

**HUNDRED AND SIXTY-SECOND
REPORT**

**PUBLIC ACCOUNTS COMMITTEE
(1983-84)**

(SEVENTH LOK SABHA)

**WESTERN RAILWAY—CONSTRUCTION OF A
METRE GAUGE LINE FROM DABLA TO
SINGHANA**

**MINISTRY OF RAILWAYS
(Railway Board)**

Presented in Lok Sabha on.
Laid in Rajya Sabha on.....

**LOK SABHA SECRETARIAT
NEW DELHI**

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CORRIGENDA TO THE 162ND REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE (1983-84)

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
2	4	3	Compared	compared
6	19	9	Sales of Copper	sales of copper
		11	Copper	copper
		12	items	item
		13-14	Consign- ments	consign- ments
9	27	5	out	cut
10	32	29	5-3-1977 in	5.3.1977. In
12	36	13	audit	audit
13	38	19	hauliers	haulers
	39	11	buyer's	buyers
19	52	5	Customers	customers
20	54	9	ease	ease
25	64	3	Railway in	Railway. In
27	72	12	constraints	constraints
		16	have	has
31	81	10	30:8	30.8
	82	3	fare	mere 315.
			315 tonnes	tonnes
35	93	7	expanded,	expanded
		9	tht	the
39		9	link	line
42		15	Plassing	Planning
			Commission	Commission
		24	regettable	regrettable
43		18	trace	traffic
44		20	Pulera	Phulera

C O N T E N T S

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1983-84)	(iii)
INTRODUCTION	(v)
REPORT	I

A P P E N D I X

Statement of Conclusions and recommendations	39
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P A R T I I*

Minutes of sittings of the Public Accounts Committee held on 2-12-82 (FN) and 14 June, 1983 (AN)	
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(1983-84)

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2. Shri H. S. Kohli—*Chief Financial Committee Officer*
3. Shri Ram Kishore—*Senior Financial Committee Officer*

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 162nd Report of the Public Accounts Committee (7th Lok Sabha) on Para 12 of the Advance Report of the Comptroller and Auditor General of India for the year 1980-81, Union Government (Railways) regarding Western Railway—construction of a metre gauge line from Dabla to Singhana.

2. The Advance Report of the Comptroller and Auditor General of India for the year 1980-81, Union Government (Railways) was laid on the Table of the House on 5 April, 1982. The Public Accounts Committee (1982-83) examined this paragraph relating to construction of a metre gauge line from Dabla to Singhana at their sitting held on 2 December, 1982.

3. This Report highlights how the metre gauge line which was not financially justified but constructed by Railways after much persuasion by the Ministry of Mines and Metals and on obtaining a guarantee of traffic by the Hindustan Copper Limited (HCL), continues to be unviable.

4. Although the line continues to be uneconomic the Committee feel that there is no question of its being dismantled. However, in case its financial working does not show any improvement in the foreseeable future, the Committee has desired that it may be handed over to the project authorities to be used as a siding, in consultation with the Planning Commission.

5. The Committee (1983-84) considered and adopted this Report at their sitting held on 14 June, 1983. Minutes of the sitting form Part II* of the Report.

6. A statement containing conclusions and recommendations of the Committee is appended to this Report (Appendix). For facility of reference these have been printed in thick type in the body of the report.

7. The Committee place on record their appreciation of the commendable work done by the Public Accounts Committee (1982-83) in taking evidence and obtaining information for the Report.

8. The Committee would also like to express their thanks to the officers of the Ministry of Railways (Railway Board) and Department of

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(vi)

Mines for the co-operation extended by them in giving information to the Committee.

9. 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.

SUNIL MAITRA

Chairman

Public Accounts Committee

NEW DELHI;

28 June, 1983

7 Asadha, 1905 (S)

REPORT

WESTERN RAILWAY—CONSTRUCTION OF A METRE GAUGE LINE FROM DABLA TO SINGHANA

Audit paragraph

1. The Ministry of Railways (Railway Board) had informed the Ministry of Mines and Metals in August 1969 that the proposal of the latter for construction of a metre gauge line (MG) from Dabla to Singhana (34 Km) to serve Khetri Copper Project had not been found to be financially viable. Nevertheless, later after much persuasion by the Ministry of Mines and Metals and on the basis of a guarantee of traffic by the Hindustan Copper Limited (HCL), the Ministry of Railways (Railway Board) agreed (April 1970) to undertake construction of the line. The work was commenced in April 1972 and completed in June 1974 at a cost of Rs. 2.38 crores. The line was opened to goods traffic on 15th June, 1974.

2. The guarantee deed executed (July 1971) by the HCL stipulated *inter-alia*, as under:—

- (i) All inward and outward traffic of the project would be offered for transportation by rail (including approximately, inward traffic of 1000 tonnes of rock phosphate and outward traffic of 600 tonnes of fertilizers per day, in addition to copper and other by-products etc.).
- (ii) Freight charges would be payable on 1½ times the actual distance.
- (iii) The Railway Administration would be authorised to examine twice a year HCL's records to verify the quantum of traffic offerings.
- (iv) The Railway Administration would be entitled to recover the shortfall and also to stop traffic on the new line and dismantle it after 3 months notice in the event of the HCL not honouring its commitments.
- (v) In the case of any happening beyond control of either party notice shall be given within 21 days of such happening.

3. The traffic, as envisaged in the project report vis-a-vis that actually materialised, from 15th June 1974 to 31st March 1980 was as under:

Year	As envisaged (in tonnes)	As actually materialised (in tonnes)	Percentage of column 3 to column 2	Traffic per day (in tonnes)	No. of wagons per day
Inward Traffic					
1974-75	291222	28181	9.7	97	6.8
1975-76	291222	63700	21.9	174	12.0
1976-77	291222	42648	14.7	117	8.5
1977-78	291222	89678	30.8	246	16.8
1978-79	291222	48761	16.7	134	10.0
1979-80	422263	63515	17.4	201	14.0
Outward traffic					
1974-75	335074	315	0.1	1	0.1
1975-76	335074	2598	0.8	7	0.6
1976-77	335074	16122	4.8	44	2.7
1977-78;	335074	21418	6.4	59	3.9
1978-79	335074	46329	13.8	127	7.5
1979-80	447864	36112	8.1	99	6.3

4. On Audit enquiring (August 1976) of the Railway Administration why, in spite of the actual traffic materialisation during the two years 1974-75 and 1975-76 being meagre as compared to anticipations, no action had been taken in terms of the guarantee deed (July 1971), the Railway Administration stated (November 1976) that no claim had been preferred on the consideration that the shortfall was due to factors beyond the control of HCL, such as (i) the copper plant commissioned in August 1975 not having gone into regular production, (ii) the fertilizer plant expected to go into operation by August 1975 not having started because of mechanical failures and (iii) certain contractual disputes.

5. At the instance of Audit (December 1976), the Railway Administration referred (July 1977) the matter to the Ministry of Railways (Railway Board) who observed (March 1979) that the Railway Administration had failed to attach due significance to the guarantee deed, and directed that a claim be preferred even at that late stage on the ground that HCL had failed to give the requisite notice of 21 days about the happenings contributing to the shortfall.

6. Almost a year later, the Railway Administration preferred (February 1980) a claim for Rs. 1.26 crores on the basis of a rough estimate of the shortfall in railway revenue upto 1978-79 due to movement of traffic by road by the HCL (instead of on the basis of the quantum of traffic stipulated in the guarantee deed). Claim for 1979-80 is yet to be preferred (September 1981).

7. HCL refuted the claim of the Railway and raised (September 1980) a counter claim of Rs. 1.59 crores towards excess freight charges incurred by it on transportation of their goods by road, on the following grounds :

- (i) repeated failures on the part of the Railway Administration to supply wagons as and when required by HCL.
- (ii) long transit delays, particularly in respect of the consignments booked to Singhana, and damages to/pilferage of goods in transit, which affected running of plants adversely.

8. The Railway Administration thereupon informed (November 1980) the Ministry of Railways (Railway Board) as under:

- (i) During the period 1976-77 to 1979-80 the inward traffic was only 13 wagons per day as against the committed traffic of 56 wagons per day. Even this meagre traffic was handled by HCL very slowly. Outward traffic was only 5 wagons per day as against 28 wagons guaranteed by HCL.
- (ii) Outstanding indents of HCL at the end of each month were not many, and could have been cleared had inward wagons materialised to the extent guaranteed.

