As we call it the burrow pit earth work was done. For distant places material had to be brought and the work had to be done. Then, when the formation was completed simultaneously we started sending the rails there. But when they were not likely to be used there we sent them elsewhere. Then the sleepers for the Viramgam-Hapa line where needed. We had decided on wooden sleepers. Some sleepers were to be obtained from the Assam area.

When this SOS came here—I happened to be there also——we arranged for the supply of 40 to 60 thousands of sleepers to see that the further work was not stopped.”

2.5 The Ministry have in a note added :

“The most critical items of work on a Gauge Conversion Project are the Earthwork in formation and rebuilding/strengthening of bridges, as these are time consuming activities. As already explained the rails and sleepers could not have been utilised on the VOP Conversion prior to 1979, as the earthwork, bridges and other structures had not been completed by then. The funds allotted during the period 1973-74 to 1976-77 had therefore, to be more usefully spent on the critical items rather than in locking up capital.”

2.6 The Committee desired to know the existing arrangement for procurement of wooden sleepers required for the various railway conversion projects and their allotment made to various railway projects. The Ministry of Railways (Railway Board) have *inter alia* stated in a note :—

“The wooden sleepers are procured through various State Forest Departments. The Railway Board keep liaison with various Forest Departments who supply wooden sleepers. Wooden sleepers are being supplied by the States of J&K; Himachal Pradesh; Assam; Madhya Pradesh; Orissa Karnataka, Nagaland, Arunachal Pradesh, Kerala etc.

Based on the projections made by the State Forest Departments, the available quantity is allocated to different Railway/Projects, depending upon the *inter se* priorities given to the various works, under different plan heads. For this purpose, a meeting is convened by the Board during the period Dec. to Feb., which is attended by the CTE and CE (Con) of each Railway to discuss the projected requirement and allotment of P. Way materials for the forthcoming year.....”

2.7 The Committee asked how it was that western Railway Administration could not utilise the funds allotted to procure wooden sleepers for its conversion project between Viramgam and Okha while the North Eastern Rly. Administration was able to procure wooden sleepers for as much as Rs. 60 lakhs in 1980-81. The Ministry have stated in a note ;

"The work on the Virngam-Hapa section (Phase I) was carried out mostly with ST Sleepers, and the requirement of wooden sleepers was very meagre. It was due to failure of the Durgapur Steel Plant to manufacture and supply ST sleepers from 1980-81 onwards that it became necessary to consider use of wooden sleepers for the work beyond Hapa in Phase II. The funds allotted to Western Railway during 1979-80 and 1980-81 were not adequate to cover the cost of labour and materials for completing the essential works prior to opening of Phase I, and also to adequately progress the various works beyond Hapa, for Phase II. In fact additional funds were allotted during the course of the year both for 1979-80 and 1980-81, to enable completion of essential works, including procurement of P. way materials required for phase I, and for progressing important and essential works, including earthwork, bridges, structures and ballast for works beyond Hapa, in Phase II. The funds available were, however, certainly not adequate for procurement of wooden sleepers required for Phase II at that stage.

After 1980-81, it was necessary to complete all the earthwork in formation bridges, other essential structures, buildings, such as cabins and quarters, washing lines, inspection pits, etc. so that the infrastructure facilities could become available, for opening Phase II. The available limited funds were, therefore, utilised in creating such assets, instead of concentrating on procurement of wooden sleepers. All though most of these works, including earthwork in formation and bridges have now been completed, the work of cabins, washing lines, inspection pits etc. are in advanced stage of completion. It would, therefore, now be possible to complete and open the entire project in 1984. Arrangements are, therefore, also being made to procure the balance quantity of BG wooden sleepers, in time, for opening of the project next year.

The BG wooden sleepers arranged for 38 kms. Darbhanga-Samastipur Gauge Conversion Project, could not have sufficed for the VOP Project, as the requirement on this project is about 7 to 8 times of the above quantity."

2.8 According to Audit Paragraph, the project estimate provided for wooden sleepers such sleepers were technically suitable and were cheaper by 40% as compared to other types of sleepers like steel sleepers. The Committee enquired as to why wooden sleepers which were technically suited and were cheaper by 40% could not be provided for this project. The Ministry have in a note stated :

"In the initial stages, the programme was to use wooden sleepers only.

It was due to non-availability of wooden sleepers in adequate numbers that ST sleepers had to be mainly used in first half of the route. In view of the shortage of wooden sleepers, these had to be reserved for use in track circuiting work, renewal in Track circuited areas and wooden sleepers at joints, where other sleepers cannot be used. Now that sleeper availability has improved due to manufacture of concrete sleepers in the country, while the availability of ST sleepers has deteriorated wooden sleepers have been used predominantly, on the balance route of about 300 kms. (Phase-II)."

2.9 The Committee asked as to whether any norms/guidelines were laid down by the Railway Board for fixing priority in the matter of distribution of rails and sleepers for different types of projects such as track renewals, new line, gauge conversion etc. The Ministry have stated in a note :—

"As the availability of rails and sleepers is limited in the country these have necessarily to be judiciously distributed amongst different types of projects. Some of the important factors which influence the distribution of P. way materials are as under :—

- (i) Availability of funds for different projects and the amount that can be earmarked for P. way materials.
- (ii) The needs of the open line for track renewals has to be accorded priority especially where the safety of travelling public is involved.
- (iii) On construction projects, e.g., New lines, Gauge conversions and Doublings etc. priority is accorded to those projects, which are nearing completion and can be opened subject to availability of P. way materials. Exception, however is made case of projects where P. way materials are in any case required during and facilitate the execution of other critical items of works e.g., raising of existing formations rebuilding of bridges etc. under traffic conditions."

2.10 Pointing out that the Railway Board was the Central agency for procurement and allotment of rails and sleepers the Committee wanted to know the reasons for the failure of Rly. Board to arrange adequate supply of rails and sleepers to facilitate expeditious completion of the project.

The Ministry have stated in a note :—

“As already explained earlier, the P. way materials have to be allotted to different projects judiciously. The rails and sleepers as available have been procured during the different years and distributed to different projects depending on their relative need and priority. The rails and sleepers have been made available on the VOP Project for both the phase, as soon as it became clear that other critical activities have been completed and the conversion can be opened.”

2.11 The Committee pointed out that the HSL had been producing rails since 1964. The procurement of their second quality arisings for loops and sidings in earlier years would have enabled the Western Railway to conserve the limited quantity of released second hand rails and now class-I rails for conversion of main lines. The Committee asked whether the Ministry agreed with the view that placement of orders of the HSL, Bhilai in the earlier years for the second quantity arisings would have facilitated earlier completion of this conversion project. The Committee also enquired as to why this was not done during earlier years. The Ministry of Railway (Railway Board) have stated in a note :—

“ quality rails (T-18) are those which contain certain flaws, due to which the maximum permissible speed is restricted to 50 kmph. As such these rails are not considered suitable for use on the main line. They are used on loops and sidings only.

The procurement of rails for the Main line, the quantity for which is large has to be the first priority, and the supply of rails for loops and sidings can only come next. The procurement of 2nd quality rails, for VOP Project was, therefore, not given precedence over the need for procurement of 1st quality (T-12) rails, for use on the main line. The 2nd quality rails and or 2nd hand released rails were arranged for use on loops and sidings, at the appropriate time, for opening the Phase I of VOP Project, i.e., between Viramgam and Hapa by June, 1980.”

The Ministry have in a further note stated :

“The 2nd quality rails are required in comparatively very little quantity, and that too at the last stage of conversion. They are, therefore, procured once the procurement of 1st quality rails is tied up. All

rails offered by M/s HSL have been purchased. In fact, constant pressure has been maintained on M/s HSL to produce more rails.

The procurement of 2nd quality rails has not delayed the project. In fact cash outflows have been restricted to delay procurement of 2nd quality rails not required immediately to avoid locking up of capital."

2.12 The Committee asked whether the Railway Board had taken up the matter of irregular supply of rails or non-rolling of rails by the HSL in 1979-80 with the controlling Ministry; if so, on what dates. The Ministry of Railway (Railway Board) have stated in a note :

As already explained there had been irregular supply of rails during 1978-79, with considerable shortfalls, and not during 1979-80. This matter had been taken up from time to time with Steel Ministry. The shortfall in supply of rails was included in the agenda and discussed in the Steel Priority Committee meeting on 30.3.78 i.e., when the financial year 1978-79 started. In the meeting with Secretary (Steel and Mines) on 31.7.78, it was confirmed by Secretary (S&M) that the commitment to supply 185,000 tonnes of rails during 1978-79 will be honoured. This item was again included in the agenda of SPC meeting on 8.11.78. The matter was also taken up with Secretary (S&M) on 22.11.78. In the meeting on 8.11.78, the Secretary (S&M) again said that the entire committed quantity of 18,5000 tonnes of rails should be met with by Bhilai Steel Plant before 31.3.79. The matter was again taken up with Steel Ministry on 1.1.79 for the anticipated shortfall. Member Engineering, Railway Board, also discussed with Secretary (S&M) personally on 9.1.79. The Secretary (S&M) was confident to supply 185,000 tonnes rails. The quantity actually supplied was, however, 136,000 tonnes by end of March, 1979."

