

**PUBLIC ACCOUNTS COMMITTEE**  
**1957-58**

**(SECOND LOK SABHA)**

**FOURTH REPORT**

**on**

**[Appropriation Accounts (Railways) 1954-55 and Audit  
Report 1956]**

**VOL. I—REPORT**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**  
*April, 1958*

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## CORRIGENDA

No. 2

Fourth Report of the P. A. C. (1957-58) on Appropriation Accounts (Railways) 1954-55 and Audit Report 1956

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Page 11 para 21 line 6 read '86 4' for 'between 86 and 87'

Page 28 para 65 last line read 'modern' for 'right type of

Page 41 heading above para 100 insert 'siding' after the word 'colliery'

Page 45 heading above para 111 read 'overpayment due to incorrect fixation of pay for expenditure on freight of 150 locomotives'

Page 47 heading above para 113 read '1956' for '1957'

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†Other appendices referred to in the body of the Report are being printed separately as Vol. II.

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
1957-58

Shri T. N. Singh—*Chairman.*

**MEMBERS**

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri N. G. Ranga
5. Shri Radhelal Vyas
6. Shri A. C. Guha
7. Shri N. R. M. Swamy
8. Shri Upendranath Barman
9. Shri J. M. Mohamed Imam
10. Shri H. C. Dasappa
- 11. Shrimati Tarkeshwari Sinha
12. Shri Prabhat Kar
13. Shri Jaipal Singh
14. Shri N. Siva Raj
15. Shri Vijayarama Raju
16. Shrimati Pushpalata Das
17. Shri P. T. Leuva
- †18. Shri Shyam Dhar Misra
- †19. Shri R. M. Deshmukh
20. Shri M. Govinda Reddy
21. Shri Jaswant Singh
22. Shri J. V. K. Vallabharao.

**SECRETARIAT**

1. Shri S. L. Shakhder—*Joint Secretary.*
2. Shri V. Subramanian—*Deputy Secretary.*
3. Shri M. C. Chawla—*Under Secretary.*

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\*Ceased to be Member of the Committee on appointment as Deputy Minister with effect from the 2nd April, 1958 under Rule 309(1) of the Rules of Procedure and Conduct of Business in Lok Sabha.

†Ceased to be Members of the Committee with effect from the 3rd April, 1958 consequent on retirement from the Rajya Sabha.

## INTRODUCTION

1. I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the report on their behalf, present this Fourth Report on the Appropriation Accounts of Railways in India for 1954-55 and the Audit Report 1956.

2. The Appropriation Accounts of Railways in India for 1954-55 and the Audit Report, 1956, were laid on the Table of the Lok Sabha on the 22nd December, 1956. The Committee examined the Accounts and the Audit Report thereon at their sittings held on the 26th, 28th and 30th August, 1957.

A Working Group of the Committee on the Railway Accounts consisting of five members with Shri N. G. Ranga as the Convener was constituted to consider the statement showing action taken on the outstanding recommendations of the Committee in their earlier Reports relating to the Railway Accounts. This Group met on the 20th, 23rd and 29th of August, 1957. Another such Group consisting of three Members with Shri Upendranath Barman as the Convener was constituted to consider the draft report of the Committee on the Accounts under report. This Group met on the 17th February, 19th February and the 1st March, 1958 and finalised the draft Report.

3. A brief record of the proceedings of each sitting of the Committee has been maintained and forms Part II of this report.

4. A summary of the principal recommendations of the Committee is also appended to the Report (Appendix II).

5. *The irregularities and financial losses referred to in paras 40 and 70 of this Report disclose laxity in the administration of purchasing organisations abroad. Reference to defects in the purchasing organisations abroad has been in the previous reports also. A tightening up of the organisations and exercise of greater vigilance over all purchases of stores are very necessary at this juncture. For, many a project under the Second Five Year Plan depends for its success on the availability of necessary stores and machinery at the proper time and at reasonable and competitive prices. The contracts entered into have been found to be faulty in drafting, and coupled with lack of proper vigilance they have caused heavy losses to the Exchequer.*

6. The pricing and progress of manufacture of locomotives at TELCO have aroused much controversy both in Parliament and outside. The Public Accounts Committee have examined in detail the representatives of the Ministry and have carefully studied the report of the Tariff Commission and other relevant papers. In their opinion the prices paid to TELCO even according to the recommendations

of Tariff Commission are on the high side. *Considering that the Railways are the sole purchasers of the locomotives manufactured at this factory and also that a large proportion of the finances have to be found by the State, it will be unfortunate if the interest of the Railways is subordinated to the interest of a factory which has repeatedly failed to keep to the agreements entered into between itself and the Government. The Committee have suggested a basis for the fixing of prices of the metre gauge locomotives in para 65 of this report.*

7. It is regretted that in the Reports of the Committee submitted in the past two years, repeated references had to be made to the long delays in the submission of notes/memoranda by the Ministries on points arising from the examination of the Accounts. The experience of this Committee in the course of preparation of this Report has been no better. *Such delays result not only in dislocating the programme of business of the Committee, but due to lapse of time the criticisms and the suggestions in respect of some of the vitally important procedural and financial issues lose much of their force.*

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

NEW DELHI;  
*Dated the 1st April, 1958.*

T. N. SINGH,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### General Review of the Financial Working of Railways during 1954-55

The year under review is the third year following the completion of the administrative reorganisation of the various railway systems into one coordinated railway undertaking divided into six zonal administrative units. With the integration of the Indian Railways into a unified undertaking, certain inter-departmental and inter-railway adjustments were abolished from 1st April, 1952. As some doubts were, however, expressed on the merits of these changes, the matter was examined by an *ad hoc* Committee. The Committee recommended that to ensure effective control over operational efficiency through accurate statistics, accounts of each Zonal Railway should be maintained in a manner correctly representing its income and expenditure. Certain adjustments were reintroduced with effect from 1st April, 1954.