9. Further course of action is yet (September 1981) to be decided by the Ministry of Railways (Railway Board).

10. In the meantime an independent study made by Audit (July-August 1981) disclosed that during the period November 1975 to July 1981 (excluding the period from 17th September 1978 to 20th May 1980 for which records were not available) delays had occurred in the supply of wagons to HCL in a number of cases, as indicated below:

(i) Number of wagons supplied on the date required	345
(ii) Number of wagons supplied within 1 to 10 days thereafter	1245
(iii) Number of wagons supplied within 10 to 30 days	611
(iv) Number of wagons supplied after 30 days	19
Total	2220

11. The Railway Administration had not been generally working empties to the project, and hence only loaded wagons when released were being offered for back loading. While inward traffic of rock phosphate was normally received in open wagons, covered wagons were required by HCL for despatch of fertilisers and copper. This led to non-acceptance of the wagons offered to HCL, and the subsequent delays in the supply of wagons of the required type.

12. Though the line was opened to goods traffic on 15th June 1974, its financial results have not been evaluated by the Railway Administration so far (September 1981) on the ground that the line has not yet been opened to passenger traffic. As per final location survey, the Railway Administration had anticipated coaching earnings of Rs. 2.27 lakhs, Rs. 2.74 lakhs and Rs. 3.05 lakhs in the 1st, 6th and 11th year respectively, after opening of the line to passenger traffic. According to the Railway Administration (January 1979), however running of a passenger train on this section was neither feasible nor justified.

13. A few other irregularities were also noticed, as indicated below:

- (i) The Railway Administration started construction of two crossing stations in phase 1 of the work in contravention of the Railway Board's order of October 1971. However, it sealed such works in September 1973 by which time expenditure of Rs. 0.73 lakh had already been incurred. As the new line is being worked for goods traffic alone under "one engine only" system, electrical maintenance office and staff quarters created at a cost of Rs. 7.30 lakhs at Singhana Station are lying unutilised.

14. The following are the main lapses on the part of the Railway Administration in this case:

- (i) The Railway Administration did not conduct in terms of the agreement, half yearly examination of the records of the HCL during the period 1974 to 1979 with a view to verifying the quantum of traffic offered and preferring its claim in time against shortfall in Railway revenue. The delay resulted in accumulation of the Railway's claim to a large amount of Rs. 1.26 crores (upto 1978-79 based on movement of traffic by road instead of on shortfall in guaranteed traffic), which in turn led to counter claims by HCL.
- (i) Non-supply of covered wagons by the Railway Administration had resulted in traffic of fertilisers and copper products being diverted to road by HCL.

15. In consequence, the new line constructed at a cost of Rs. 2.38 crores to serve Khetri Copper Project had not been able to achieve the purpose for which it was undertaken.

16. This para was issued to the Railway Administration on 7th November 1981; its reply thereto is still awaited (31st January, 1982).

[Para 12 of the Advance Report of C&AG of India for 1980-81, Union Government (Railways)].

17. The Committee desired to know the principal consideration which necessitated construction of the metre gauge line from Dabla to Singhana. The Railway Administration in this regard have stated as follows:

“The Government of India had decided to establish a Copper and Fertilizer Complex wholly owned by them at Khetri Nagar. This project could not have functioned and developed unless it was served by railway line. The nearest rail-head was Dabla station, which was on the Rcengus-Rewari section of Jaipur division. In the overall interest of the nation and with a view to developing the under-developed areas and exploit the scarce copper reserve as India has to import copper every year, it became absolutely necessary to construct this alignment of 34 kms between Dabla and Singhana.”

18. According to the Audit paragraph, the materialisation of inward traffic had varied between 9.7 per cent and 30.8 per cent of the traffic envisaged during the period 1974-75 to 1979-80 and the outward traffic between 0.1 per cent to 13.8 per cent during the same period. In view of this, the Committee desired to know whether the construction of the line was at all justified. The Ministry of Railways (Railway Board) have stated as under:

“Repeated examination of the Survey Report on the Dabla-Singhana line revealed that there was no financial justification for constructing the line. When it was finally decided to construct the line as a result of discussions at a meeting of Secretaries held on 16-4-1970, it was found that construction of the line could be justified only if HCL guaranteed their entire traffic as estimated in the project report to be moved by rail and by inflating the distance for charge for goods traffic by 50 per cent. It was on this basis that the construction of the line was justified.”

19. The Committee learnt that the Railway Administration in their remarks dated 17-4-1982 about non-materialisation of envisaged traffic, as communicated to Audit, had stated as under:

“Although the section Dabla-Singhana was opened for goods traffic from 15 June, 1974, the Copper Plant of HCL went into production in August 1975 and the fertilizer plant started functioning only in November, 1976..... HCL were prompted to despatch/receive some of their traffic by road as the Sales of Copper metal produced by them were on ex-works basis and that the mode of transportation was ‘buyer’s choice’. Although the Copper metal is a manufactured items of HCL, its movement from the Company is not the choice of the company as these Consignments are consigned to other private parties who purchase this item from HCL. The transaction of this nature had adversely affected the Railway earnings’....”.

20. As to the reasons for inability of HCL to synchronize the production of the copper plant and the fertilizer plant with the opening of the Dabla-Singhana Section for goods traffic on 15 June 1974, the Department of Mines have in a note *inter-alia* stated as follows:

“The Khetri Copper Complex of Hindustan Copper Ltd. comprises mines at Khetri and Kolihan and concentrator, smelter, refinery and acid-cum-fertilizer plant at Khetri. The project as a whole was expected to be in operation by May 1972. However, mine development and commissioning of the plants were delayed by two to three years. It is also relevant to mention that non-ferrous metalliferrous mining under hard rock conditions in deep mines as also smelting and refining of these metals is relatively of recent origin in India. Hence, there were shortcomings and delays in the planning and execution of the complex. The project authorities were also let down by consultants contractors engaged for the project implementation. The copper smelter plant at Khetri could be commissioned only in November, 1974 and the Sulphuric Acid Plant in September, 1975. Since there was delay in commissioning of the phosphoric acid plant, triple superphosphate could not be produced and the available sulphuric acid was converted into single superphosphate. The Phosphoric Acid Plant even though commissioned in February 1976 was shut down in the month of April, 1976 due to

dispute with the suppliers in respect of the trial operation and guarantee run. The plant was recommissioned in October, 1977 after a meeting with Ministry of Fertilizer and Chemicals in September 1977."

21. During evidence, the Committee desired to know the reasons for a heavy shortfall in the traffic provided to the Railway by the HCL, the Chairman, HCL stated in reply:

"The estimate of movement of traffic that was given was based on mostly inward movement of rock phosphate and outward movement of fertilizer. Unfortunately, the Khetri Project has run into a series of problems, the most important problem being the non-availability of sufficient power to run all the plants and this has resulted in restricted operation of various units. Therefore, the fertiliser plant could not produce the amount of fertilizer that was anticipated to be produced. This is actually the main reason why we have not been able to meet the demand of the Railways which we made about the traffic."

22. The production of fertilizer at the HCL from 1975-76 was as under:

1975-76	950 tonnes
1976-77	26,017 "
1977-78	24,474 "
1978-79	25,241 "
1979-80	24,366 "
1980-81	27,777 "
1981-82	21,172 "
April to 1982 Sept.	3,867 "

23. When asked about the production of fertilizer anticipated, the witness stated:

"Fertiliser production was anticipated at 1 lakh 95 thousand tonnes per annum."

24. In this connection, the Secretary, Department of Mines stated:

"Fertilizer project was conceived an integral part of the Khetri copper complex, Number one. We recover ore content containing not only copper but also sulphur.

When copper ores are processed, the resultant gas is released; it is transformed, after processing, into sulphuric acid which will react with rock phosphate made available from Rajasthan. It would have meant a production of enough phosphate. But production was poor. We could not get power to the extent required. Power is rationed out to concentrator plant, smelter etc. Residual power is given to fertilizer plant...."

25. When asked about the year in which shortage of power was experienced the Chairman, HCL stated:

"From 1978-79 we started experiencing it. Against the total power requirement of the project, the supply has been 60 per cent."

26. The Secretary, Department of Mines added:

"The pattern of power supply varies from quarter to quarter. There are days when there is nil supply of power. At no time in the past have we been able to get near our full requirement of power to meet the processing requirements of copper unit as also fertilizer plant. We try to put as much power as possible into the copper circuit because of much higher value of copper and because of a much larger investment. As regards the fertiliser plant, it was intended to be the by-product plant. The investment is also about Rs. 27 crores as compared to a much larger investment in the copper circuit. So, deliberately, our policy has been to give all the power needed to the copper smelter and the fertiliser plant receives only what is the balance left."