CHAPTER III

SLIPPAGE IN THE EXECUTION OF VOP PROJECT

3.1 According to Audit, keeping in view the increasing cost due to poor progress of the project, the Railway Administration demanded additional allotment of funds and suggested conversion of the entire length of 557 km. in one stretch, with an inter-phase period of 3-4 months as in the original project estimate to realise the benefits envisaged. The Railway Board, however, advised (December 1977) that a certain amount of phasing of the project was inevitable due to paucity of funds and directed the Railway Administration (October 1978 and May 1979) to continue the conversion upto Hapa station (268 km) in the first phase and complete it by March/April 1980. However, keeping in view the operational problems bottlenecks at the new (temporary) transshipment point, the Railway Board stipulated that the rest of the sections should be converted during the second phase with a time interval of nine months between the first and second (final) phase of completion of the project. The Western Railway Administration pointed out (May 1979) to the Railway Board that because of the uncertain position of supply of rails, sleepers, etc. which had been experienced hitherto, the overall date of completion of the project could be only 1982. *i.e.* nearly two years after the intended date of completion of first phase.

3.2 The first phase upto Hapa (268 km) was completed in June 1980 after setting up temporary transshipment facilities at a cost of Rs. 84 lakhs. However subsequent to the opening of this section upto Hapa in June 1980, the pace of work on the project was slowed down. Against the allotment of Rs. 22 crores sought for during 1980-81 by the Railway to complete the project as per the revised plans, the Ministry of Railways (Railway Board) allotted Rs. 13.00 crores. This had resulted again in a slippage in the execution of the project to the revised plan and extended the inter-phase period beyond nine months as adequate permanent way material could not be procured. The overall progress for phase II covering 289 km from Hapa to Okha and from Sikka to Porbander upto December 1980 was 50.5 per cent (in physical terms). The actual expenditure on the project during 1979-80 was the highest in any year being Rs. 19.92 crores and the Railway Administration sought budget allotment of Rs. 17.98 crores during 1981-82, against which approved budget allotment was Rs. 3.95 crores only. The Railway Board at

a special meeting held on 14 August, 1981 to review the progress of this and other works, decided that this project need not be progressed at the expense of other projects as the MG Section beyond Hapa was working well as a captive MG system and this project should be progressed only if funds could be spared for it.

3.3 In a note furnished to the Committee, the Ministry have thus explained the position :

“In December 1977, the Railway Board had pointed out to the western Railway that some phasing out of the project was necessary and desired that the question be thoroughly examined by the Railway afresh and considered proposals submitted to the Board.

The western Railway, accordingly examined various alternative proposals for commissioning the gauge conversion in two or more phases. After several discussions in the Railways and in the Board, the Board approved in March 1979 the western Railways's proposal for executing the first phase of the project upto Hapa with extension to new Jamnagar station and a spur to Wind-mill, in the 1st phase of the Project by March 1980, and the 2nd phase of the project consisting of balance length, by March 1982.

Later on, in May 1979, the Member Engineering held further detailed discussions with the General Manager, Western Railway and the Heads of Departments, on 6.5.79, at Ahmedabad, when it was considered desirable to open the project with an inter-phase period limited to 9 months only.

The decision taken by the Railway Board in May 1979 to limit the inter-phase period between the first and the final phase to 9 months was based on the anticipation that adequate funds would be forthcoming during the subsequent years. The Railway's VI Plan originally envisaged a Plan allocation of Rs. 11817 crores. Due to severe constraints on resources, however, the final VI plan allocation, as approved by the Planning Commission, was drastically reduced to Rs. 5100 crores. Since the Railways Sixth Five year Plan has been essentially a rehabilitation plan, to enable better utilisation and productivity from the existing assets, greater emphasis had to be laid on replacement of worn out assets, such as rolling stock, track, machinery, S&T equipment etc. rather than on construction of new line and gauge conversion project. The original projection of Rs. 640/- crores for gauge conversion project

during the VI plan period was, therefore, drastically reduced to Rs. 192 crores in the final plan.

With such severe constraints on resources, and the continued inflationary pressure on prices, it became extremely difficult to provide adequate outlays for even the important on-going projects, such as VOP Project to complete both the phases with an interphase period of 9 months as envisaged by the then Member Engineering in May 1979.

The over-all expenditure on the VOP Project upto the end of March 1980, was about Rs. 44.6 crores. The approximate cost of the project, as assessed at this point of time was, however, Rs. 84.27 crores. The balance amount required for completing the project, including phase II, was, therefore, of the order of Rs. 40 crores. While the annual allocation for gauge conversion projects, during the VI plan period has been of the order of Rs. 50 to 60 crores. With this limited allocation for Gauge conversion projects it was just not possible to provide full funds for opening the VOP project in one financial year, with an interphase period of 9 months. The Phase I of the VOP Project was, however, completed and opened in June 1980. Due to continued severe constraints on funds it was not possible to plan the opening of the 2nd phase of VOP Project by March 1981....."

3.4 The Committee wanted to know the action taken by the Railway Board on Western Railway Administration's Report of May 1979 regarding the uncertain position of supply of permanent way material. In a written reply, the Ministry have stated :

"As already pointed out, the then Member Engineering held a meeting with the General Manager and the Heads of Departments of the Western Railway at Ahmedabad on 6.5.79.

The supply of P. Way materials viz. Rails and Sleepers had not been satisfactory during 1978-79. The rolling of 90R rails was not carried out by the Bhilai Steel Plant for some reason or the other till the middle of March 1979 as a result of which the Western Railway did not get the rails. Similarly, there was a heavy short fall in the supply of Steel Trough Sleepers by Durgapur Steel Plant. It was in this background that the General Manager, Western Railway had pointed out to the Member Engineering, during the

meeting of 6.5.79, that the supply position of rails and sleepers for the project is uncertain.

The availability of rails and sleepers is limited in the country. It is, therefore, necessary to fix some sort of priority even in the distribution of rails and sleepers for different type of projects such as Track renewals, new lines, Gauge Conversions of Traffic facilities. The problem some times becomes acute when the Steel Plants are not able to meet their commitments.

However, to meet the target date for opening the VOP Phase (I) by the middle of 1980, priority was accorded for supply of all P. Way materials, required for opening this phase in time, even though it may have affected some other projects.

It has been decided to open the 2nd phase of the VOP Project during 1984 the supply of P. way materials required has been arranged on priority basis, and efforts are being made to supply all the materials in time during 1983-84."

3.5 The Committee desired to know the justification for the Railway Board's decision in August 1981 that the project need not be progressed as the MG Section beyond Hapa was working well as a captive MG system. The Committee also wanted to know the level at which the above decision was taken in the Railway Board. The Ministry have stated, in a note :

"As already explained, the decision taken in May 1979 and not in December 1977 to complete the VOP Project, with an interphase period of 9 months could not be implemented due to subsequent developments, which were beyond the control of the Railway Board due to severe constraints on resources. The plan allocation for sixth Plan period had to be drastically reduced, which had an adverse affect on the prospects of completion of the on-going Gauge Conversion Projects. Adequate funds were, therefore, just not available with the Railway to complete the entire project with in one or two financial years.

It was observed in the special meeting of the Board held in the chamber of Chairman, Railway Board on 14.8.81, that the resources were very scarce and had to be used most judiciously. During this meeting all the important projects were reviewed, including the VOP Project.

With regard to the VOP Project, the following minutes were recorded :

“It was also decided that the Viramgam-Okha-Porbander section need not be progressed at the expense of other projects, as the M.G. section beyond Hapa was working well as a captive M.G. System. This project should be progressed only if funds could be spared for it. A firm schedule should be worked out for further action to be taken by the Railway and the siding holders etc.”

3.6 The Committee pointed out that according to the Audit paragraph, in 1980-81, the Ministry of Railways (Railway Board) had sanctioned further new-gauge conversion, doubling and new line construction works estimated to cost Rs. 311.46 crores and released funds to the extent of Rs. 27.35 crores therefor.

3.7 The Committee enquired why, instead of taking up new projects, the Railway Board did not consider it necessary to complete the VOP Project which was already in an advanced stage. The Ministry have *inter alia* stated in a note :

“No new Gauge Conversion Projects were approved in 1980-81. During 1981-82, however, 3 new Gauge conversion Projects costing about Rs. 162.70 crores, two of which were on N.F. Railway to meet the traffic needs of the W N.E. Region, were approved and included in the Budget and the Railways were advised to simultaneously take up the final location Engineering-cum Traffic Survey for these lines. No expenditure has been incurred on these 3 projects so far except for Survey. In 1982-83, two more Gauge Conversion Projects costing about Rs.52.64 Crores, were approved and included in the Budget on Strategic considerations, and have therefore been accorded high priority. These two projects have, however, not affected the priority of the VOP project or the other priority projects which were on the verge of completion.”