#### *Financial Results*

2. *Receipts.*—During the year under review, the gross traffic receipts amounted to Rs. 286.78 crores against the budget estimate of Rs. 273.25 crores, an increase of Rs. 13.53 crores.

*Working expenses.*—The ordinary working expenses, excluding appropriation to Depreciation Reserve Fund and payments to worked lines, amounted to Rs. 248.52 crores and exceeded the budget provision by Rs. 1.84 crores.

*Depreciation Reserve Fund.*—The provision for appropriation to the Depreciation Reserve Fund was maintained at Rs. 30 crores.

*Development Fund.*—A sum of Rs. 9.10 crores representing the surplus at the end of the year was allocated to the Development Fund.

*Operating ratio.*—The operating ratio for the year 1954-55 was 81.77.

## CHAPTER II

### Budgeting and Control over Expenditure

3. The following statement compares the total grants and appropriations for the year with the disbursements against them:—

Particulars	(Figures in units)		
	Charged	Voted	Total
1	2	3	4
	Rs.	Rs.	Rs.
r. Original grants and appropriations:—			
(a) Voted by Parliament	..	6,06,73,59,000	6,06,73,59,000

1	2	3	4
	Rs.	Rs.	Rs.
(b) Appropriation to meet charged expenditure of Railways			
2. Supplementary grants and appropriations:			
(a) Supplementary grants . . . . .	..	12,00,60,000	12,00,60,000
(b) Supplementary appropriations to meet charged expenditure . . . . .	8,000	..	8,000
3. Net aggregate grant or appropriation . . . . .	8,000	6,18,74,19,000	6,18,74,27,000
4. Aggregate disbursements . . . . .	7,993	6,05,63,89,106	6,05,63,97,099
5. Less (—) more (+) than granted (—) 7	(—) 7	(—)13,10,29,894	(—)13,10,29,901
6. Percentage of 5 to 3 . . . . .	(—)0·09	(—)2·12	(—)2·12

#### 4. (a) Savings on Voted Grants:

Savings occurred in 11 out of 20 voted grants. In two grants the percentage of savings exceeded twenty. The accounts of the year show a net saving over the total grant of about Rs. 6,95 lakhs or 2·07 per cent. under Revenue Expenditure and of about Rs. 6,15 lakhs or 2·18 per cent. under Capital, Depreciation Reserve Fund and Development Fund.

#### (b) Excessive Supplementary Grant:

There was one case where the supplementary grant proved excessive.

#### (c) Inadequate or injudicious surrenders:

In 3 grants, the surrenders proved to be inadequate, while in other 3 grants surrenders were injudicious. In 4 grants provision of funds by reappropriation proved to be unnecessary.

#### 5. Excesses:

##### Excess over voted grants—

In the year under review there were eight cases of excesses over voted grants, as mentioned below:—

Sl. No. and name of No. the grant	Original grant	Supplementary grant	Final grant	Expenditure	Excess	Percentage of excess
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	
1 4.—Revenue—Working Expenses—Administration .	28,21,34,000	1,27,14,000	29,48,48,000	29,58,27,263	9,79,263	0·33
2 5.—Revenue—Working Expenses—Repairs and Maintenance .	68,02,96,000	4,07,83,000	72,10,81,000	73,78,19,177	1,67,38,177	2·32



1	2	3	4	5	6	7	8
		Rs.	Rs.	Rs.	Rs.	Rs.	
3	6.—Revenue—Working Expenses—Operating Staff	44,02,01,000	1,17,72,000	45,19,73,000	45,72,74,078	53,01,078	1·17
4	7.—Revenue—Working Expenses—Operation (Fuel)	35,35,68,000	1,74,80,000	37,10,48,000	37,82,21,430	71,73,430	1·93
5	9A.—Revenue—Working Expenses—Labour Welfare	4,50,11,000	—	4,50,11,100	4,52,22,315	2,11,315	0·46
6	13.—Revenue—Appropriation to Development Fund	5,14,04,000	1,43,06,000	6,57,10,000	9,10,13,759	2,53,03,759	38·51
7	17.—Open Line Works—Replacements	46,30,25,000	—	46,30,25,000	49,01,27,416	2,71,02,416	5·85
8	18.—Open Line Works—Development Fund	10,59,37,000	1,55,96,000	12,15,33,000	12,78,53,007	63,20,007	5·20

The detailed reasons for the excesses under each grant have been set forth in the notes (Appendix III) submitted to the Committee by the Railway Board.