27. In a note furnished subsequently to the Committee, the Department of Mines have stated:

"The percentage of energy availability to the requirement for the full production for the years 1978-79 to date were as follows:

1978-79	45.06%
1979-80	36.48%
1980-81	36.77%
1981-82	37.17%
1982-83 (upto Nov.)	35.95%

The average percentage of energy availability for these years was 38.45% Only for about 4 months of the year Khetri Copper Complex was receiving full power. For the balance 8 months Khetri Copper complex has been subjected to erratic and widely varying power out, of 0 to 100% out of which 4 months in a year the power cut was more than 50%. It may be pointed out that process plant can not be run on intermittent basis without serious damage to plant and equipment. This was one of the reasons for not operating the Fertilizer circuit."

28. The Committee were informed during evidence that even the production of copper was not as per anticipation. As to its reasons, the Secretary, Department of Mines stated in evidence:

"The first point is that the geological predictions went wrong. It was anticipated that the ore would contain about 1% of copper but in actual practice the copper content was much less. Secondly, the development of mines had been somewhat slower than what was anticipated and the occurrence of the ore is a pattern which was not anticipated at that time. very extensive drilling was done and opening up of mines was taken up after more extensive consultations with the experts and foreign collaborators which caused delay. When the mine was opened up, the ore containing copper was found to be irregular. Then other processes to recover a certain amount of copper had to be done."

29. The Committee enquired whether the project was undergoing heavy losses because of wrong anticipation. The Secretary, Department of Mines stated;

"You are quite right in saying that part of losses are due to that."

30. To another question whether it is economically viable to run these projects, he replied:

"It is presently highly uneconomical project. That is why we are having 100% duty of copper metal and we are still not able to meet the cost of production of copper."

31. When further asked whether it meant that in terms of geological prospecting, power availability and movement of traffic by rail, the entire project planning went wrong, the Secretary, Department of Mines stated:

"It is true that in terms of estimates, they went wrong to some extent. It is also true that we had certain technological problems. I am not prepared to say that we have altogether got out of the woods in regard to the technological problems in operating this copper smelter."

32. The Committee learnt from Audit that the Railway Administration was aware from 1974-75 that the traffic of the level envisaged may not materialise. Enquired as to why no action was taken to check the position with the plant to impress on it the need to use the rail facilities for their inward and outward traffic after the line was opened for traffic in June 1974 and also to enforce the Deed of Guarantee, the Ministry of Railways (Railway Board) have in a note *inter-alia* stated as under:

"The Western Railway Administration on 27-9-1976 specially asked the Hindustan Copper Ltd. authorities the reasons for their traffic not coming up as had been envisaged in the Project Report during the first year of opening and why the Railway should not effect necessary recoveries from the Hindustan Copper Limited for the shortfall in traffic earnings in terms of the 'Deed of Guarantee'. To this Hindustan Copper Ltd. on 16-11-1976 came with an explanation that because of the initial teething trouble, there were some delays in the functioning of the Plant which could not be helped and that as they would offer sizable quantum of traffic in the near future, no recovery should be made for the shortfall in the earnings as per the 'Deed of Guarantee'.

Further, the records of Hindustan Copper Limited, were not made available to the officials of the Western Railway to check the quantum of inward and outward materials actually generated by the Project and the quantities offered for transportation by them. This matter was taken up with the General Manager of the Project by the Western Railway demi-officially on 5-3-1977 in reply, the General Manager, Hindustan Copper Limited on 24-3-1977 *inter-alia* advised demi-officially the reasons for the shortfall in traffic. Hindustan Copper Limited expressed their helplessness for despatching their copper products on Ex. Works basis by road as it was the choice of the buyers. On receipt of advice about the above developments and noticing that M/s. Hindustan Copper Limited have moved a substantial quantum of its traffic

by road in violation of their deed of guarantee to make all their inward and outward traffic available to the Railways for transportation and that the Company had failed to give the Railways 21 days' notice of any untoward happenings, which could have resulted in shortfall of traffic by rail, the matter was taken up with the Ministry of Mines and Metals (Deptt. of Mines & Metals), New Delhi by the Ministry of Railways (Railway Board), on 4-9-1978 requesting them to prevail upon Hindustan Copper Limited to honour the terms of guarantee so as to stem the losses in working the rail link. The Western Railway Administration were directed on 5-3-1979 to re-examine the whole matter after the following action had been taken:

- (1) Setting up of adequate machinery if not already done to comply with clause (iii) of the Guarantee Deed, regarding half-yearly checking of the records of the Company relating to despatches by rail.
- (2) Preferment of a claim on Hindustan Copper Limited to make good the shortfall in revenue."

33. To a question whether not making available the records of HCL to the officials of the Western Railway to check the quantum of inward and outward materials actually generated by the Project and the quantities offered for transportation was not a breach of the 'Guarantee Deed' executed (July 1971) by M/s H.C.L. with the Railway Administration, the Ministry of Railways (Railway Board) have replied:

"Yes, the non-production of the relevant records for verification by the Railway officials amounts to breach of clause (iii) of the Deed of Guarantee."

34. When asked about the efforts made by the Railway Administration to get the records of H.C.L. to check inward and outward traffic, the Ministry of Railways (Railway Board) have stated:

"The Matter was taken up at the level of the Chief Marketing Superintendent, Western Railway, Bombay with the General Manager of Khetri Copper Complex, Khetrinagar through a D.O. letter dated 5th March 1977. The omission on the part of HCL to make the records available for verification was again brought to the notice of the

General Manager, Western Railway, Jaipur through his letter dated 28th February, 1980 and also by the Chief Operating Superintendent, Western Railway, Bombay through a D.O. letter dated 5th March, 1982 addressed to the Chairman, Hindustan Copper Ltd., Head Office Calcutta. The Chief Marketing Superintendent, Western Railway, Bombay has since written to the General Manager, Khetri Copper Complex on 4th December, 1982 requiring the Company to extend necessary facilities to the Railway's representatives for verification of the relevant records, in the first week of January and July every year. However, so far HCL has not cooperated fully in showing the necessary records for this purpose."

35. In this connection, Deptt. of Mines have stated in a note:

"It is not correct to state that the records of HCL were not made available to the officials of the Western Railways to check the quantum of inward and outward materials actually generated by the Project and the quantities offered for transportation by HCL during 1976-77."

36. The Committee observed that a letter from the General Manager, Khetri Copper Complex. HCL to the Chief Marketing Superintendent, Western Railways dated 24-3-1977 *inter-alia* reads as follows:

"I am in receipt of your D.O. letter No. C-563 16.9 dated March 5, 1977, and have discussed its contents with our officers concerned.

They tell me that the two inspectors who came here, wanted to have complete access to our records, which would have meant total dislocation of our own work. They were, therefore, told that all relevant data required by them would be made available to enable you to answer your audit query. They left without even bringing their objection to my notice. If they had talked to me, I may have been able to find a way to see that they get the necessary information without disturbing our work at the same time."

37. In reply to a question whether the half-yearly checking of the HCL's records to verify the quantum of offerings is now being done, the Deptt. of Mines have stated:

"As and when required by the Railways, complete records of

traffic generated and made available for rail and road transportation are being furnished to the Railways. To the best of the knowledge of HCL, however no formal half yearly, checks are being conducted.”

38. On being asked whether it would not have enabled Hindustan Copper Limited to reconsider conclusion of contracts for their products on ex-works basis if the Guarantee had been invoked in time, the Ministry of Railways (Railway Board) had in a note stated as follows:

“Despite the commitment given in the Deed of Guarantee that the entire traffic, both inward and outward, would be offered to the railways for movement, failing which compensation would become payable to the Railways, Hindustan Copper Limited has agreed to sell their products on ex-works basis, leaving the mode of transport to the choice of the buyers. Even after the provisions of the Deed of Guarantee were invoked by the Railway in 1979, Hindustan Copper Limited have continued to receive despatch their traffic by road, in violation of the Deed of Guarantee. It has come to notice that Hindustan Copper Limited have advertised in the *Hindustan Times*, New Delhi of 12th February, 1982 inviting tenders from approved road hauliers for the transportation of copper and copper products by road. In the circumstances explained above, it is highly improbable that Hindustan Copper Limited would have changed their contracts with the buyers providing for transportation of their products by rail only, instead of leaving the mode of transportation to the choice of the buyers.”