3.8 The Committee enquired whether the Railway Board were aware of the transshipment bottlenecks, higher cost of haulage, poor condition of MG track as well as the representations from trade for early completion of the project. The Ministry have, in a note, stated :

“The Railway Board are aware of the various problems relating to transshipment bottlenecks, higher cost of haulage, deterioration in the condition of MG track, as well as the fact that the trade has been pressing for early completion of the Project, in the context of dura-

tion of interphase period between the two consecutive phases in the opening of long conversion Projects, such as VOP, but there were circumstances beyond the control of the Railway Board which had prevented earlier completion of the Project.

The transshipment bottlenecks are inherent in any Railway system comprising of more than one gauge. The transshipment bottlenecks in the Project area can, therefore, not under any circumstances, be considered as a creation of VOP Project or its implementation. Similarly the variation in the cost of haulage on different gauge, are also inherent in the system, specially if there are large number of unremunerative branch lines, on the MG System, as on the Western Railway. The condition of the track on a conversion route does get affected, as no renewals of track are carried out after the sanction of the Conversion project. To ensure adequate safety, however sections where the percentage of unserviceable sleepers was high have been replaced with BG wooden sleepers. Wherever necessary the 90 lbs rails have also replaced the old MG rails, which constituted a safety risk. The Western Railway has, therefore, been taking all necessary steps to ensure that the safety of track is not jeopardised.

Notwithstanding these problems, as also representations from trade for early completion of the Project, the completion of the Project has entirely dependent on availability of adequate resources. Since adequate funds have not been available since the inception of the Project the work has been progressed at different points of time to the extent of availability of the resources."

3.9 During evidence, the Committee pointed out that the first phase of conversion was upto Rajkot only. In 1979 it was extended upto Hapa. They wanted to know the considerations for this change. The Ministry have stated in a note :

"The 550 km work was split into two approximately equal portions consisting of 260 and 290 kms, covering major Town of Jamnagar in 1st phase. The 1st phase was therefore, kept upto Hapa from considerations of overall economy, as it was a major marshalling yard on the project, and the infrastructure available at Hapa could be used for providing temporary transshipment facilities, instead of investing large amounts elsewhere."

3.10 According to the Audit paragraphs, the Railway Board, at a special meeting held on 14.8.1981, decided that this Project need not be progressed at the expense of other projects as the MG Section beyond Hapa was working well as a captive MG system. The Committee enquired how the Railway Board had held that the MG section beyond Hapa was working well as a captive MG system, when there were 148 cases of rail fractures and 165 cases of spring failures every month in spite of crippling speed restriction (20 km. per hour). In a written reply, the Ministry have stated :

“The incidence of spring failures could be due to intensive usage or age of the springs in use and have no relation with the condition of track. As regards the rail fractures, casual and spot renewals of track was carried out on the MG section with 90 lb. rails, which could be used at the time of conversion to BG so as to counter the local problem. Gauge conversion of the entire section is, however, not merely a matter of changing track but involves complete change of system. Since adequate funds were not available, and it was not practicable to change the system within the available resources, it had become necessary to wait till adequate funds could be found. Incidentally the MG section beyond Hapa was found to be otherwise working satisfactorily as an MG system, and, therefore, there was no need to be unduly exercised in the matter, as funds were a severe constraint, and it was considered that there was no point in trying to force the progress of VOP Project at the expense of other projects which were also on the verge of completion.”

3.11 The major industrial points-Sikka Mithapur, Dwarka, Porbandar, Ranawas were not covered by the first phase of the project upto Hapa. Hence the traffic from and to these points were partly transhipped at Hapa and partly routed through all metre gauge route involving extra load of 151 to 202 k with attendant extra cost in haulage handling and in transit losses etc. to the Railways as well as to trade and industry.

3.12 The Committee desired to know how the transhipment/handling of goods at the new (temporary) transhipment shed at Hapa was managed. The Ministry have, in a note, stated :

“The transhipment/handling of goods at the new temporary transhipment shed at Hapa is being managed through Handling Contractor Messors. Lotus Handling Co., Ahmedabad.”

3.13 The Committee asked whether the handling contract was finalised after calling for open tenders. The Ministry have *inter alia* stated :

“Handling contract was finalised after inviting limited tenders by calling quotations from seven Handling Contractors holding major Handling contracts.”

3.14 The Committee wanted to know the considerations for initially not inviting open tenders for the handling contract at the new transshipment shed at Hapa. The Ministry have, in a note, stated :

“Limited tenders were invited to ensure that competent contracts with known credentials only complete. It was also anticipated that resources in future years would be adequate to complete the work in a shorter span. This however did not materialise.”

3.15 According to Audit, whereas the earnings on haulage by either MG or BG is the same, the cost of haulage to the Railway on MG wagons is more than that of BG by 3.83 paise per tonne km on Western Railway. The delayed completion of the conversion project and the consequent prologation of the inter phase period from June, 80 i. e. after the opening of the transshipment point at Hapa, had been resulting in extra haulage cost of Rs. 1.78 crores per years despite charging the users, freight by the longer MG route.

3.16 The Committee desired to know whether the conversion of sidings connecting the factories was being taken up simultaneously along with conversion of the main lines, and if not, the reasons therefor. The Ministry have stated in a note :

“Conversion of private sidings have been taken up simultaneously. There are some sidings with Port Authorities at Okha, Bedi and Porbandar. These were required to be converted at the cost of Port Authorities. Loading facilities for traffic originating from these minor Ports are being provided at the nearest station viz at Widdmill for Bedi port at Okha for Okha port and at Porbandar for Porbandar Port.”

3.17 The Committee pointed out that the project had been progressing tardily due to want of funds, but in the meanwhile Railway had spent Rs. 84 lakhs on temporary transshipment arrangements at Hapa, besides incurring a loss of Rs. 1.78 crores per year on longer MG movement. The Committee enquired whether the project could not be completed faster by avoiding such

losses had a more judicious use of available funds. The Ministry have *inter alia* stated :

“The provision of temporary transshipment facilities at Hapa was unavoidable and had to be provided irrespective of the period of the interphase, between Phase I and Phase II in order to avoid dislocation of traffic. In fact these had been provided when the interphase period was fixed at 9 months, and the same arrangement is continuing. The expenditure of Rs. 84 lakhs on the temporary transshipment arrangements at Hapa was, therefore, unavoidable and inevitable.....

The statement that a loss of Rs. 1.78 crores has been incurred per year on longer MG movement on the Western Railway has not been made after appreciating the facts in their proper perspective. The re-routing of traffic has been made on nationalisation of movement of traffic with the intention of avoiding empty haulage of BG stock. The saving in the turn round of stock would certainly outweigh the extra haulage pointed out by the Audit. The traffic has in any case been carried out by the charged route. Moreover, due to severe constraints in resources it had not been practically possible to take up and commission the VOP Project with a shorter interphase period.

Under the circumstances it would be appreciated that the delay in the opening of the VOP phase II, has been not on account of any indifference on the part of the Railway in the husbanding of resources, but due to circumstances beyond the control of the Ministry of Railways and the western Railways.”

3.18 In reply to a question as to the benefits accruing from post conversion up to Hapa, the Ministry have stated :

“The completion of the conversion upto Hapa has certainly given a fillip to industrial development at Surendra Nagar, Wankaner, Rajkot, Hapa and Jamnagar.”

3.19 The anticipated cost of the project to be completed by the end of March 1984 had been worked out to be Rs. 115.88 crores. The Committee desired to know how and what basis the anticipated cost had been worked and whether it included the cost of conversion of the siding. The Ministry have, in a note, stated :

“The cost has been worked out by detail estimation taking into consideration latest costs. It includes conversion of portion of sidings within railway premises. These sidings are for—

1. M/s Tata Chemicals Ltd. at Mithapur
2. M/s ACC Ltd. at Dwarka
3. M/s DCC Ltd. at Sikka
4. M/s Saurashtra Cement at Ranawao
5. M/s ,, Chemicals at Porbandar
6. M/s ACC Ltd. at Porbandar

3.20 Pointing out that after conversion of the final phase in 1984, the transshipment at Hapa would be closed and major portion of the MG goods transshipments traffic at Sabarmati Yard would be reduced, the Committee enquired whether the Western Railway or Railway Board had thought of or formulated plans to reduce the yard operation costs at Sabarmati and Hapa and redeployment of staff rendered surplus owing to reduction in the workload. The Ministry have stated in a note :

“The conversion is planned by end of April 1984.

The effect of conversion on transshipment at Hapa and Sabarmati is under active examination with a view to reducing yard operations cost and redeployment of staff.”

3.21 The Committee desired to have a statement for the last ten years about the project costing Rs. 5 crores or more executed within the time framework and within the resources originally estimated. The Ministry have stated :

“There is no such project costing above Rs. 5 crores, which has been completed within original estimated cost, due to inflationary pressure on prices.”