The percentage of excess over the final grant is less than 6 in all the grants except Grant No. 13 Revenue—Appropriation to Development Fund where the reason for the excess is ascribed by the Railway Board to the fact that the quantum of the net Railway surplus appropriated to the Development Fund represents the net effect of various factors involved in budgeting precise control over which is not possible. *The Committee recommend that the above excesses be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.*

### CHAPTER III

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

#### AUDIT REPORT 1956

6. This Chapter deals with major financial irregularities mentioned in the Audit report (Railways) 1956.

#### 7. Para 7: Compensation paid to the Howrah Sheakhala Light Railway Company

The facts of the case are as follows:

Two stations were opened on the Howrah-Burdwan chord of the East Indian Railway (now Eastern Railway) in 1919. As the earnings of the Howrah Sheakhala Light Railway (a private company) were adversely affected thereby, it was decided by the E.I.R. to compensate the Light Railway by payment of 45 per cent. of the gross

earnings of all traffic between Howrah and these two stations. This arrangement was subject to reconsideration three years after the date of the opening of the two new stations. The compensation was continued to be paid on the basis of arbitrators' awards from time to time at rates fixed by arbitrators upto 31st March, 1935 with the approval of the Railway Board. The rate for the year ending on that date was 60 per cent. of the gross earnings between Howrah and the two new stations and also two other stations which had been opened in the meantime. The compensation was continued on this basis for the duration of the war and it was ordered by the Railway Board in 1941 that the position should be reviewed after the war. In August, 1946, Audit pointed out that with the official termination of the war on the 1st April, 1946, the sanction conveyed by the Railway Board in 1941 to the payment of the compensation was no longer operative and that fresh sanction of the Board was necessary for further payments of compensation. The Railway Administration, however, continued to make payments on a provisional basis without obtaining the sanction of the Railway Board under the impression that the legality of the payment was not under dispute but only the quantum thereof. The extent of provisional payments was of the order of Rs. 2.58 lakhs. The Railway Administration started negotiations with the company in 1948 and finalised them in 1952 tentatively agreeing to continue payment of compensation to the company till 31st March, 1956. The proposal was referred to the Railway Board in July 1952. The Board replied in January 1954 that the Railways were under no legal obligations to pay compensation from 1st April, 1946. Ultimately as the termination without reasonable notice of payment to the Light Railway Company made over a period of 25 years and on which the Company would have relied for regulating its budget in 1953-54 would seriously jeopardise the ways and means position of the company, payment of compensation for the years from 1946-47 to 1953-54 was sanctioned *ex gratia* by the Board at a rate of about 31 per cent. The total compensation due to the company on this basis amounted to Rs. 4.3 lakhs. After adjusting payments already made 'on account', the balance of Rs. 1.71,961 was paid to the Company in August, 1955.

8. The Committee desired to know why payment of compensation after 1st April, 1946 till 1952 was continued to be made without the sanction of the Railway Board regardless of the Audit objection first in August, 1946 and again in January, 1948 pointing out the need for the approval of the Railway Board. The representative of the Railway Board stated that compensation was being paid continuously since 1921, although the actual quantum of payment was being reviewed from time to time. The objection of Audit was, it was thought, not in respect of the payment as such but of its quantum. Delay till 1952 in finalising negotiations was inevitable, according to him, as immediately after termination of the war, a number of pressing questions arose as a result of partition.

9. The Committee were not convinced of the reasons put forth by the Railway Board. The fact that the Railway was under no legal

obligation to pay compensation was made clear as early as 1936 as stated in the note furnished by the Railway Board (Appendix IV). It has been admitted that the payment in question was *ex gratia* and not a legal liability. If so, they thought any review by the Railway Board of this case should be addressed first to the continuance of the payment and then to the quantum thereof. *They deplore the stand taken by the Railway Administration and the Railway Board. In the Committee's opinion, the General Manager of the East Indian Railway had not only erred in his judgment in not paying attention to the objections raised by Audit in 1948, but had acted in an irresponsible way in continuing to make payments of large sums to the Company twice, i.e., in 1951 and 1952. Equally, the Chief Accounts Officer erred in making these payments without the sanction of the competent authority. It is surprising that though the irregularity of the provisional payments had been twice pointed out by the Audit, once in 1946 and again in 1948, the Railway Administration omitted to mention this fact in its reference to the Railway Board in the year 1952. It was only in 1954 that the Railway Board were apprised of these provisional payments.*

10. *The Committee consider that the Railway Board were not also blameless in the matter as they took nearly two years (July, 1952 to January, 1954) to reach a decision. Because of this delay, the payment had to be continued for a further period of 2 years. In such cases, provisional payments by Railway Administrations are not permissible under the rules. It is inexplicable why the Railway Board did not call for the explanation of the persons concerned till November, 1954.*

**Para 9: Northern Railway—Overpayment due to irregular fixation of the cadre of Cabinmen**

11. Overpayment of Rs. 83,000 occurred during the period April, 1950 to March, 1955 on account of irregular fixation of the cadre of cabinmen involving 125 employees in the *ex-Eastern Punjab Railway* (now Northern Railway) in April 1950, May 1952 and March, 1955. When Audit drew attention to the irregularity in fixing the strength in June, 1951, the employees concerned were warned in July, 1951 by the Railway Administration that the payments made to them would be recovered if the overpayments pointed out by Audit were established. Finally, it was accepted in July, 1954 that there had been overpayment, but no action was taken to recover the overpayment nor was the responsibility for the overpayment fixed.

12. In evidence, the representative of the Railway Board informed the Committee that the overpayment could not be recovered from the Cabinmen as their wages were governed by the 'Payment of Wages Act'.