39. In a note the Department of Mines have explained the position as follows:

“Hindustan Copper Limited’s terms of sale for copper have traditionally been ex-works or ex-godowns as during transit the risk of loss for damage involved are very heavy the commodity being expensive. Moreover, as the goods could not be moved by rails due to non-availability of wagons, had the products not been moved out by the company’s warehouse by road, it would not only have put pressure on the company’s godowns but also would have forced the buyer’s to close down their works for want of

a raw material. In view of this it was thought fit to leave the mode of transportation to the buyer's choice, who incidentally preferred transportation of the material by road."

40. The following statement indicates the quantum of fertiliser moved by the rail and road by the project authorities during 1978-79 to 1980-81:

Year	By Rail	By Road		Total	Grand total Unit : MT
		Private parties	HCL Godowns		
1978-79	17499	5195	16094	21289	38784
1979-80	17272	3769	14559	18328	35600
1980-81	16198	1619	5484	7103	23301
1981-82	16260	1643	6733	8377	24636

41. Despatch of Copper from Khetri by road and rail during 1979-80 to 1981-82 was as under:

Unit : MT

Year	By Rail	By Road		Total	Grand Total
		By Customer	By HCL		
1979-80	370	7795	1426	9221	9591
1980-81	6945	3943	2842	6785	13730
1981-82	2347	4667	8211	12878	15225

42. The following table gives the details about the inward traffic of project authorities by rail and road during each of the last three years:

Period	By Rail		By Road
	OIL	OTHERS	
April 1979 to March, 1980	29472 KL (1842 Wagons)	51776 MT (3236 Wagons)	20503MT
April, 1980 to March 1981	36480 KL (2280 Wagons)	29470 MT (1840 Wagons)	14421MT
April, 1981 to March 1982	36416 KL (2276 Wagons)	36604 MT (2164 Wagons)	28200MT

43. During evidence, the Committee pointed out that Khetri Project authorities were committed to make full use of the Railway line because this line was specially constructed for their use. If so, the Committee enquired why the Project authorities had not fully utilised the railway line and had, instead, resorted to movement by road. The representative of the HCL stated that the main reason was non-availability of wagons in time. As fertiliser is a seasonal item, there was no option but to use road transport.

44. To a question regarding the economics of transportation by Railways, the representative of the Railway Board stated, "there are two categories. One is fertiliser, the second can be gypsum. It has been so during the years. And the third is copper. They are moving copper in small parcels because their production is so low, having depots become uneconomical. As far as fertilisers are concerned, I do not think it is a problem. If you want me to lift fertiliser of 50 wagons, I will be prepared to lift it. But do not ask me to bring a full locomotive with 20 wagons; it becomes uneconomical; because whether it is 20 wagons or 50 wagons, the cost is the same."

45. In reply to another question whether MMTC also moved copper by road, the representative of the Railway Board stated that "I think the MMTC also move copper by road, because the economics of copper movement is different. The freight component in the total cost is very low and the demand requirement is not basically in wagon loads, except for certain electricity projects and all that, where they use the railways. So, unless the consumer compulsion is there to carry by rail, basically it is transported by trucks, because it is in small loads. This is the basic pattern for MMTC as well as for others."

46. In a note, the Department of Mines have further explained the position as follows:

"Goods are procured as per normal commercial practice on terms of ex-supplier's Works basis as well as on delivered to HCL Works basis. HCL has the option for moving by rail only in respect of such traffic that is controlled by HCL. Parties offering materials on delivered basis to HCL's Works have the normal commercial contractual right to deliver these by road or rail at their option, since costs and transit risks are borne by them.

In case where purchases were made on ex-supplier works basis, movements were by rail except for the following circumstances:

- (i) When the supply points were on broad gauge and the nature of the materials was such that transshipment was likely to involve loss/damage.
- (ii) For reasons of extreme urgency in exceptional circumstances for carrying on essential operations or for avoiding loss/damage to the goods in the port."

47. To a question whether HCL were aware of the fact that movement of traffic by road amounted to violation of the Deed of Guarantee, the Deptt. of Mines have stated:

"These movements were made by road for reasons of ensuring safe arrival of the materials by avoiding transshipment and also for continued essential operations of the plant at times of emergency when it was not possible to ensure immediate placement of wagons or swift transit of the wagons. It may be mentioned that due to these practical circumstances, it is impossible to eliminate road traffic altogether in any operating plant. It is felt that movements by road for such essential purposes could not be considered to violate the Deed of Guarantee."

48. In reply to a query whether the Railways were not entitled to claim compensation for the movement of traffic by HCL by road, the Ministry of Railways (Railway Board) have stated:

"Yes, the Railways are entitled to claim compensation from HCL for the shortfall in revenue due to non-materialisation of traffic as provided for in the Deed of Guarantee."

49. The Committee desired to know whether the required notice of 21 days was given at any time by HCL to the Railways intimating that they were going to move goods by road rather than rails due to non-availability of covered wagons. The Department of Mines have stated in a note:

"The situation envisaged by the guarantee was that on full production being achieved by HCL, normal traffic would be by rail and should there be temporary abnormal circumstances, a notice should be given by either party in case of failure to offer goods/transportation.

The situation as had actually emerged was one of continuing lack of goods for delivery inward and outward due to delays in commissioning of projects and low production thereafter as well as delays in placement of wagons against demand. Both the circumstances being of continuing nature known to both the parties the question of serving notice had not arisen. However, difficulties in generating of traffic as envisaged in the guarantee were brought to the notice of Railways by General Manager, Khetri Copper Complex, IICL, by letters dated 21-9-76 and 23-10-1979."

50. In this connection the Chairman, HCL stated during evidence:

"The project authorities keep on requesting the Railways sufficiently in advance for the wagons."

51. However, the Secretary, Department of Mines intervened to say:

"Considering the pattern of production, it will be very difficult for the project authorities to give advance notice of so many days. This plant has been working sporadically. So, how can I say what production will be there in the coming weeks? For some time, it shuts down and then it again works."

52. The Committee desired to know the reasons for HCL issuing an advertisement in *Hindustan Times* of 12 February, 1982 inviting tenders from approved road haulers for transportation of copper and copper products by road if no assurance to the Railways could be given in advance. The Deptt. of Mines have examined the position in a note thus:

"In terms of pricing and distribution policy for copper, HCL distributes copper in various major consumption centres like Rajasthan (from its Khetri Works godown), Delhi and U.P. (from its Delhi Godown) Haryana (from its Jagadhri godown), Western India (from its Bombay godown) & Eastern India (from its Calcutta godown) at a uniform price. To make supplies from the regional godowns copper is required to be moved by HCL to its godowns so that goods can be supplied to customers in time and at uniform prices. Except for Delhi all these

godowns are on broad gauge points. Copper being highly expensive as well as scarce, inventory-holding has to be minimised and movements to consumption points expedited. To avoid costs of inventory-holding and costs of long transit because of transshipment and piece-meal movement of wagons, these movements are required to be made, primarily by road. To effect road transportation in a stable manner and at the most economic rates, HCL, enters into annual contracts by calling for tender from reputed road transporters by advertising in the press. An advertisement was accordingly issued in February 1982 in the main newspapers calling for offers for the period 1982-83 and contracts concluded. The contracts do not guarantee any tonnage for delivery. Under the terms of the contracts, the transporters are obliged to place trucks as and when required by the works without any delay and also be responsible for safe delivery of the material at destination.

Despatches by road of copper in the above manner averaged per month as under:

1979-80	. . . . .	119	MT
1980-81	. . . . .	237	MT
1981-82	. . . . .	684	MT
April 82 — Oct. 82	. . . . .	577	MT

It is only these quantities which conceivably could have been diverted to rail traffic. Since Railways normally require indents to be placed for bulk movement only, diversion to rail traffic could have been possible only during a few months during these years provided the entire despatchable quantity had been accumulated. Taking into account the accumulation time and the longer transit time, this would have meant holding of additional inventory. As against this, the pattern of finished copper inventory at HCL's works during the same period were:

Period	Copper wirebar closing stock (MT)
April—Sept. 79	3
Oct.—March 80	..
April—Sept. 80	21
Oct.—March 81	146
April—Sept. 81	162
Oct.—March, 82	244

The closing stocks mostly represent the production of the last few days of the month only which because of inspection etc. are not available for despatch for sale.

In so far as transportation by road by Customers from HCL godown at its works and the regional consumption centres are concerned, transportation is done by customers in their own trucks/trucks hired by them at their own cost."