3.22 The Committee enquired whether there were any other projects in the Western Railway which had also been considerably delayed. They also wanted to know the steps taken to avoid such delays. The Ministry have stated :

“As has been explained earlier and also during the oral evidence, it has not been possible to complete any project within period of 5 years, due to the severe constraint on resources, coupled with the fact that there has been a steep general escalation in the price of labour and materials during the past 10 years. The wholesale price index,

which stood at 100 in 1970-71 rose to 257.3 in 81 a8019nd 288.3 in 1982-83. The annual allocation of funds for the new lines and Gauge conversion Projects has, however, been meagre and not even adequate to cover the annual rate of price escalation.

²
It was, therefore, decided by the Railway Board in consultation with the Planning Commission to identify a few projects to be executed on priority and to slow down others, so as to derive the maximum benefits from the investment made. In respect of Gauge conversion Projects priority was accorded to those Projects which had made substantial progress so that these could be completed expeditiously. Planning Commission is also being approached from time to time to find ways and means to increase the allocations for the Railways.

There are a few Doubling Projects on the W. Railway which too had suffered delays of about 8 to 10 years due to the severe constraint of resources. Efforts have been made to increase the annual allocation for such projects due to which these too are nearing completion."

CHAPTER IV

GAUGE CONVERSION IN PORBANDAR PORT AREA

4.1 The Committee enquired whether the Railway Board had taken up the matter with the Ministry of shipping and Transport as to who would bear the cost of conversion in the Porbandar area. The Member (Engineering), Railway Board stated :

“We have taken it up with the Ministry of shipping and Transport. They have not agreed to it.”

4.2 The Joint Secretary, Ministry of Shipping and Transport explained :

“Porbandar Port is a minor port under the administrative control of the State Government of Gujarat. Therefore, any expenditure on the development of this port met by the State Government, and not the Central Government. Any expenditure on conversion will have to be borne by the State Government under their own Plan funds and not by the Ministry here.”

4.3 When asked whether the Ministry of shipping and Transport had taken up the question of having an all-weather port at Porbandar, the witness stated :

“It has to be done by the State Government under their own plan, and not by the Ministry of shipping and Transport. We have 10 major ports. As far as Porbandar is concerned all the expenditure is incurred by the Gujarat Government.”

4.4 In reply to question, the Member (Engineering), Railway Board stated :

“We have written to the State Government also.”

4.5 The Chairman, Railway Board added :

"It is an important port from the national point of view, especially for Rajasthan, Haryana and Punjab. It is specifically in the context that this conversion was considered very important because quite a lot of tonnage goes through this port for 9 months in a year."

4.6 The Committee wanted to know the ground for treating Porbandar as a minor port. They also wanted to know the criteria for treating a port as a major or minor. The Joint Secretary, Ministry of Shipping and Transport stated :

"Depending on their importance to the national economy, we declare ports as major ports. At the moment we have 10 ports in the country which have been declared major ports like Madras, Bombay, Kandla, Cochin, Mangalore, Calcutta, Paradip etc. Goa is a major port. There are a number of other ports, which are described as minor ports. We have a Major Port Trust Act under which we take action for declaring a port as a major port."

4.7 When asked whether it depended only on the volume of traffic, the witness stated :

"There is no cut-off point of traffic handled. We have to take into account the importance of that particular port to the economy of the country. For instance, Nhava sheva is being declared as major port. Paradip was earlier a minor Port under the Orissa Government. Now it is a major port under the Government of India. It will depend upon the kind of hinter land which the port commands and its industrial growth. We take into account the total economic growth of that area. A port will not handle much traffic unless the hinterland offers the potential. If it develops properly for imports and exports, it becomes important at that particular point of time."

4.8. When asked whether it was not a fact that even though in terms of the Act, the Porbandar Port might be a minor port, from the point of view of national economy it was a very important port, the witness replied :

"It is correct."

4.9. The Committee asked whether the state Government of Gujarat had given any assurance on the conversion of this line from MG to BG. The Member (Traffic), Railway Board stated :

“The broad gauge conversion has to be taken up only in the port area. The rest of the area is already broad gauge. The question was regarding extending it right upto the wharfs. When the federal financial integration took place and all that, this area went to the State Government. The land belongs to them and the assets belong to them. Therefore, if anything is required to be done further, this cost will have to be borne by them since the land is theirs.”

4.10. The Chairman Railway Board added :

“I have had a detailed discussion with the Chief Secretary of Gujarat. I have specifically told them that we will bring the rail head right upto the port and on deposits terms to the port.”

4.11. The Committee asked as to why the Railway Board could not acquire the land, the Member (Traffic) stated ;

“There is a small break, which if they agree, can be covered. It is under correspondence with the State Government-”

4.12. The Chairman, Railway Board added ;

“As far as we are concerned, ours is in a poor state of finance with regard to availability of money for conversion. If we are to pay compensation to the State Government, the cost of our work will go very much higher. Normally our procedure is that upto the accepted rail head, we do the conversion.”

He further stated:

“There is no difficulty if they deposit the amount which is a small amount for conversion, we shall complete the work.”

4.13. The Member (Traffic) Railway Board added :

“According to the assessment we made at that time, the traffic which is directly coming from the shipment of imported things did not warrant us to spend any money. But we can again examine it.”

4.14. At the instance of the Committee, the Ministry of Railways (Railway Board) have furnished a note summing up the correspondence and discussions between them and the Government of Gujarat on converting the rail yard inside the Porbandar Port, which is reproduced below :

“Before Indian Independence in 1947, the princely states were owning the railways and ports in their territory .

After federal integration, the railways were merged with Indian Railways being a Central subject, and the Minor Ports became a State subject.

The financial integration of railways, of ports at Bedi, Okha and Porbandar has since been under examination and not yet decided.

As the matter stands today, the integration of port railways has not been done with Indian Railways. The modalities of integration are still under debate.

With VOP Conversion taken in hand, the Railways's stand has been that sidings within the minor ports should be done at the cost of minor ports by State Governments. This is not being agreed to by the State Government.

In this connection, the matter has been in correspondence with State Government for number of years and the latest position is summed up in the letter written by the Hon'ble Railway Minister to the Hon'ble Minister of Agriculture & Port, Gujarat, Gandhinagar, copy attached hereto.

Facilities, have been provided at Porbandar for Porbandar port, Windmill for Bedi port and Okha for Pokha Port, for handling traffic of these minor ports. There are 2 main issues which are being sorted out ;

(a) Who should bear the cost of conversion of the port sidings.

The principle followed by Railway is that all sidings in the Major Ports are laid at the cost of port Trust and in case of minor ports by the State Government.

(b) Whether the traffic originating from the minor ports justifies investment of conversion of sidings so as to give adequate return on investment.

The Railway's contention has been that on both the counts viz., the principle of apportionment of cost and the volume of traffic such conversion was not justified, in view of adequate facilities being provided close to the ports after conversion.

The matter is still under active consideration with the State Government and the modalities of limited conversion of these sidings are being worked out."

4.15. The Committee desired to know the estimated return on the project for the first 11 years.

The Ministry have stated :

"The estimated return on the project on a cost of Rs. 115 crores is anticipated @ 7.13 % which is more than 6.84 % which worked out when project was sanctioned in December 1971."

CHAPTER V

~~4R~~ RECOMMENDATIONS/CONCLUSIONS

5.1 The Ministry of Railways (Railway Board) sanctioned in December 1971 the conversion of 557 kilometres of metre gauge section from Viramgam to Porbandar and Okha into broad gauge at a cost of Rs. 42.93 crores. This conversion was planned to be completed in five years i.e., December 1976 in two phases. The project anticipated a saving of Rs. 95.55 lakhs per annum due to BG operation of goods and passenger services and additional earnings of Rs. 275 lakhs per annum on account of more traffic on completion. The survey report of this project specially stressed that the full benefit of conversion project would accrue only if the entire length of 557 km was converted in one stretch with an inter-phase period of four months. The work on this conversion project was started in January 1972 and progressed to the extent of 44 per cent (cumulative in physical terms) in 5 years i.e., by 1977-78, due to restricted allotment of funds year after year, by the Ministry of Railways (Railway Board). The first phase upto Hapa (268 kms) was completed in June 1980 after setting up temporary transshipment facilities at a cost of Rs. 84 lakhs. Subsequent to the opening of this section upto Hapa in June 1980, the pace of the work on the project was slowed down, resulting in further slippage in the execution of the project, and phase-II, which, in May 1979 was proposed to be opened in March 1981, was expected to be opened in April, 1984. Thus, the project, which according to the original plan, was to be completed in 5 years, had taken more than 12 years to complete and its latest cost estimate was Rs. 115 crores.