13. *The Committee deprecate the system of provisional payments in such cases.*

**Para 10: Western Railway—Overpayment to a handling Contractor**

14. According to the terms of a contract entered into by the Western Railway with a firm for the handling of goods at a station with effect from 1st January, 1947, the portorage to be performed by the contractor included, in the case of inward consignments, unloading from wagons, stacking on the platform or in the yard and reweighment. The provision regarding re-weighment of inward goods in the contract was not implemented and eight hamals were employed departmentally to do the work of re-weighment. The irregularity came to the notice of the Accounts Department in April, 1953 and the hamals were withdrawn with effect from 1st November, 1953. A claim for Rs. 59,040 representing the payment made to the hamals during the period 1-11-47 to 31-10-53 against the contractor was refused by him on the ground that he had never refused to do that work and as a matter of fact was actually doing the work as and when called upon to do so. Responsibility for this extra expenditure had not been fixed and the question of its regularisation was still under consideration of the Railway Board to whom it was reported in November, 1955.

15. In extenuation of the case, the representative of the Railway Board stated that eight hamals had been carrying on the work of re-weighment since 1943 onwards and were being paid by the Railway. The documents pertaining to the contract of 1943 were not available, but it was believed that the terms of the contract entered into with effect from 1-1-47 were similar to those of the contract of 1943. The exact circumstances in which eight hamals were employed in 1943 by the Railway Administration could not, in the absence of relevant papers, be indicated. The Board, however, admitted that the extra payment had occurred due to non-realisation of the full implications of the terms of the contract in proper time.

16. From a note (Appendix V) submitted to them, the Committee observed that sometime before September, 1952, this irregularity was rather accidentally brought to notice and thereafter it took nearly one year to withdraw the hamals. *The Committee are distressed to see such negligence in appointing the hamals. They are also dissatisfied at the delays that occurred after September, 1952 in withdrawing the hamals resulting in unnecessary expenditure. The Committee learn that disciplinary aspect of the case is under examination of the Railway Board and they would like to point out in this connection their oft-repeated observation that disciplinary action, if it is to be effective, should be prompt and speedy.*

**Para 11: Central Railway—Non-acceptance of lower rates offered by a firm for the supply and application of sprayed asbestos insulation of air-conditioned coaches**

17. In response to a call for tenders in November, 1955 for the supply and application for 'sprayed asbestos insulation' to 24 B.G.

air-conditioned coaches, two firms, one from Bombay and another from Calcutta, had submitted tenders to the Central Railway Administration. An amendment pointing out some changes in items of work to be carried out was issued on 26th November, 1955 while the date for receipt of tenders was 2nd December, 1955. Due to short notice, the Calcutta firm could not submit its tender in time and its tender was late by a few hours and the tender was held to be invalid. Its quotation was, however, 30 per cent lower than that of the Bombay firm. When later on in March, 1956 certain other minor alterations were considered necessary in the specifications, a revised quotation was obtained only from the Bombay firm without inviting fresh tenders. The advice of the Financial Adviser and Chief Accounts Officer at that stage that either fresh tenders should be invited or negotiations should be conducted with the Calcutta firm also was ignored. This was done on the technical ground that the tender of the Calcutta firm was received late originally and the Railway was negotiating certain changes in rates quoted by the accepted contractor because of slight amendments to the condition of tendered specifications. The higher tender of the Bombay firm was thus accepted.

18. In evidence, it was stated by the representative of the Railway Board that in accepting the offer of the Bombay firm, the Tender Committee took into account the previous experience of the tendering firms. Only four months before this contract, the Railway had invited tenders for carrying out spraying of 300 to 500 coaches and at that time the Calcutta firm had not submitted any tender. The Calcutta firm appeared to be a new comer in the field and was inexperienced in this line of work. The Committee find it difficult to accept this argument. The fact that the Calcutta firm had not tendered on earlier occasions was no conclusive proof of their incapacity to undertake this work. On the other hand, it may well be contended that as a new comer the firm rightly did not venture to go in for large orders without experience. Having received the tender from that firm on the present occasion, the Railway Administration could well have made enquiries about the capacity of this firm through the local railway authorities in Calcutta before rejecting the tender out of hand on the plea of late receipt, especially when the rate quoted was 30% lower than that of the Bombay firm. Such a course would have placed the Railway Administration in a position of advantage *vis-a-vis* the Bombay firm in negotiation. *The Committee feel that undue emphasis on previous experience in such cases would cut across the very purpose of inviting open tenders; and by shutting out all new comers, it would tend to create monopolistic tendencies.* In fact, they understand that the Bombay firm gets all the orders on this account amounting to Rs. 10 lakhs per annum. The Committee are glad to note that at the instance of Audit, the Railway Board are taking necessary action in the matter. The other point to which the Committee would refer is the short notice given to the Calcutta Firm. (On the 26th November certain modifications in the items of work were notified while the last date for receipt of tender was the 2nd December).