53. Enquired whether the Railway would not be entitled to claim compensation under the 'Deed of Guarantee', the Department of Mines stated:

"Rail movement of copper, which was moved by HCL by road could have been possible, if

- (a) Railways could allot covered wagons, as and when demanded, for piecemeal movement; or
- (b) HCL had accumulated its production till such period as enough stocks were available for bulk movement.

The alternative (a) was not feasible for the Railways due to their own operational difficulties, even if HCL were to bear the costs of long transit delays due to transshipment and piecemeal movement.

The alternative (b) would have added further to HCL's losses also denying the uses of this immediately needed scarce commodity. This would have been in fact a national waste. Under these circumstances it is felt that the Railways could not be entitled to any claim on HCL on this account."

54. The Committee enquired whether adequate action was taken by HCL to give advance notice of their needs of transport and co-ordinate their transport requirement with the Railways from 1974-75. In a note furnished in this regard, the Deptt. of Mines have stated:

"The matter of non-availability of wagons was being pursued with the railways from time to time as and when problems were faced in this regard. For example by a letter dated 10-12-78 from Khetri Copper Complex, HCL addressed to Divisional Operating Supt. Western Railway, Jaipur, the problem of acute scarcity of wagons was brought to the notice of Railways. It was further followed up by a letter dated 23-12-78 from Khetri Copper Complex, HCL,

to Divisional Supdt. Western Railway, Jaipur. Further a letter was addressed in this regard on 27-12-78 by Chairman, HCL to Member (Transportation) Railway Board. Besides such correspondences from time to time, meetings were held from time to time at the Western Railway offices at Jaipur and Bombay with Railway Officers by senior officials of HCL including the General Manager of Khetri Copper Complex to cease problems of non-availability of wagons including non-availability of covered wagons from time to time."

55. As regards the steps taken by HCL to coordinate with the Railways, the Department of Mines have stated as follows:

"HCL had set up traffic offices at Jaipur in 1973 and at Kandla in 1978 for the purpose of coordinating with local railway officials. Further to achieve closer coordination with Railway HCL had taken on deputation senior Railway Officials on its own rolls as Managers (Traffic) of the Khetri Works. Railway Officers had served in the above manner with HCL for purposes of effective coordination with the Railway since 1973 till October, 1981."

56. As regards non-supply/delayed supply of wagons as indented by the firm, the Ministry of Railways (Railway Board) have explained the position thus:

"The difficulty in the supply of covered empty wagons to Singhana siding is because of its location on the main line from Reengus to Rewari far away from a supplying depot yard. Empties have to be worked specially for the siding from Jaipur or Phulera. Since the demand of the Company is only for covered wagons, and in piecemeal, and the working of Indian Railways is now directed towards optimisation of the meagre covered stock by maximising rake loading, it has been difficult for the Railways to run every day a train with just a couple of empty wagons for Singhana Siding area. In addition, the Division has to comply with the rules regarding the oldest date of registration, priority for allotment of wagons and any restrictions in force.

As regards the contention about delay/non-supply of wagons to HCL, it is pointed out that out of a total supply of 2220 wagons during November 1975 to July 1981 over

70 per cent of the demand was fulfilled within 10 days including as many as 15 per cent of the cases where demand was fulfilled on the very day of the demand. The number of wagons supplied after 30 days were only 19 which works out to less than 1 per cent of the total demand. It will not be possible to guarantee fulfilment of the firm's requirement of covered wagons on 100 per cent basis on the day of the demand, especially when the company continues to indent for piecemeal wagons for different destinations. It will however be appreciated that even then the Railway has tried to meet these demands as early as possible."

57. Explaining the position further in this regard, the Chairman, Railway Board stated during evidence:

"Sir, first of all the total production of fertilisers against the projection is varying from 13 per cent to 9 per cent. Then sir, if any consumer indents for 1 or 2 wagons and I run a locomotive with 3 staff burning coal all the way and also a Guard then the cost of operation is much higher than that of the road."

He added:

"Now, Sir, if the demand comes to 16,000 wagons a year then it amounts to few wagons a day. The Railways requested to make rakes. Obviously with this production they cannot make a rake. Rake operation is a viable operation. If the supply is maintained on day to day demand of 1 or 2 wagons the total loss on this line would be far greater than what it is by leaving this line alone. Now, Sir, if they have decided to move by road then they have taken a sensible decision and we should also have closed this line. Now, Sir, this guarantee clause formula is unique. In my career I have not come across where railway line is laid on the basis of guarantee. I do not know the circumstances under which they were pressurised after the line being declared un-remunerative and under what conditions they agreed. Fortunately, it has not happened with a private sector. If it had happened with private sector then this clause would not have been upheld. Then this clause would have stood nullified from the word 'go'."

58. When pointed out that Railways should have seen project reports, feasibility reports etc. and come to their own conclusions, the witness stated:

“We did look at this report. We declared the line non-viable. Then this hoodwink clause was entered. This is not done in the Indian Railways at all, and once they gave the guarantee clause, the whole exercise started. They were absolutely 100 per cent sure that they will be able to achieve that level of production. There were certain things which happened and they could not come to even 10 per cent of production.”

59. When enquired whether the traffic projections were checked up with reference to plant capacity and other technical data, the Ministry of Railways (Railway Board) stated in a note:

“The anticipated traffic taken at the time of submission of report of Final Location Survey and Traffic Appraisal in 1970 was all based on the latest figures of both Inward and Outward quantum of traffic as given by the Project Authorities. The Traffic Projection was accepted after the survey team visited the factory and after discussion with the Project Authorities. There was no need therefore of checking up the traffic projection independently by the Railway with technical data available with the firm or the rated capacity of the Plant.”

60. When asked as to why there was no need on the part of the Railways to assess the traffic projection independently, the Chairman, Railway Board stated during evidence:

“The Railways gave contentment or some sort of complacency in the sense that the guarantee clause is reduced.”

61. On being asked whether it meant a lesson for the Railways, the witness replied:

“We will not get a guarantee clause. You can be sure.”

62. As regards the non-materialisation of the traffic as stipulated in the ‘Deed of Guarantee’ and slow handling of the meagre inward traffic resulting in detention to wagons at Singhana station, the Ministry of Railways (Railway Board) addressed an office memo-

randum to Ministry of Steel & Mines (Deptt. of Mines) on 19-1-82 which *inter alia* reads as follows:

"It had been indicated by the Ministry of Steel & Mines *inter-alia*, that in case of transportation of fertilizer M/s. HCL were obliged to transport sizable quantum of fertilizers by road transportation, when there had been inadequate availability of Railway wagons to them.

An analysis of the volume of traffic, both inward and outward, of M/s. HCL at Singhana during the 4 year from 1976-77 to 1979-80 has revealed that their inward traffic was only 13 wagons per day as against the committed traffic of 56 wagons in the 'Deed of Guarantee'. Even this meagre inward traffic was dealt with very slowly although the siding was planned to handle much more traffic as indicated in the 'Deed of Guarantee'. The huge amount of demurrage incurred on the inward traffic wagons due to heavy detentions to the stock at the siding as per the following particulars would substantiate beyond doubt that their performance in respect of release of wagons was very poor:

Year	Average detention of all wagons at Singhana station from the time of arrival to the departure during the years 1976-77 to 1979-80.				
	Total No. of wagons detained during the year	Average per month	Total detention (in hrs.)	Average per month (in hrs.)	Average detention per wagon per month (in hrs.)
1976-77	4595	383	351448	29287	76
1977-78	6719	560	487605	40634	73
1978-79	4460	372	819947	26662	72
1979-80	5838	487	517685	43140	89

The Western Railway have stated that the outward traffic offered for booking at Singhana was also only 6 wagons per day as against 28 wagons guaranteed in the 'Deed of Guarantee'. Even this small quantum of traffic was not expeditiously loaded within the free time permissible owing to poor handling arrangement or inadequate emp-

loyment of labour at site as is evident from the huge amount of demurrage accrued thereon as per details given below:

Year	Amount of demurrage
1976-77	Rs. 4,148/-
1977-78	Rs. 10,492/-
1978-79	Rs. 36,391/60
1979-80	Rs. 85,713/20

Further, the outward loading was also not at par with the inward released stock and as such empties had to be moved out from Singhana station.

It is also observed that the outstanding indents at the end of every month were also not much and these too could have been cleared had the inward wagons materialise as per the 'Deed of Guarantee' executed by M/s. HCL. These could have been made available at Singhana from the inward releases to meet with the entire demand for the outward traffic."