5.2 As a result of heavy slippage in the execution of the Project, the Railway could not derive full benefit of the anticipated saving of Rs. 95.55 lakhs per annum due to BG operation of goods and passenger services and additional revenue of Rs. 275 lakhs per annum on account of more traffic during the intervening period 1977-1984. Further, due to inordinate prolongation of inter-phase period, the Railway had to incur an expenditure of Rs. 84.60 lakhs per annum on account of handling expenditure and Rs. 34.56 lakhs per annum on account of wage bill of extra transshipment staff at Sabaramati. Besides this, extra haulage cost to the Railways due to rationalised

MG movement of goods was Rs. 178 lakhs per annum. Industries and rail users had also to pay extra freight due to longer haulage. (This has not been quantified). As such, according to audit, prolonged interphase has entailed additional annual expenditure of at least Rs. 297 lakhs. But more importantly, none of the important industrial centres—Sikka, Mithapur, Dwarka, Porbandar and Ranawao—for whose benefit the Project was sanctioned, could derive the benefit of conversion till the completion of Phase-II in 1984.

5.3 While the Committee agree that drastic cuts in allocations for the Project on account of difficult ways and means position of Government were mainly responsible for the heavy slippage in the execution of the Project, in their opinion, the practice of taking up too many projects at a time by the Railway Board, together with a lack of will on their part to execute the Project with due urgency had also contributed to the slippage in no small measure. It passes the comprehension of the Committee that while the present on-going Project, which was considered to be a fairly highpriority project, was starved of funds, new gauge conversion projects estimated to cost Rs. 197.71 crores were sanctioned by the Railway Board during 1973-74 to 1978-79. Some further new gauge conversion, doubling and new line construction works estimated to cost Rs. 321.46 crores were sanctioned by the Railway Board in 1980-81, and a sum of Rs. 27.36 crores was released therefor. The result was further scattering of already thin resources.

5.4 Time and again, the Committee have been pointing out that it is unwise on the part of the Railway Board to take up too many projects simultaneously which only results in spreading the limited resources at their disposal so thinly as not to make any impact. Such a practice not only delays the completion of projects but also results in heavy cost escalations. How costly the slashing of the allocations had proved in the present case will be seen from the fact that the Project which was originally planned to be completed in 5 years had taken over 12 years to complete and the cost had risen from Rs. 42.93 crores to Rs. 115 crores. An analysis of the rise in cost shows that over 95 per cent of it was accounted for by cost overrun alone and less than 5 per cent by increase in the scope of the Project. The Committee desire that the Ministry of Railways (Railway Board) should take up only such number of projects at a time as they can expeditiously complete within the resources at their disposal; in case, however, in an emergent situation the Ministry have to slash the allocations they should see to it that, as far as possible, on-going projects, particularly highpriority projects at an advanced stage of execution, are only minimally affected.

5.5 The Committee are astonished at the extent of indecisiveness shown by the Railway Board in this case. Whatever the allocation-cuts in the earlier years, in May 1979 (by which time the difficult ways and means position of Government was well-known), the Railway Board decided that keeping in view the operational problems/bottlenecks at the new (temporary) transshipment point, the inter-phase period (*i.e.*, the period between the completion of Phase-I and Phase-II) should be limited to nine months. As the first phase was completed in June 1980, according to the above decision, the second Phase should have been completed in March 1981. However, subsequent to the opening of the first phase upto Hapa in June 1980, the pace of work on the project was slowed down. Against the allotment of Rs. 22 crores sought for during 1980-81 by the Railway to complete the Project as per the new schedule, the Ministry of Railways allotted only Rs. 13 crores and in 1981-82, as against the Budget allotment of Rs. 17.98 crores sought for by Railway, the approved Budget allotment was only Rs. 3.95 crores. On 14th August, 1981, the Railway Board decided that this Project need not be progressed at the expense of other projects. But, in less than a month—on 29.8.1981 consequent upon Government decision to speed up movement of fertilizers, cement, etc. for the minor ports in Gujarat, the Railway Board reversed their earlier decision of 14th August, 1981 and directed the Railway Administration (September 1981) to speed up the execution of the balance work so as to complete the Project by 30th September, 1983. But, the above instructions were not followed up by adequate fund allotment which the Committee cannot appreciate. The cumulative result has been that the inter-phase period has stretched over to 46 months, instead of 9 months as decided in May 1979.

5.6 The Committee note that one of the main considerations on which the Railway Board had decided on 14.8.1981 that the Project need not be progressed at the expense of other projects was that the MG section beyond Hapa was "working well as a captive MG system." The Committee are astonished at the above reasoning, in the light of the fact that there had been 148 cases of rail fractures and 165 cases of spring failures every month during 1981-82, in spite of crippling speed restrictions (20 km per hour). The Committee expect the Railway Board to be more realistic in taking important decisions.

5.7. The Committee are also not happy with the performance of the Project authorities. The reason given by them for the heavy slippage in the execution of the Project was drastic cuts in fund allocations for Project. But strangely, even the Pink Book provisions, heavily slashed as they were, could

not be fully utilised by the Project authorities. According to a note furnished by the Ministry of Railways, during 1976-77 the Pink Book outlay was reduced from Rs. 5.76 crores to Rs. 3.48 crores not only on account of expenditure cut also partially due to less receipt of P-Way materials (i.e., rails and sleepers). In 1978-79, 90 R rails and ST sleepers were in short supply, which resulted in savings. However, in another note, the Ministry of Railways have stated that the rails and sleepers could not have been utilised on the Project prior to 1979, as the earthwork, bridges and other structures had not been completed by then. As soon as these were ready, adequate quantities of rails and sleepers were made available so as to ensure the timely opening of Phase-I in June 1980. If, as argued by the Ministry of Railways, the P-Way materials, could not have been utilised on the Project prior to 1979, the Committee fail to understand why the Project authorities, instead of locking up funds in P-Way materials, had not spent more amount on critical items of work such as earthwork in formation and re-building/strengthening of bridges so as to accelerate their completion. Had this been done, the slippage in the execution of the Project could have been somewhat reduced. In the opinion of the Committee, this is an instance of lack of proper planning. The Committee trust that the Ministry will ensure that such works are planned more carefully in future.

5.8. The procurement of Permanentway materials as per the requirements of Railways is centrally planned and arranged by the Ministry of Railways (Railway Board) in December every year. According to Audit, one of the reasons for the slippage in execution of the VOP Project was delay in receipt of Permanent Way materials. The Ministry of Railways (Railway Board) have, however, not agreed with this view. According to them, as soon as construction of bridges, earthwork in formation and structures for both the phases were ready, P-Way materials were arranged by them to ensure timely completion of both the phases. However, from the material furnished by the Ministry, the Committee find that at a meeting held on 6.5.1979 the General Manager, Western Railway, had pointed out to the Member (Engineering), Railway Board that "the supply position of rail and sleepers for Project (was) uncertain." In any case, one thing is clear. The availability of rail and sleepers is limited in the country and, as admitted by the Ministry of Railways, "the problem sometimes becomes acute when the steel plants are not able to meet their commitments." The Committee observe that even in the late 'Seventies' when, on account of financial constraint, the track construction/rehabilitation work was at a low ebb, the position regarding supply of P-Way materials was not easy. The Railway Board have now a gigantic task ahead in having to rehabilitate heavy arrears of track renewals, in addition to on-going works. According to para 1.10 of the 187th Report of the Public Accounts Committee

(1983-84), the arrears of track renewals, which were 13,100 kilometres at the beginning of the Sixth Five Year Plan in April 1980, had gone upto 16,840 kilometres at the end of March 1982. The number of rail fractures had increased from 2293 in 1977-78 to 4900 in 1981-82. There must have been some further addition to the arrears since. The Committee trust that the Railway Board, in close coordination with the Ministry of Steel and Mines and State Forests Departments, will gear themselves to successfully meet this challenge and ensure that no work involving the use of P-Way materials suffers on account of the shortage of such materials.

5.9. In Para 193 of their 103rd Report (Seventh Lok Sabha), the Public Accounts Committee had expressed their dissatisfaction at the slow pace of gauge conversion projects and recommended time-bound completion of the on-going projects to eliminate concerned transshipment points. From the data furnished by the Ministry of Railways (Railway Board), the Committee find that the position has since assumed alarming proportions. During the year 1983-84, conversion projects estimated to cost Rs. 1003.23 crores were under execution, and the balance required to complete these works amounted to Rs. 685.30 crores. But the total funds allotted for all the conversion projects during the year amounted to only Rs. 50 crores. Commenting upon this situation, the Member (Traffic), Railway Board, observed in evidence : "If I have to complete my projects, this would mean that for the next 13-14 years not a single new project should be undertaken. In the kind of the socio-economic conditions we are situated, I do not think it would be possible for us to do that... You have to give us sufficient resources to develop the railways... Unless you assure that, I am afraid, any Department is bound to suffer from the inadequacies..." The Committee observe that the cost of haulage of a goods unit—one tonne one kilometre—is much less by BG (8.75 paise) than MG (13.57 paise), and Gauge conversion projects are generally undertaken when a large volume of goods traffic is to be handled. These projects play an important role in the economic development of the relevant areas. In the interest of the economic development of the areas covered by the present on-going projects as also to avoid heavy time and cost overruns in their execution, it is imperative that more funds are allotted for these projects. The Committee would like the Ministry of Railways (Railway Board) to approach the Planning Commission for the purpose so that at least such of the on-going conversion projects as are at an advanced stage of execution or are considered to be more urgent can be completed expeditiously. The Committee would also like the Planning Commission to give a sympathetic consideration to the requests made by the Ministry of Railways in this regard.