19. The Committee could not get acceptable explanation for rejection of the tender of the Calcutta firm on the plea of late receipt (quite oblivious of the short notice to the firm) and disregard of the advice of the Financial Adviser and Chief Accounts Officer for negotiating with both the firms. The Committee observe that in pursuance of para 72 of their Thirteenth Report pointing out the necessity for allowing sufficient time for submission of tenders, the Railway Board have issued in January 1956 necessary instructions to the Railway Administrations. *The Committee trust that these instructions would be strictly adhered to and such irregularities would not recur in future. The Board have impressed therein the need for allowing the prescribed period of notice for submission of tenders. The Committee desire that sufficient notice should also be given in cases where the specifications in a tender have undergone changes and fresh tenders called for in cases where the modifications are major in character warranting such a course.*

**Para 12: Supply of defective springs in the all metal Metre Gauge Coach body shells.**

20. The Railway Board's Rolling Stock Programme for the three years 1952-53 to 1954-55 provided for the procurement of 900 unfurnished all metal third class M. G. Coach body shells, partly from abroad and partly from a firm in India. It was decided that these shells should be furnished in the Railway Workshops according to the specifications laid down by the Central Standards Office. The first shell was fully furnished in the Golden Rock Workshops of the Southern Railway in January, 1955. When it was weighed, it was found that the tare weight of the vehicle was 31 tons. This weight was considered too heavy for the springs provided with the shells, which were suitable for coaches of tare weight upto 27 tons. Similar complaints were also received in the Central Standards Office from other Railways, where shells were being furnished. In all the Workshops the tare weight of fully furnished shells varied from 29 to 31 tons. In April, 1955, the Central Standards Office decided to modify these springs and ordered the Railways concerned to undertake the modifications. According to a rough estimate, this work is estimated to cost Rs. 4.74 lakhs in respect of all the 900 shells. The springs supplied by the firms were in accordance with the specifications given by the Central Standards Office. No responsibility had been fixed for the error in specification which had led to the unnecessary expenditure of Rs. 4.74 lakhs (as estimated).

21. In evidence, the representative of the Railway Board observed that the springs specified for these coaches were standard springs designed for the standard coaches on the Metre gauge and suitable for a gross load of 36.4 tons. In fact, identical springs were used in fully furnished coaches imported from Germany and were found to be giving satisfactory service. The German firm had used light weight materials of coeltier type for the furnishings in those imported coaches and the weight of each fully furnished coach was 27.15 tons, the

weight of furnishings alone being 7.65 tons. The normal passenger load was 4.1 tons in each coach and after allowing 8.2 tons for crush load conditions (*i.e.*, under 200% of normal passenger load) the gross load of these coaches would come upto 35.35 tons which was below the maximum capacity of the springs, *viz.* between 36 and 37 tons. The Workshops in India could not carry out similar furnishings and the tare weight of shells provided with furnishings carried out in India was, therefore, heavier. The Central Standards Office had allowed a margin of 10% increase in weight due to Indian furnishings and provided an extra weight of 3/4 tons on this account over the average weight of furnishings and fitting of 7.65 tons in the case of fully furnished coaches from Germany. But actually the increase in weight on account of Indian furnishings of M. G. Coaches was in excess by more than 2 tons against 3/4 ton as anticipated and taking into account the increase in weight of 8.2 tons under crush load conditions, the weight of the coaches exceeded 37 tons, the maximum bearing capacity of the springs. Secondly, it was noticed that the number of passengers during *melas* was three times that during normal times *i.e.*, an extra passenger load of about 4 tons and the estimate of 200% allowed for crush load conditions proved to be low. It was, therefore, decided to modify the springs so as to make them fit for heavier loads. Some of the coaches were put on the line in January, 1955 and the decision to modify these springs was taken by the Central Standards Office in April, 1955 by which time furnishings of most of the shells had been carried out.

22. The Committee are unable to accept the reasons put forth by the Railway Board for the lapses in this case involving unnecessary expenditure as also risk to the lives of passengers. From the note (*Appendix VI*) submitted to them, the Committee observe that not only the margin of 3/4 ton for indigenous furnishing was an underestimate but the safety margin of 1.25 tons, which according to the Railway Board themselves was usually being allowed in wooden coaches, has not been provided in these metal coaches. *It is surprising how this important requirement should have escaped the notice of the Central Standards Office. It is regrettable that an expert organisation like this should have committed such a serious error in a matter which ultimately involves the safety of thousands of railway passengers. The Committee do not consider it wise to have put these coaches on the lines during melas regardless of their shortcomings when they would be subject to the maximum stresses, and would suggest that an investigation should be made into this case and responsibility fixed.*

23. Another case of the failure of the Central Standards Office to prepare correct specifications was reported in para 20 (iv) (page 22) of the Audit Report. An order for five diesel hydraulic locomotives of 2'-6" gauge for the Kalka—Simla section was placed by the Railway Board on a German firm in 1954. Soon after receipt of the first four locomotives, the Northern Railway Administration reported that the specifications of the wheel gauge and tyre width were

not correct, and recommended replacement of the wheels by new ones. This was expected to result in an extra expenditure of £750.

*The Committee feel that the working of the Central Standards Office requires looking into.*