63. At the instance of the Committee the Ministry of Railways (Railway Board) have furnished the following note with regard to claims preferred by HCL in respect of consignmen's damaged/pilfered during transit year-wise since 1975-76.

According to the information furnished by the Western Railway Administration, the position regarding compensation claimed by HCL for goods damaged/pilfered during transit and the amount of compensation actually paid by the Railway to HCL, year-wise, is as follows:

Year	Amount claimed by HCL		Amount paid by Western Rly.	
	Rs.	P.	Rs.	P.
1975-76	Nil		Nil	
1976-77	11,403	00	1,059	00
1977-78	6,221	00	1,017	00
1978-79	19,351	00	112	00
1979-80	1,24,493	00	150	00
1980-81	3,485	00	1,325	00
1981-82	2,084	00	Nil	
1982-83 (upto Nov. '82)	2,05,430	00	Under investigation	

2. According to the details given by the Ministry of Steel & Mines, 118 claims cases amounting to Rs. 18,175.95 are still pending settlement.

3. In view of the difference in the figures of Railway Administration and the Ministry of Steel & Mines, the details furnished by the latter are being forwarded to the Railway for verification and reconciliation."

64. During evidence the Committee desired to know whether HCL have paid any compensation as per 'Deed of Guarantee' to the Railway in reply, the Secretary, Deptt. of Mines stated:

"I don't think they have paid anything."

65. In this connection Chairman, Railway Board stated:

"Rs. 1.26 crores claim has been made against them upto 1980 and after that the new traffic projection figures are being worked out. I think the subsequent claim should be another Rs. 2 crores or so."

66. To a question regarding the Railways' views on the future of the lines, the Chairman, Railway Board stated:

"The traffic may or may not develop. This exercise started even for Defence. The Defence built a line out of the Defence budget. When they require a line which is not economically viable, the project has to be financed by the Defence Ministry. Now, in this case, the whole exercise should have been started as a private siding. It must be taken over immediately as a private siding. This is a normal pattern all over the country."

67. In reply to a further question, he added:

".....Even Defence pays for a line when they know that they are just to go to border; and they say, you lay such and such line at our cost. But this line should now be taken over. We should not be saddled with the future losses of this project."

68. Though the line was opened to goods traffic on 15 June 1974, its financial results have not been evaluated by the Railway Administration so far on the ground that the line has not yet been opened to passenger traffic. As per final survey, the Railway Administration had anticipated coaching earnings of Rs. 2.27 lakhs

Rs. 2.74 lakhs and Rs. 3.05 lakhs in the first, sixth and eleventh year respectively, after opening of the line to passenger traffic. When asked as to why anticipated coaching earnings as indicated in the final location survey could not materialise, the Ministry of Railways (Railway Board) stated in a note:

“Since the goods traffic materialising on the section remained much below the level anticipated in the Project Report and as the Coaching Earnings envisaged was only 3.2 per cent, 3.2 per cent and 3.5 per cent of the Gross Earnings in the 1st, 6th and 11th year of opening respectively, it was decided not to open this section for passenger service. Even if the passenger services were introduced on the section, there was no possibility of improving the profitability of the section. Because of this consideration, no further expenditure was incurred.”

69. The Committee desired to know whether the question of extending Dabla-Singhana line to join the main line had been considered at any time. The Ministry of Railways (Railway Board) have stated in a note:

“Dabla is an existing station on Phulera-Rewari Chord line section, on Ahmedabad-Delhi main line of Western Railway. The question of extending Dabla-Singhana (MG) line to join it with Rewari-Bandikui (MG) Main line does not arise.”

70. The Committee desired to know whether it would not be desirable to close this section and dismantle the railway line as there is hardly any possibility of working this line economically. The Ministry of Railways (Railway Board) have stated in a note:

“It is considered that there are only two alternatives either to close down the line and dismantle the same or HCL should take over the line, which should be converted into a Private Siding, in accordance with the terms and conditions applicable for private sidings.”

71. However, the Deptt. of Mines have expressed the following view:

“The line has been hitherto unremunerative due to circumstances beyond the control of either HCL or the Railways. However, traffic on this line both inward and outward should significantly increase in the coming years

with increase in fertiliser production. Considering this, it will not be advisable to consider dismantling an asset already created and in use."

72. The Committee desired to know the quantum of additional traffic expected to be offered to the Railways after these plants attain full capacity. The Department of Mines have explained the position in a note thus:

"The copper smelter at Khetri Copper Complex has a capacity of production of 31,000 MTs of Blister copper per annum. As against these production during the years 1979-80, 1980-81, 1981-82 was 11677 MTs, 14193 MTs and 15170 MTs respectively. During the year 1982-83, it is expected the smelter will produce 21,000 MTs and during the year 1983-84, production will rise to 26,000 MTs.

A number of technological constraints were earlier faced in achieving stable production at the smelters. In addition to this, non-availability of adequate power had resulted in poor mine development and poor production of ores and concentrates since the available power have to be used at the smelter and the refinery in the interest of continuing production of saleable output.

Several steps have been taken to augment the availability of power by installing captive generation facilities for 42.68 MW for meeting the entire power requirement of the Khetri Copper Complex as well as the requirements projected after the smelter capacity is explained to 45,000 MT per annum.

Action is under way to instal additional power generation facilities as below:

- (a) (i) one 3.5 MW DG set has been installed and is under final run.
- (ii) second 3.5 MW DG set is in the process of erection and is expected to be commissioned during first quarter of year 1983.
- (iii) third 3.5 MW DG set has been received at Bombay Port and expected to be in operation by middle of 1983.
- (b) Installation of six small DG sets of 0.8 MW capacity each, is in progress and four sets expected to be in operation by end of the year 1982.

- (c) Proposals for installation of two gas turbine generating sets of 10 MW capacity each, are under active consideration of the Company and the Government.

HCL have also since commissioned its copper mines and concentrator plant at Malanjkhand Copper Project, Madhya Pradesh, which will supply copper concentrates equivalent to about 24,800 MT of copper per annum from the year 1984 onwards. During 1982-83 and 1983-84, it will supply copper concentrates containing about 7700 MT and 18000 MT copper respectively. With these additional supplies and increased production of copper concentrates at KCC with the help of increased power supply, sufficient supply of concentrates to the smelter will be assured. Consequently, generation of 502 gases is also expected to be optimised.

The ability of smelter to treat larger volumes of concentrates which will help to recover larger volume 502 gases is also being augmented by a process of introducing oxygen into the smelter and the converter.

Once the full effect of the steps in the above direction are available it will be possible to achieve fertilizer production of approximately 1.10.000 per annum with copper smelting capacity of 31.000 MT and 1.30.000 MT of fertilizers from the expanded smelter of the capacity of 45.000 MT of copper per annum. Production of fertilizers as above will generate inward traffic of rock phosphate @ 2 MT for every 1.2 MT of triple superphosphate.

One more step under consideration of HCL is to install a sulphur burner plant with a view to supplementing the smelter gases whenever either the availability of 502 gas, or the 502 content in the gas, is low. HCL is seeking expert advice of FEDO in this matter for an evaluation of the proposal.

With increased production as above, substantial additional traffic can be offered to the railways. HCL plans to move practically the entire quantity of fertilizers by rail subject to availability of wagons in time and according to prior schedules. For this purpose, HCL plans to set up storage facilities at the last meter gauge points linked with Khetri, so as to avoid rail transshipment damages. However, despatch of copper in terms of tonnage will always be small.

73. The Committee enquired whether the production of fertilizer is perennial or seasonal, the Secretary, Deptt. of Mines stated:

“It ought to be perennial; it is continuous. It ought to be produced for 345 days or so. But, in actual practice, it is working in fits and starts”.

74. Asked whether the distribution of fertilizer is seasonal, the Chairman, HCL stated:

“Its consumption is seasonal. So, we will have to stockpile it in our factory at different points. I am afraid it is difficult to answer the question. The problem which you are envisaging is whether we can think of some suitable marketing arrangement. That is possible only when there is large-scale production. Of course, we have a marketing co-ordination arrangement the Indian Farmers' Fertilizer Corporation. They take over whatever we produce. But when we reach near the rated capacity of the plant, we should have a proper marketing oriented network of State agricultural distributing agencies, through whom this distribution can take place”.

75. On being asked as to why the quantities produced are not stored and moved in bunches so that the demand for railway is more economical, the Chairman, HCL stated:

“When the production picks up, we will have to have this type of an arrangement.”