5.10. The Committee desired to know whether there was any project costing Rs. 5 crores or above during the last ten years which had been executed by the Railways within the envisaged time framework or within the resources originally estimated. The Ministry of Railways (Railway Board) have stated that there is no such instance. This is a sad commentary on the state of planning and execution of projects by the Railways. The Committee would like the Ministry of Railways (Railway Board) to have an indepth study so as to take steps to improve their planning and implementation machinery.

5.11. The Committee enquired whether the Western Railway had formulated plans to reduce the yard operation costs at Sabarmati and Hapa and to redeploy staff rendered surplus owing to reduction in workload consequent upon completion of Phase-II. In a note, furnished to the Committee, the Ministry have stated that "the effect of conversion on transshipment at Hapa and Sabarmati is under active examination with a view to reducing yard operations cost and redeployment of staff. The Committee would like to be informed of the decisions taken in the matter and concrete steps taken to reduce yard operation cost and to re-deploy surplus staff. They would also like to be apprised of the extent of saving achieved as a result.

5.12. The Committee note that on the conversion of Viramagam-Okha-Porbandar Section from MG to BG, facilities for handling traffic of Porbandar, Bodi and Okha Ports have been provided at Porbandar, Windnill and Okha, respectively. However, the sidings of these ports have not yet been converted from MG to BG. A point has arisen as to who should bear the cost of conversion of these sidings. According to the Ministry of Railways, the principle followed by the Railways is that all sidings in the major ports should be laid at the cost of the Port Trusts and in the case of minor ports, at the cost of State Governments concerned. As all the above three ports are minor ports, the cost of the port sidings should be borne by the State Government. The Committee have been informed by the Railway Board that the matter is "still under active consideration with the State Government and the modalities of limited conversion of these sidings are being worked out." The Committee desire that the matter should be finalised at an early date so that the object underlying the VOP conversion is fully achieved. The Committee would like to be informed of the decision taken in the matter.

5.13. The Committee note that Porbandar Port which has been made an all-weather port at a cost of Rs. 7.25 crores, is a minor port under the administrative control of the State Government of Gujarat. During evidence, the representative of the Ministry of Transport and Shipping agreed that although

in terms of the Major Port Trusts Act, Porbandar might be a minor port, from the point of view of national economy it was an important port. The Chairman, Railway Board also stated that Porbandar is an important port from the national point of view, especially for Rajasthan, Haryana and Punjab. The Committee would like the Ministry of Transport and Shipping to give a thought whether considering the volume of the traffic handled by the Porbandar Port as also its importance from the point of view of national economy, it can be declared a major port.

NEW DELHI

August 23, 1984

Bhadra, 1, 1906 (S)

SUNIL MAITRA

Chairman

Public Accounts Committee.

APPENDIX I

Western Railway-Conversion of Viramgam-Okha-Porbandar Section*

Audit Paragraph

Commenting on the excess detention to wagons and operational bottlenecks at the transshipment points mentioned in para 1.21.2 (iv) of Advance Report of the Comptroller and Auditor General of India—Union Government (Railways)—1979-80 on Wagon Availability, the Public Accounts Committee, in para 193 of their 103rd Report-Seventh Lok Sabha (1981-82) expressed their dis-satisfaction at the slow pace of the gauge conversion projects and recommended time bound completion of the on going conversion projects to eliminate concerned transshipment points. The Public Accounts Committee further observed** “the result is that not only the works remain incomplete but the delay in completion of work also leads to escalation in costs. Moreover, this also results in frustration among the public likely to benefit from these projects.”

Details of one such on going project of conversion on Western Railway, reviewed by Audit, are discussed in the succeeding paragraphs :

The Ministry of Railways (Railways Board) sanctioned in December 1971 the conversion of 557 km of metre gauge section from Viramgam to Porbander and Okha into broad gauge at a cost of Rs. 42.93 crores. This conversion was planned to be completed in 5 years in two phases, first phase from Viramgam to Rajkot (181 km) and the second phase from Rajkot to Okha Porbandar (376 km) with an interphase period of 4 months by providing temporary transshipment facilities at Rajkot, if necessary.

This gauge conversion was to move the existing as well as increased level of traffic to and from the major industries in and around Sikka, Mithapur, Dwarka, Porbandar and Ranawao via Viramgam without transshipment and also to cater to the traffic to and from the all weather port at Porbandar developed at a cost of Rs. 7.25 crores.

*Of para 60 of Public Accounts Committee 73rd Report, Seventh Lok Sabha.

**This para was issued to the Railway Administration in September 1982 its reply is still awaited (December, 1982).

The project estimate provided for use of wooden sleepers as this type of sleepers which were technically suited and were cheaper by 40 per cent as compared to the other types of sleepers like steel sleepers.

The Project anticipated a saving of Rs. 95.55 lakhs per annum due to BG operation of goods and passenger services and additional earnings of Rs. 275 lakhs per annum on account of additional traffic on completion. The survey report of this project specially stressed that the full benefit of conversion project would accrue only if the entire length of 557 km was converted in one stretch with an inter phase period of 4 months.

The work on this conversion project was started in January 1972 and progressed to the extent of 44 percent only (cumulative, in physical terms) in 5 years i.e. by 1977-78, due to restricted allotment of funds year after year, by the Ministry of Railways (Railway Board). Further, the Western Railway Administration did not utilise fully even the budget allotments for this work each year from 1973-74 to 1978-79. This is evident from the yearwise Budget allotments for this project and the actual annual expenditure as under :

(Rs. in lakhs)

Year	Outlay as planned in the project estimate	Provision in budget	Actuals
1971-72	...	3	8.8
1972-73	430	100	144
1973-74	860	678	396
1974-75	860	622	339
1975-76	860	451	348
1976-77	1290	500	348
1977-78	...	750	340
1978-79	...	753	561

Till 1978-79, the project, in its first phase, had made progress (nearly 100 per cent) mainly under earth work; but under permanent way which constituted over 50 per cent of the project cost, there was no matching progress in linking of the track due to short supply of rails and sleepers. According to the Railway Administration, this resulted in less expenditure than budgeted yearly.

The procurement of rails and sleepers as per requirements of the railways are centrally planned and arranged by the Ministry of Railways (Railway Board) in December of every year. The project could not get their requirement of new as well as second hand released rails (for sidings, yards etc.) in any year from 1972-73, since these were earmarked for use in various secondary relayings on branch lines and new constructions. Through second quality arisings of new rails from steel plants were available during 1974-75 to 1977-78 at equivalent cost as for released rails, this source was tapped rather late in 1978-79. Similarly, for wooden sleepers required for the work on consideration of its technical suitability, no special arrangements were made in any of the years.

The use of alternative type *viz.* steel sleepers for this project was approved by the railway Board only in September 1977. The steel sleepers besides being costlier than wooden sleepers involved extra expenditure on drilling, cold pressing, etc.

There had, thus been inadequate arrangements for supply of track materials which constituted the main component of the project, affecting its progress and escalating its costs.

According to the revised estimate, the cost of the project would be Rs. 84.27 crores thus registering an increase of Rs. 41.34 crores (96.2 per cent) over the original cost. Bulk of the increase in cost (Rs. 23.90 crores) was due to escalation in prices of permanent way material and labour arising from prolonged period of execution, use of steel sleepers in place of wooden sleepers. (Rs. 4.99 crores); the other remaining factors were use of second quality rails in place of released rails (Rs. 0.53 crore), increase in general charges (Rs. 3.4 crores), certain material modification of the project and increase in the quantity of work to be done due to site conditions affected by floods, etc. (Rs. 8.49 crores). The original provision under general charge (mainly for direction and general supervision etc.) of the project had to be increased from Rs. 4.38 crores to Rs. 7.81 crores. Keeping in view the increasing costs due to poor progress of the project the Railway Administration demanded additional allotment of funds and suggested conversion of

the entire length of 557 km in one stretch with an interphase period of 3-4 months as in the original project estimate to realise the benefits envisaged.

The Railway Board, however, advised (December 1977) that a certain amount of phasing of the project was inevitable due to paucity of funds and directed the Railway Administration (October 1978 and May 1979) to continue the conversion upto Hapa station (268 km) in the first phase and complete it by March/April 1980. However, keeping in view the operational problems/bottlenecks at the new (temporary) transshipment point the Railway Board stipulated that the rest of the sections should be converted during the second phase with a time interval of nine months between the first and second (final) phase of completion of the project. The Western Railway Administration pointed out (May 1979) to the Railway Board that because of the uncertain position of supply of rails sleepers etc. which had been experienced hitherto, the overall date of completion of the Project could be only 1982 i.e. nearly 2 years after the intended date of completion of first phase.