**Para 13: Central Railway—Construction of a Colliery siding for a private company without settlement of terms.**

24. As a matter of urgency to step up coal production, the Railway Board agreed in August, 1945, to the suggestion of the late Department of Industries and Supplies to extend an existing siding which served a private colliery. As the colliery was not prepared either to bear its share of the cost of the siding or to reimburse the Coal Production Fund if the construction of the siding was initially financed from the Fund, the Railway Board agreed in March, 1946 to bear the full cost of the siding. The Board, however, instructed the Central Railway Administration to fix the siding charges recoverable from the colliery in such a way as to cover interest, depreciation and maintenance charges. The construction work was carried out by the Railway Administration at a cost of Rs. 3,11,319 without obtaining the agreement of the colliery to be charged for siding charges as stipulated by the Board. The siding was opened for traffic on 21st March, 1947, and the colliery was informed that, subject to revision with retrospective effect, the rate of Re. 1 per four-wheeled wagon leviable on another siding in the area would be levied for the siding. In April, 1949, the company was requested to pay siding charges at Rs. 9 per four-wheeled wagon with effect from 21st March, 1947, but the company contended that the rate was grossly excessive and that the control price of coal fixed by Government on the basis of production costs did not take into account the increased rate of siding charges. The Railway Board did not accept this contention and decided in February 1953 that recovery should be made at the enhanced rate from 21st March, 1947. Recoveries were however continued at the old rates upto 30th June, 1954. An effort was made to enforce the enhanced rates again from 1st July 1954 but had to be suspended on receipt of a stay order from the Railway Rates Tribunal with whom the colliery had lodged a complaint. The Tribunal decided in 1955 that as the entire cost of the siding was borne by the Railway Administration, the Colliery should pay Rs. 1,66,866 representing interest, maintenance and depreciation charges at 6½% on the cost of construction plus the usual siding charges; but as it had no powers to order a payment relating to a period prior to the date of the institution of the complaint an order was passed for the payment of Rs. 20,236 representing arrears for the period, the 6th July 1954 to 5th July, 1955 which were paid by the Colliery. Thus a claim amounting to Rs. 1,46,630 representing siding charges for the period from 21st March, 1947 to 5th July, 1954 was outstanding.

25. Explaining the circumstances in which the colliery siding was constructed without prior settlement of terms, the Chairman, Railway Board stated that it was decided in 1945 between the Board and the late Supply Department that the construction charges should be met



initially from the Coal Production Fund to be eventually reimbursed by the private company to the Fund. In view of the pressure of the Supply Department, the Railway Board instructed the Central (then G.I.P.) Railway to construct the colliery siding without delay. Due to the urgency of the work, the question of rates of siding charges was not settled with the company before carrying out the construction work. The Committee desired to know why it took the Board nearly four years in arriving at a decision to levy the charges at the enhanced rate although the company had been warned in 1947, but they could not get any satisfactory reply for this delay of four years.

26. *The Committee regret to observe that in this case, failure to take the ordinary precaution of settling the terms with the colliery before construction of the sidings had resulted in this unsatisfactory situation. They would urge that the matter should be investigated and responsibility fixed for this omission and for the inordinate delay referred to in the above para. They would also like to be informed of the action that is being taken by the Ministry to effect recovery of Rs. 1,46,630 from the colliery.*

27. The Committee wanted to know whether it would not be desirable to fix uniform rates for siding charges throughout the Railway system. From a note (*Appendix VII*) submitted to them, the Committee understand that there are some practical difficulties in effecting this change-over and the question should be approached with caution and on a gradual basis. The matter was under consideration and phased programmes were being drawn up by the Railways concerned. *The Committee have noted this and expect that the change-over will be completed by the end of June, 1958 by which time they hope to take up examination of the next Railway Accounts.*

**Para 14—North Eastern Railway—Sale of grass and fishing rights.**

28. The sale of grass along the land adjacent to Railway lines used to be let out annually together with the lease for fishing rights to the highest bidder. On the recommendations of the Ministry of Agriculture, the lease of grass on certain sections of the Railway in Bihar for the years 1948-49, 1949-50 and 1950-51 was given to a certain Federation of *Gaushala* and *Pinjrapole* in Bihar who were experiencing considerable difficulty in getting their requirements of cattle feed and asked for the lease of grass on reasonable terms. The price payable was fixed in 1948-49 as the average price obtained for the last three years which the Federation paid. For 1949-50, the lease was renewed for the amount offered by the highest tenderer (Rs. 1,29,713).

29. The Federation defaulted to the extent of Rs. 39,000 and requested that the amount should be waived. A sum of Rs. 18,000 was waived leaving a balance of about Rs. 21,000. Again, under orders of the Railway Board, the lease of grass and fishing rights for the year 1950-51 was given to the Federation for the highest bid received by tender (Rs. 1,81,555) although the Federation themselves had

submitted no tender. The Federation defaulted again and out of a total sum of Rs. 1,12,268 due from them for 1949-50 and 1950-51, a sum of Rs. 21,731 was waived by the Railway Board and the Federation were asked in July 1956 to pay the balance (Rs. 90,537) within three months. The amount has not yet been paid.

30. In the course of evidence, the Chairman, Railway Board stated that the contract was given to the Federation as it was considered desirable to encourage cooperative organisations. *While the Committee appreciate the need for encouraging cooperative organisations, they consider that it should be kept within wise limits so as not to jeopardise the financial interest of Government. They are surprised at the altruistic manner in which the Railway Board acted by giving the contract to the Federation for the year 1950-51 when they were in arrears in respect of the previous year. Secondly, the procedure followed in this case viz., calling for tenders and then giving the contract to a party, who has not tendered at all, for the amount offered by the highest bidder was to say the least unfair to the bidders, successful and unsuccessful alike. The Committee feel that, being a Commercial Department, the Railways should act on strictly business principles in such cases. They are also distressed to see the long delays on the part of the Railway Board in taking decisions in this case and desire that the case should be settled without further delay.*