76. In this connection, the Chairman, Railway Board stated:

“I think, it is a very valid point. You are right in saying: where is the hurry in despatching 10 tonnes everyday? Why not despatch at the end of 15th day or 20th day. I can give them a rake for any number of destinations. If this is done, it will make the railway line more viable.”

77. The Committee then enquired about the arrangement for movement of concentrates from Malanchkhand to Khetri. The representative of the Ministry of Steel and Mines (Department of Mines) stated:

“Although they were presently transporting the concentrates by road, they were exploring the possibility of rail-cum-road movement they had appointed consultants and it

had been suggested that the concentrates may be moved by rail head on the broad-gauge along the railway line from Palwal to Khetri. This was a matter which we have to discuss with the Railway Department. They also found that movement by rail would be slightly cheaper than by road”.

78. The Committee then desired to know the views of the representative of the Railway Board in the matter. He stated:

“The location of the two plants is such that one is on the narrow gauge and the other on the broad gauge and in-between the one is metre gauge. The concentrate is a costly item and if you bring on a truck to Balaghat on the narrow gauge and then tranship it on the railway to Gondia and from there to Sawai Madhopur. In this process the half of the concentrate will disappear even with the best of packing. . . . Studies had been done in the past. It had been found out that loss of concentrate can be much more costlier than the transportation costs., Therefore, transportation is bound to load to losses if a broad gauge rail is loaded at Mongia and comes through Palwal and then of course, road transportation is done. If by this process, energy is conserved it is all right. Othrewise, I may move a number of trucks. I can move trucks straightaway to carry 2,000 tonnes.”

79. The Committee observe that when Government of India decided to establish a Copper and Fertiliser Complex wholly owned by them at Khetri Nagar, it was decided that the Railways should construct a railway line of about 34 km. (MG) from Dabla to Singhana. The Ministry of Railways (Railway Board) had informed the Ministry of Mines and Metals in August, 1969 that the proposal of the latter for construction of this metre gauge line to serve Khetri Copper Project had not been found to be financially viable. Nevertheless, later after much persuasion by the Ministry of Mines and Metals, the Ministry of Railways, (Railway Board) agreed (April 1970) to undertake construction of the line although repeated examination of the survey Report on Dabla-Singhana line had revealed that there was no financial justification for constructing the line.

80. When it was finally decided to construct the line as a result of discussion at the meeting of Secretaries held on 16 April, 1970, it was found that construction of the line could be justified only if the Hindustan Copper Limited (HCL) guaranteed their entire traffic

as estimated in the project report to be moved by rail and by inflating the distance for charge for goods traffic by 50 per cent. Accordingly, a guarantee deed was executed by HCL in July 1971 with the Railway Administration which stipulated inter-alia that all inward and outward traffic of the project would be offered for transportation by rail (including approximately, inward traffic of 1000 tonnes of rock phosphate and outward traffic of 600 tonnes of fertilisers per day, in addition to copper and other by products etc.). The work was commenced in April 1972 and completed in June 1974 at a cost of Rs. 2.38 crores. The line was opened to goods traffic on 15 June, 1974.

81. However, right from the opening of this railway line to goods traffic on 15 June, 1974, the actual traffic inward and outward has been found to fall far short of the volume of traffic envisaged. As against the envisaged inward traffic of 2,91,222 tonnes in 1974-75, the actual inward traffic was 28,181 tonnes (i.e. 9.7 per cent of the envisaged traffic). Even in 1979-80, as against the envisaged inward traffic of 4,22,263 tonnes, the actual inward traffic was 63,515 tonnes (i.e. 17.4 per cent of the envisaged traffic): During the period 1974-75 to 1979-80, the inward traffic that actually materialised ranged from 9.7 per cent to 30.8 per cent of that envisaged.

82. As regards the outward traffic, the position of actual materialisation has been much worse. During the year 1974-75, the actual outward traffic was a mere 315 tonnes as against the envisaged traffic of 3,35,074 tonnes (i.e. 0.1 per cent of the envisaged traffic). Even in 1979-80, the actual outward traffic was 36,112 tonnes as against the envisaged traffic of 4,47,864 tonnes (i.e. 8.1 per cent). During the period 1974-80, the outward traffic that actually materialised ranged from 0.1 per cent to 13.8 per cent of the envisaged traffic.

83. An analysis of the volume of traffic, both inward and outward of M/s. HCL at Singhana during the 4 years from 1976-77 to 1979-80 revealed that their inward traffic was only 13 wagons per day as against the committed traffic of 56 wagons. The outward traffic offered was only 5 wagons per day as against 28 committed wagons. The position during 1980-81 and 1981-82 has also not shown any improvement.

84. According to HCL, the estimate of movement of traffic that was given was based on mostly inward movement of rock phosphate and outward movement of fertiliser and copper. Non-materialisation of anticipated traffic on the Dabla-Singhana line had been on

account of low production of fertiliser and copper. Against the anticipated fertiliser production of 1.95 lakhs tonnes per annum, the maximum production attained during the years 1976-77 to 1981-82 was 52,241 tonnes (26.8 per cent) in 1978-79. Similarly, against an installed capacity of 31,000 MT copper wire bars per annum, the production was 11,677 MT, 14,193 MT and 15,170 MT in 1979-80, 1980-81 and 1981-82 respectively.

85. The Committee on Public Undertakings have already made an indepth study of the Khetri Copper Complex of the Hindustan Copper Ltd. and have dealt with the conceptual shortcomings, delay in implementation and low production of the project in their 18th Report (1980-81). Their action taken Report (60th Report 1982-83) reveals that the project, besides being financially unprofitable, is economically disappointing inasmuch as the net present value of the Project adopting a discounting rate of 12 per cent is (—) Rs. 506.67 crores. The Public Accounts Committee are not therefore surprised that the Railway line constructed for the Project traffic has also proved to be totally unviable. This instance typifies the adverse linkage effects of an uneconomic project which add up to a dimension that perturbs the Committee. The Committee would therefore wish to draw the attention of the Planning Commission to this phenomenon so that in future an integrated view of investments in the economy is invariably taken.

86. The Committee are also not happy over the manner in which the Railways had acted in this case. Although repeated examinations of the Survey Report on the line had revealed that there was no financial justification for constructing the line, they had unnecessarily allowed themselves to be persuaded by the so-called 'Guarantee Deed' which the Chairman, Railway Board himself characterised as a 'hoodwink clause' and a 'unique formula'. It is indeed regrettable that the Railways did not scrutinise the traffic projections independently with reference specially to the pattern of inward and outward traffic, the nature of wagons required, the railways' capacity to meet the requirement in time and the normal commercial practice of transport of such commodities as per consumer's/supplier's preference, etc.

87. The Committee feel that in view of the avowed object of Government to bring backward areas on the industrial map of the country, some concession has to be given to railway lines opened to promote industrial development in backward areas. The Committee, therefore, feel that there is no question of dismantling the

present line which is a national asset in use. The Committee feel that a duty is also cast on the Railways to help make the line viable by providing better and timely service to the Project authorities. However, in case its financial working does not show any improvement in the foreseeable future, it may be handed over to the Project authorities to be used as a siding, in consultation with the Planning Commission.

88. The Committee note that in terms of condition (i) of the Guarantee Deed, all inward and outward traffic of the project was to be offered for transportation by rail. This, however, was not done and a sizeable portion of the traffic was diverted to road. In terms of condition (iv) of the Guarantee Deed, the Railway Administration would be entitled to recover the shortfall in revenue and in terms of condition (v) *ibid* in case of any happening beyond the control of either party, notice had to be given within 21 days of such happening. However, no action to recover the shortfall was taken by the Railway Administration till Audit pointed out in August, 1976 whereafter a period of over 3 years elapsed before a claim for Rs. 1.26 crores upto 1978-79 was preferred. The Committee were given to understand in evidence that no payment on account of this claim had yet been made by the HCL to the Railways and that claims for the subsequent period worked out to about Rs. 2 crores. According to Audit, the HCL has a counter claim of Rs. 1.59 crores towards excess freight charges incurred by it on transportation of its goods by road as a result of failure to get wagons, long transit delays and damages/pilferages in rail transit. The Committee would like both the parties to sit together settle the claims. They would await the outcome.