The first phase upto Hapa (268 km) was completed in June 1980 after setting up temporary transshipment facilities at a cost of Rs. 84 lakhs. However, subsequent to the opening of this section upto Hapa in June 1980, the pace of work on the project was slowed down. Against allotment of Rs. 22 crores sought for during 1980-81 by the Railway to complete the project as per the revised plan, the Ministry of Railways (Railway Board) allotted Rs. 13.00 crores. This had resulted again in a slippage in the execution of the project to the revised plan and extended the inter-phase period beyond nine months as adequate permanent way material could not be procured. The overall progress for phase II covering 289 km from Hapa to Okha and from Sikka to porbandar up to December 1980 was 50.5 per cent (in physical terms). The actual expenditure on the project during 1979-80 was the highest in any year, being Rs. 19.92 crores and the Railway Administration sought budget allotment of Rs. 17.98 crores during 1981-82, against which approved budget allotment was Rs. 3.95 crores only. The Railway Board, at a special meeting held on 14th August 1981 to review the progress of this and other works decided that this project need not be progressed at the expense of other projects as the MG section beyond Hapa was working well as a captive MG system and this project should be progressed only if funds could be spared for it.

While this ongoing scheme was not being provided with adequate funds, the Railway Board in 1980-81, however, sanctioned new gauge conversion,

doubling and new line construction works estimated to cost Rs. 321.46 crores and released funds to the extent of Rs. 27.35 crores therefor.

The major industrial points—Sikka, Mithapur, Dwarka, Porbandar, Ranawao were not covered by the first phase of the project upto Hapa; hence the traffic from and to these points were partly transhipped at Hapa and partly routed through all metre gauge route involving extra load of 151 to 202 km with attendant extra cost in haulage, handling and in transit losses etc., to the Railways as well as to trade and industry.

Where as the earnings on haulage by either MG or BG is the same, the cost of haulage to the Railway on MG wagons is more than that of BG by 3.83 paise per tonne km* on Western Railway. The delayed completion of the conversion project and the consequent prolongation of the interphase period from June 1980 i.e. after the opening of the transshipment point at Hapa, had been resulting in extra haulage cost of Rs. 1.78 crores per year despite charging the users, freight by the longer MG route.

Further, the MG sections yet to be converted had also been starved of any casual or through track renewals for the last 10 years in the hope of conversion of the section; there have been 148 cases of rail fractures and 165 cases of spring failures every month, during 1981-82 in spite of crippling speed restrictions (20 kmph) and a stage has now reached when complete track renewal of about 100 km of MG sections cannot be postponed any further. The railway Administration, while, suggesting either closure of the sections or immediate renewal, stated that the closure will upset the industrial production of chemicals and cement in the area. The progress of this project was again reviewed by the Railway Board on 28th August 1981, consequent on Government decision to speed up movement of fertilisers, cement, etc. from the minor ports in Gujarat and the Railway Board, reversing their earlier decision of August 1981, directed the Railway Administration (September 1981) to draw up a plan of execution and speed up the execution of the balance work so as to complete the project by 30th September 1983. The Railway Administration brought out (July 1982) that it would need Rs 30 crores in all to complete the project by the above date; of which Rs. 23 crores would be needed in 1982-83 as against Rs 11.10 crores allotted mainly for meeting the cost of rails and sleepers. However, as requisite

*Based on data of haulage cost, etc. of Western Railway vide statement 15 of Railway Board's Annual Statistical statement 1980-81.

extra funds (Rs. 12 crores) could not be allocated, the project is not likely to be completed by end of 1983.

The expenditure incurred on the project to end of 31st March 1982 was Rs. 66.87 crores and according to the Administration (July 1982 the revised cost of the project would be Rs. 87 crores. Though the increase in project cost would depress the return on investment, this has not been worked out so far (October 1982).

[Audit Para 6 of the Advance Report of the Comptroller and Auditor General of India Union Government (Railways) for the year 1981-82].

APPENDIX II

Conclusions/Recommendations

Sl. No.	Para No.	Ministry/Department	Recommendation
1	2	3	4
1	5.1	Ministry of Railways (Railway Board)	The Ministry of Railways (Railway Board) sanctioned in December 1971 the conversion of 557 kilometres of metre gauge section from Viramgam to Porbandar and Okha into broad gauge at a cost of Rs. 42.93 crores. This conversion was planned to be completed in five years i.e., December 1976 in two phases. The project anticipated a saving of Rs. 95.55 lakhs per annum due to BG operation of goods and passenger services and additional earnings of Rs. 275 lakhs per annum on account of more traffic on completion. The survey report of this project specially stressed that the full benefit of conversion project would accrue only if the entire length of 557 km was converted in one stretch

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with an inter-phase period of four months. The work on this conversion project was started in January 1972 and progressed to the extent of 44 per cent (cumulative in physical terms) in 5 years i.e., by 1977-78, due to restricted allotment of funds year after year, by the Ministry of Railways (Railway Board). The first phase upto Hapa (268 kms) was completed in June 1980 after setting up temporary transshipment facilities at a cost of Rs. 84 lakhs. Subsequent to the opening of this section upto Hapa in June 1980, the pace of the work on the project was slowed down, resulting in further slippage in the execution of the project, and phase-II, which, in May 1979 was proposed to be opened in March 1981, was expected to be opened in April, 1984. Thus, the project, which according to the original plan, was to be completed in 5 years, had taken more than 12 years to complete and its latest cost estimate was Rs. 115 crores.

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As a result of heavy slippage in the execution of the Project, the Railway could not derive full

benefit of the anticipated saving of Rs. 95.55 lakhs per annum due to BG operation of goods and passenger services and additional revenue of Rs. 275 lakhs per annum on account of more traffic during the intervening period 1976-1984. Further, due to inordinate prolongation of inter-phase period, the Railway had to incur an expenditure of Rs. 84.60 lakhs per annum on account of handling expenditure and Rs. 34.56 lakhs per annum on account of wage bill of extra transshipment staff at Sabaramati. Besides this, extra haulage cost to the Railways due to rationalised MG movement of goods was Rs. 178 lakhs per annum. Industries and rail users had also to pay extra freight due to longer haulage. (This has not been quantified). As such, according to audit, prolonged interphase has entailed additional annual expenditure of at least Rs. 297 lakhs. But, more importantly, none of the important industrial centres—Sikka, Mithapur, Dwarka, Porbandar and Ranawao—for whose benefit the Project was sanctioned, could derive the benefit of conversion till the completion of Phase-II in 1984.

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difficult ways and means position of Government were mainly responsible for the heavy slippage in the execution of the Project, in their opinion, the practice of taking up too many projects at a time by the Railway Board, together with a lack of will on their part to execute the Project with due urgency had also contributed to the slippage in no small measure. It passes the comprehension of the Committee that while the present on-going Project, which was considered to be a fairly highpriority project, was starved of funds, new gauge conversion projects estimated to cost Rs. 197.71 crores were sanctioned by the Railway Board during 1973-74 to 1978-79. Some further new gauge conversion, doubling and new line construction works estimated to cost Rs. 321.46 crores were sanctioned by the Railway Board in 1980-81, and a sum of Rs. 27.36 crores was released therefor. The result was further scattering of already thin resources.

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Time and again, the Committee have been pointing out that it is unwise on the part of the

Railway Board to take up too many projects simultaneously which only results in spreading the limited resources at their disposal so thinly as not to make any impact. Such a practice not only delays the completion of projects but also results in heavy cost escalations. How costly the slashing of the allocations had proved in the present case will be seen from the fact that the Project which was originally planned to be completed in 5 years had taken over 12 years to complete and the cost had risen from Rs. 42.93 crores to Rs. 115 crores. An analysis of the rise in cost shows that over 95 per cent of it was accounted for by cost overrun alone and less than 5 per cent by increase in the scope of the Project. The Committee desire that the Ministry of Railways (Railway Board) should take up only such number of projects at a time as they can expeditiously complete within the resources at their disposal; in case, however, in an emergent situation the Ministry have to slash the allocations they should see to it that, as far as possible, on-going projects, particularly high priority projects at an advanced stage of execution, are only minimally affected.