**Para 15—Western Railway—Loss owing to the delay in introducing correct freight rates.**

31. Prior to October, 1947, the ex-Morvi State Railway entered into an agreement with a private firm for the transport of salt from Kuda to Dhrangadhra, a distance of 14 miles, on payment of hire charges for rolling stock. After the integration of this railway with the ex-Saurashtra Railway from 1st April, 1948, a rate which worked upto Re. -/15/6 per ton as against the public tariff rate of Rs. 3-13-3 per ton was adopted with effect from 1st November, 1948. As a result of the federal financial integration of the States, all the State Railways belonging to the States came under the direct administrative control of the Ministry of Railways with effect from 1st April, 1950. The Ministry of Railways issued orders, in anticipation on 25th February, 1950 to the effect that the existing basis of charge for goods, parcels and passenger traffic where these differed from the standard scales of charges and fares on Indian Railways should be continued for a period of 3 months (subsequently extended to 6 months) and during this period steps should be taken to notify and introduce the scales of rates and fares as applied to Indian Government Railways. According to these orders, no rate which infringed the powers of reduction of the Railway Administration was to be retained after 30th September, 1950 unless the Railway Board's special sanction was obtained in the meantime. In spite of the orders, freight at the lower rate (Rs. 0-15-6) continued to be recovered and it was only with effect from 1st January, 1955 that freight at tariff rates was recovered. Subsequently on a representation from the firm, the rate was reduced to Rs. 2-8-10 per ton.

According to Audit the failure to carry out the Board's orders resulted in a loss of Rs. 3·2 lakhs assuming that the reduced rate of Rs. 2-8-10 per ton was enforced from 1st October, 1950. The responsibility for this failure has not yet been fixed.

32. In defence of the case, it was stated by the representative of the Railway Board that the rate in this case was not a station to station rate but a special rate agreed upon by the ex-State Railway with the firm concerned. As the orders of the Railway Board issued in February 1950 restricted reduction of station to station rates, they were apparently not taken into account when the ex-Saurashtra Railway was merged into the Western Railway. They admitted, however, that a correct reading of the orders would have revealed how they would affect the rate in the present case too. Delay in detecting this undercharge was also due to the movement of files from one place to another consequent upon the re-formation of Railways. It was therefore difficult to fix responsibility in the case.

33. *The Committee are surprised that some of the old concessions obtaining on the ex-State Railways were being continued even after three to four years after their integration. It is time the Railway Administration reviews the position completely and introduce uniformity in rates.*

**Para 16—Western (Ex-Saurashtra) Railway—Non-recovery of interest and maintenance charges for sidings.**

34. In paragraph 15 of the Audit Report, Railways—1955, mention was made of the unsatisfactory position in regard to the maintenance of records and of the outstandings on account of interest and maintenance charges in respect of assisted and private sidings on the ex-Saurashtra (now Western) Railway. The Committee desired to know the progress made in this regard (*vide* item 16 of Appendix III to their 17th Report, Vol. I). The position as on the 1st September, 1956 showed that against the total amount recoverable for the years 1950-51 to 1954-55 of Rs. 2,03,627 the amount recovered was Rs. 62,178 leaving the balance of Rs. 1,41,449 as outstanding.

35. During the examination by the Committee, the Comptroller and Auditor-General pointed out that the position as on 31st March, 1957 showed that arrears on account of recoveries of freight charges were on the increase. The Committee desired to know whether this could not be prevented by refusing supply of wagons to the defaulters instead of pulling out the sidings which was more expensive. The representative of the Railway Board stated that the arrears were accumulating mainly in the case of sidings which had been transferred to the Bombay State Government and that the whole question of recoveries in this case had become a complicated one.

36. *The Committee thought that as a result of the assurance given to them on an earlier occasion the Railway Board would take energetic steps to reduce the arrears. But on the contrary figures have mounted up. They desire that the Railway should examine the feasibility of*

*taking over such sidings from the Bombay State and bringing them under the control of the Railway Board.*

**Para 17—Northern Railway—Unnecessary haulage of permanent way material.**

37. Prior to regrouping, the East Punjab Railway had a permanent way depot at Ghaziabad to which all materials were consigned by the suppliers. These were then despatched to the stations where they were required. Supplies were mostly from Calcutta, Tatanagar and other stations on the eastern side and the arrangement was, therefore, suitable. As a result of regrouping, three divisions of the erstwhile East Indian Railway *viz.*, Allahabad, Lucknow and Moradabad Divisions were merged with the ex-East Punjab Railway to form the Northern Railway in 1952. But the (ex-East Punjab Railway) procedure of sending materials to the Ghaziabad depot in the first instance was adopted in respect of supplies intended for destinations in those divisions also, although the practice prevalent in the East Indian Railway prior to regrouping, was to have most of the supplies despatched direct to the stations where they were required. As a result, a large number of wagons containing permanent way material meant for use on these three divisions were re-booked to ultimate destinations in most cases by the same route by which they had come to Ghaziabad. Unnecessary haulage of wagons involving freight charges estimated at nearly Rs. 15 lakhs since April, 1952 could have been avoided had the Administration continued the ex-East Indian Railway practice of despatching the materials direct to the site of the work in the case of these divisions.