89. One of the main reasons given by the HCL for the diversion to the road was non-supply of the required number of covered wagons by the Railways. According to the Ministry of Railways, the difficulty in the supply of empty covered wagons to Singhana siding was because of its location being not on the main line from Reengus to Rewari, and far away from the supplying depot yard. Empties had to be worked especially for the siding from Jaipur or Phulera. Since the demand of the company was only for covered wagons and in piecemeal for different destinations, and the working of the Indian Railways was directed towards optimisation of the meagre covered stock by maximising rake loading, it was difficult for the Railways to run everyday a train with just a couple of empty wagons for Singhana siding area. During evidence, on being asked as to why the products of the Khetri Copper Complex were

not stored and moved in bunches so that the demand for Railway wagons is more economical, the Chairman, HCL stated "when the production picks up we will have to have this type of arrangement". The Chairman, Railway Board also stated "I think it is a very valid point. . . If this is done, it will make the Railway line more viable." The Committee desire that the Railways should ensure this, in close coordination with the Project authorities.

90. The Committee note that in terms of condition (iii) of the Guarantee Deed, the Railway Administration are authorised to examine twice a year HCL's records to verify the quantum of traffic offering. The Committee, however, observe that this condition has so far remained a dead letter. According to the Railways, the records were not made available to them by the HCL authorities and the non-compliance has been brought to the notice of the Project authorities several times since 1977. The Department of Mines have, however, denied the allegation and have averred that "as and when required by the Railways, complete records of the traffic generated are made available for rail and road transportation are being furnished to the Railways." They have added in the same note that "to the best of the knowledge of HCL, however, no formal half-yearly checks are being conducted." The Committee are distressed that whatever the reasons, there has been no meaningful review of the extent of fulfilment of the terms of the Guarantee Deed for deciding future course of action beneficial to the overall interest of both the parties—Railways and HCL. The Committee would await an assessment in this regard.

91. Another aspect which has caused concern to the Committee is heavy detentions (average detention per wagon per month ranging from 72 to 89 hours during the period 1976-77 to 1979-80) to inward traffic at the HCL siding on account of delay in unloading. The Committee need hardly point out, such detentions stand in the way of optimum utilisation of limited rolling stock by the Railways. The Committee would like the Railways to take effective steps to reduce the detentions of Railway wagons in the Project area to the barest minimum in coordination with the HCL authorities.

92. As regards the compensation claimed by HCL for goods damaged pilfered during transit, the Western Railway Administration have informed the Railway Board that Rs. 3.663/- had been paid by them against Rs. 167,037/- claimed by HCL during the period from 1975-76 to 1981-82 and the claim of Rs. 2,05,430/- preferred by HCL during the year 1982-83 (upto November 1982) is under investi-

gation. However, according to Department of Mines, 118 claims cases amounting to Rs. 18,75,175.95 are still pending settlement. The Committee desire the Railway Administration to take early action to reconcile the details of the claims preferred by HCL with a view to their expeditious settlement. At the same time, the Committee would like the Railway Administration to take suitable measures so that the goods comprising inward and outward traffic of the project are not damaged/pilferred during transit of trans-shipment.

93. Several steps are stated to have been taken so that the plants at Khetri attain full capacity and the guaranteed traffic is provided to the Railways at the earliest. According to the Department of Mines, once the full effect of these steps is available, it will be possible to achieve fertiliser production of app. 1,10,000 MT per annum with copper smelting capacity of 31,000 MT and 1,30,000 MT of fertilisers from the expanded smelter of the capacity of 45,000 MT of copper per annum. With the increased production, the HCL plans to move practically the entire quantity of fertilisers by rail subject to availability of wagons in time and according to prior schedules. For this purpose, HCL plans to set up storage facilities at the last metre gauge points linked with Khetri, so as to avoid rail-transshipment damages. The Committee trust the Railways would carefully consider the prospects of production picking up and traffic moved by rail improving in order to take a firm decision on the future of the Dabla-Singhana line as suggested earlier in this Report.

NEW DELHI:
28 June, 1983

7 Asadha, 1905 (S)

SUNIL MAITRA
Chairman
Public Accounts Committee.

A P P E N D I X

APPENDIX

Statement of Conclusions and Recommendations

Sl.No.	Para No. of Report	Ministry/Deptt. concerned	Conclusions and Recommendations
1	2	3	4
1	79	Railways Mines	<p>The Committee observe that when Government of India decided to establish a Copper and Fertiliser Complex wholly owned by them at Khetri Nagar, it was decided that the Railways should construct a railway link of about 34 km (MG) frmo Dabla to Singhana. The Ministry of Railways (Railway Board) had informed the Ministry of Mines and Metals in August, 1969 that the proposal of the latter for construction of this metre gauge line to serve Khetri Copper Project had not been found to be financially viable. Nevertheless, later after much persuasion by the Ministry of Mines and Metals, the Ministry of Railways (Railway Board) agreed (April 1970) to undertake construction of the line although repeated examination of the survey Report on Dabla-Singhana line had revealed that there was no financial justification for constructing the line.</p>
2	80	Railways Mines	<p>When it was finally decided to construct the line as a result of discussion at the meeting of Secretaries held on 16 April, 1970, it was found that construction of the line could be justified only if the Hindustan Copper Limited (HCL) guaranteed their entire traffic as estimated</p>

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in the project report to be moved by rail and by inflating the distance for charge for goods traffic by 50 per cent. Accordingly, a guarantee deed was executed by HCL in July 1971 with the Railway Administration which stipulated *inter-alia* that all inward and outward traffic of the project would be offered for transportation by rail (including approximately, inward traffic of 1000 tonnes of rock phosphate and outward traffic of 600 tonnes of fertilisers per day, in addition to copper and other by-products etc.) The work was commenced in April 1972 and completed in June 1974 at a cost of Rs. 2.38 crores. The line was opened to goods traffic on 15 June, 1974.

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Railway
Mines

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3,35,074 tonnes (i.e. 0.1 per cent of the envisaged traffic). Even in 1979-80, the actual outward traffic was 36,112 tonnes as against the envisaged traffic of 4,47,864 tonnes (i.e. 8.1 per cent). During the period 1974-80, the outward traffic that actually materialised ranged from 0.1 per cent to 13.8 per cent of the envisaged traffic.

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According to HCL, the estimate of movement of traffic that was given was based on mostly inward movement of rock phosphate and outward movement of fertiliser and copper. Non-materialisation of anticipated traffic on the Dabla-Singhana line had been on account of low production of fertiliser and copper. Against the anticipated fertiliser production of 1.95 lakhs tonnes per annum, the maximum production attained during the years 1976-77 to 1981-82 was 52,241 tonnes (26.8 per cent) in 1978-79. Similarly, against an installed capacity of 31,000 MT copper wire bars per annum, the production was 11,677 MT, 14,193 MT and 15,170 MT in 1979-80, 1980-81 and 1981-82 respectively.

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7	85	Railway Mines Planning Commission	<p>The Committee on Public Undertakings have already made an indepth study of the Khetri Copper Complex of the Hindustan Copper Ltd. and have dealt with the conceptual shortcomings, delay in implementation and low production of the Project in their 18th Report (1980-81). Their action taken Report (60th Report 1982-83) reveals that the Project, besides being financially unprofitable, economically disappointing inasmuch as the net present value of the Project adopting a discounting rate of 12 per cent is (—) Rs. 506.67 crores. The Public Accounts Committee are not therefore surprised that the Railway line constructed for the Project traffic has also proved to be totally unviable. This instance typifies the adverse linkage effects of an un-economic project which add up to a dimension that perturbs the Committee. The Committee would therefore wish to draw the attention of the Planning Commission to this phenomenon so that in future an integrated view if investments in the economy is invariably taken.</p>
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The Committee feel that in view of the avowed object of Government to bring backward areas on the industrial map of the country, some concession has to be given to railway lines opened to promote industrial development in backward areas. The Committee, therefore, feel that there is no question of dismantling the present line which is a national asset in use. The Committee feel that a duty is also cast on the Railways to help make the line viable by providing better and timely service to the Project authorities. However, in case its financial working does not show any improvement in the foreseeable future, it may be handed over to the Project authorities to be used as a siding, in consultation with the Planning Commission.

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One of the main reasons given by the HCL for the diversion to the road was non-supply of the required number of covered wagons by the Railways. According to the Ministry of Railways, the difficulty in the supply of empty covered wagons to Singhana siding was because of its location being not on the main line from Reengus to Rewari, and far away from the supplying depot yard. Empties had to be worked especially for the siding from Jaipur or Pulera. Since the demand of the company was only for covered wagons and in piecemeal for different destinations, and the working of the Indian Railways was directed towards optimisation of the meagre covered

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