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The Committee are astonished at the extent of indecisiveness shown by the Railway Board in this case. Whatever the allocation-cuts in the earlier years, in May 1979 (by which time the difficult ways and means position of Government was well-known), the Railway Board decided that keeping in view the operational problems/ bottle necks at the new (temporary) transshipment point, the inter-phase period (*i.e.*, the period between the completion of Phase-I and Phase-II) should be limited to nine months. As the first phase was completed in June 1980, according to the above decision, the second phase should have been completed in March 1981. However, subsequent to the opening of the first phase upto Hapa in June 1980, the pace of work on the project was slowed down. Against the allotment of Rs. 22 crores sought for during 1980-81 by the Railway to complete the Project as per the new schedule, the Ministry of Railways allotted only Rs. 13 crores and in 1981-82, as against the Budget allotment of Rs. 17.98 crores sought for by the Railway, the approved Budget allotment.

was only Rs. 3,95 crores. On 14th August, 1981, the Railway Board decided that this Project need not be progressed at the expense of other projects. But, in less than a month-on 29.8.1981 consequent upon Government decision to speed up movement of fertilizers, cement, etc. from the minor ports in Gujarat, the Railway Board reversed their earlier decision of 14th August, 1981 and directed the Railway Administration (September 1981) to speed up the execution of the balance work so as to complete the Project by 30th September, 1983. But, the above instructions were not followed up by adequate fund allotment which the Committee cannot appreciate. The cumulative result has been that the inter-phase period has stretched over to 46 months, instead of 9 months as decided in May 1979.

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The Committee note that one of the main considerations on which the Railway Board had decided on 14.8.1981 that the Project need not be progressed at the expense of other projects was that the MG section beyond Hapa was "working well as a captive MG system." The Committee are astonished at the above reasoning, in the light of the fact that there had been 148 cases of rail fractures and 165 cases of spring failures every

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month during 1981-82, in spite of crippling speed restrictions (20 km per hour). The Committee except the Railway Board to be more realistic in taking important decisions.

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The Committee are also not happy with the performance of the Project authorities. The reason given by them for the heavy slippage in the execution of the Project was drastic cuts in fund allocation for the Project. But, strangely, even the Pink Book provisions, heavily slashed as they were, could not be fully utilised by the Project authorities. According to a note furnished by the Ministry of Railways, during 1976-77 the Pink Book outlay was reduced from Rs. 5.76 crores to Rs 3.48 crores not only on account of expenditure cut but also partially due to less receipt of P-Way materials (i.e., rails and sleepers). In 1978-79, 90R rails and ST sleepers were in short supply which resulted in savings. However, in another note, the Ministry of Railways have stated that the rails and sleepers could not have been utilised on the Project prior to 1979, as the earthwork,

bridges and other structures had not been completed by then. As soon as these were ready, adequate quantities of rails and sleepers were made available so as to ensure the timely opening of Phase-I in June 1980. If, as argued by the Ministry of Railways, the P-way materials, could not have been utilised on the Project prior to 1979, the Committee fail to understand why the Project authorities, instead of looking up funds in P-Way materials, had not spent more amount on critical items of work such as earthwork in formation and re-building/strengthening of bridges so as to accelerate their completion. Had this been done, the slippage in the execution of the Project could have been somewhat reduced. In the opinion of the Committee, this is an instance of lack of proper planning. The Committee trust that the Ministry will ensure that such works are planned more carefully in future.

The procurement of Permanent Way materials as per the requirements of Railways is centrally planned and arranged by the Ministry of Railways (Railway Board) in December every year. According to Audit, one of the reasons for the slippage in execution of the VOP Project was delay in

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receipt of Permanent Way materials. The Ministry of Railways (Railway Board) have, however, not agreed with this view. According to them, as soon as construction of bridges, earthwork in formation and structures for both the phases were ready, P-Way materials were arranged by them to ensure timely completion of both the phases. However, from the material furnished by the Ministry, the Committee find that at a meeting held on 6.5.1979 the General Manager Western Railway, had pointed out to the Member (Engineering), Railway Board that "the supply position of rail & sleepers for the Project (was) uncertain." In any case, one thing is clear. The availability of rail and sleepers is limited in the country and, as admitted by the Ministry of Railways, "The problem sometimes becomes acute when the steel plants are not able to meet their commitments." The Committee observe that even in the late 'Seventies' when, on account of financial constraint, the track construction/rehabilitation work was at a low ebb, the position regarding supply of P-Way materials was not easy. The Railway Board have now a gigantic task ahead in having

to rehabilitate heavy arrears of track renewals, in addition to on-going works. According to para 1.10 of the 187th Report of the Public Account Committee (1983-84), the arrears of track renewals, which were 13,100 kilometres at the beginning of the Sixth Five Year Plan in April 1980, had gone upto 16,840 kilometres at the end of March, 1982. The number of rail fractures had increased from 2293 in 1977-78 to 4900 in 1981-82. There must have been some further addition to the arrears since. The Committee trust that the Railway Board, in close coordination with the Ministry of Steel and Mines and State Forests Department, will gear themselves to successfully meet this challenge and ensure that no work involving the use of P-Way materials suffers on account of the shortage of such materials.

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In para 193 of their 103rd Report (Seventh Lok Sabha), the Public Accounts Committee had expressed their dissatisfaction at the slow pace of gauge conversion projects and recommended time bound completion of the on-going projects to eliminate concerned transshipment points. From the date furnished by the Ministry of Railways

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(Railway Board), the Committee find that the position has since assumed alarming proportions, During the year 1983-84, conversion projects estimated to cost Rs. 1003.23 crores were under execution, and the balance required to complete these works amounted to Rs. 685.30 crores. But the total funds allotted for all the conversion projects during the year amounted to only Rs. 50 crores. Commenting upon this situation, the Member (Traffic), Railway Board, observed in evidence: "If I have to complete my projects, this would mean that for the next 13-14 years not a single new project should be undertaken. In the kind of the socio-economic conditions we are situated, I do not think it would be possible for us to do that... You have to give us sufficient resources to develop the railways... Unless you assure that I am afraid, any Department is bound to suffer from the inadequacies..." The Committee observe that the cost of haulage of a goods unit-one tonne one kilometre-is much less by BG (8.75 paise) than MG (13.57 paise), and Gauge conversion

projects are generally undertaken when a large volume of goods traffic is to be handled. These projects play an important role in the economic development of the relevant areas. In the interest of the economic development of the areas covered by the present on-going projects as also to avoid heavy time and cost overruns in their execution, it is imperative that more funds are allotted for these projects. The Committee would like the Ministry of Railways (Railway Board) to approach the Planning Commission for the purpose so that at least such of the on-going conversion projects as are at an advanced stage of execution or are considered to be more urgent can be completed expeditiously. The Committee would also like the Planning Commission to give a sympathetic consideration to the requests made by the Ministry of Railways in this regard.

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The Committee desired to know whether there was any project costing Rs. 5 crores or above during the last ten years which had been executed by the Railways within the envisaged time framework or within the resources originally

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estimated. The Ministry of Railways (Railway Board) have stated that there is no such instance. This is a sad commentary on the state of planning and execution of projects by the Railways. The Committee would like the Ministry of Railways (Railway Board) to have an indepth study so as to take steps to improve their planning and implementation machinery.

The Committee enquired whether the Western Railway had formulated plans to reduce the yard operation costs at Sabarmati and Hapa and to redeploy staff rendered surplus owing to reduction in workload consequent upon completion of Phase-II. In a note, furnished to the Committee, the Ministry have stated that "the effect of conversion on transshipment at Hapa and Sabarmati is under active examination with a view to reducing yard operations cost and redeployment of staff. The Committee would like to be informed of the decisions taken in the matter and concrete steps taken to reduce yard operation cost and to redeploy surplus staff. They would also like to be apprised of the extent of saving achieved as a result.

The Committee note that on the conversion of Viramagam-Okha-Porbandar Section from MG to BG, facilities for handling traffic of Porbandar, Bodi and Okha Ports have been provided at Porbandar, Windnill and Okha, respectively. However, the sidings of these ports have not yet been converted from MG to BG. A point has arisen as to who should bear the cost of conversion of these sidings. According to the Ministry of Railways, the principle followed by the Railways is that all sidings in the major ports should be laid at the cost of the Port Trusts and in the case of minor ports, at the cost of State Governments concerned. As all the above three ports are minor ports, the cost of the port sidings should be borne by the State Government. The Committee have been informed by the Railway Board that the matter is "still under active consideration with the State Government and the modalities of limited conversion of these sidings are being worked out". The Committee desire that the matter should be finalised at an early date so that the object underlying the VOP conversion is fully achieved. The Committee would like to be informed of the decision taken in the matter.

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13.	5.13	—do—	<p>The Committee note that Porbandar Port which has been made an all-weather port at a cost of Rs. 7.25 crores, is a minor port under the administrative control of the State Government of Gujarat. During evidence, the representative of the Ministry of Transport and Shipping agreed that although in terms of the Major Port Trusts Act, Porbandar might be a minor port, from the point of view of national economy it was an important port. The Chairman, Railway Board also stated that Porbandar is an important port from the national point of view especially for Rajasthan, Haryana and Punjab. The Committee would like the Ministry of Transport and Shipping to give a thought whether considering the volume of the traffic handled by the Porbandar Port as also its importance from the point of view of national economy, it can be declared a major port.</p>

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