38. It was stated in evidence before the Committee that a depot had been opened at Bechupura near Moghalsarai which would avoid the unnecessary haulage of wagons. The Comptroller and Auditor-General drew the attention of the Committee to a letter of 5th December, 1952 from the Deputy Chief Engineer, Northern Railway to the Accounts Officer criticising the procedure and suggesting direct supply of materials from the firms. However, no decision was taken in the matter for years. In reply to a question, the Chairman of the Railway Board stated that there was no machinery at present in the Railway Board for watching movements of wagons and their economic utilisation. He added that it was the responsibility of the respective Railway Administrations. *The Committee feel, however, that this question requires reconsideration, as obviously the economic utilisation of Railway Stocks should be the responsibility of the Railway Board.*

39. *The Committee are surprised to see that in spite of the suggestion of the Deputy Chief Engineer to curtail unnecessary wagon movements as early as 1952 the Railway Administration did not take any steps to stop the infructuous expenditure and was dilatory in dealing with the matter. Too much concern was shown for past practices and a decision has been delayed for years. They desire that the Railway Board should impress upon the Railway Administrations the need*

*for prompt action which would go a long way in avoiding unnecessary expenditure.*

**Para 18—Eastern Railway—Purchase of defective axle boxes.**

40. Against indents placed on the India Stores Department, London by the Railway Board, an Italian firm supplied 312 axle boxes in 1951 to the Jamalpur Workshop. It was discovered in 1952 during the periodical overhaul of locomotives that these boxes were defective; 93 boxes in stock were declared as unserviceable while the remaining 219 were stated to be in service on the locomotives. The matter was reported by the General Manager to the Railway Board only in January, 1956 about five years after the receipt of the stores and four years after the detection of the defects suggesting the lodging of a claim for compensation against the suppliers. The question of defective inspection before despatch had been referred to the Ministry of Works, Housing and Supply. The loss on those 93 defective boxes is estimated to be about Rs. 1,23,175.

41. While admitting the delay that had occurred in this case, the Chairman, Railway Board stated in his evidence that by the time the defects were reported in November, 1953 after examination by the Chemist and Metallurgist attached to the workshop, the guarantee period of 18 months had already elapsed. He further added that the Italian firm had agreed to make good the losses in respect of the boxes which had been rejected.

42. In a note (*Appendix VIII*) submitted by the Railway Board it has been stated that defects in axle boxes were first noticed in June, 1953 and that the Italian firm has accepted the liability to compensate the Railway to the extent of Rs. 33,600 which only covered the cost of melting and recasting the defective boxes.

43. The Committee are not quite happy about the procedure followed in such cases. In this case it was obviously due to defective inspection for which the India Stores Department, London was responsible. In a note (*Appendix IX*) detailing the procedure followed in the matter of purchase of stores abroad and the measures taken to guard against losses due to defective inspection or defective terms of contract, the Ministry of Works, Housing and Supply have observed that in the purchases of stores during the last seven years 1948—55 stores worth Rs. 303 crores were inspected by the India Stores Department, London and the losses on account of defective supplies were only of the order of Rs. 46 lakhs and therefore the quantum of loss due to defective inspection was not considerable.

44. *The Committee are unable to appreciate this argument. They observe from the Audit Report that in this case a visual examination revealed the casting defects. If so, they are led to conclude that the inspection carried out at the time of purchase was perfunctory. They understand that the inspection was carried out by a reputed firm of engineers in U.K. and it is surprising how these defects could pass*

*announced. The Committee desire that this matter should be pursued further and responsibility fixed. The Railway Board had been needlessly generous to the supplying firm inasmuch as the prices paid for the (defective) stores were fixed at 50 per cent. more than the likely cost of the stores if manufactured in India and the defects were not caused by unforeseen circumstances. The Committee wish to emphasize that the relevant clauses in the contracts should be tightened up further so as to fully safeguard the tax-payer's money.*

**Para 20—Other cases of losses.**

45. Attention has been drawn to a number of less important cases of losses etc. mentioned in the Appropriation Accounts for 1954-55. The Committee obtained detailed notes on some of these items from the Railway Board (Appendix X). A study of these notes reveals that *it has taken the Administration a long time to take remedial action in regard to irregularities in payment and procedure; also all cases involving disciplinary action are not dealt with expeditiously. The Committee would emphasize that cases involving disciplinary action should be disposed of quickly.*

*The Committee also suggest that the system of internal check obtaining in the Railways should be tightened up so as to avoid such losses, overpayments etc.*

*The Committee desire that the cases referred to by Audit in this para should be progressed without any further delay and the results of the investigation communicated to them.*

**Para 21—Delay in adjustment with a State Government.**

46. Prior to the integration of the ex-State Railways with the Indian Railways the Road Transport Department of the Hyderabad State (Deccan) was under the management and supervision of the ex-Nizam's State Railway. The arrangement continued even after integration as a temporary measure on an agency basis till November, 1951 when the control of the department was retransferred to the State. During the intervening period, indents for stores required for the Transport Department (12 to 18 months' requirements) were placed abroad by the Railways according to the procedure in vogue on the Indian Railways. The bulk of these stores was received after the department was transferred to the State. The cost thereof was borne initially by the Central Railway to be recovered later on from the Road Transport Department, Hyderabad. At no stage was the extent of financial liability arising from these long range purchases brought to the notice of the State Government who were ultimately responsible for reimbursing the expenditure incurred. But when the bills were presented, the State Government expressed their inability to make payment in a lump sum and suggested that recoveries be effected in instalments lasting over a period of about eight years. The total amount to be recovered from the State Government is Rs. 83 lakhs. The delay in the recovery of this sum of Rs. 83 lakhs from the State Government has resulted in the Railways suffering a loss of interest of about Rs. 91,000 in 1954-55 and about Rs. 2.30 lakhs in 1955-56.

47. From the facts stated above, it is obvious that the responsibility for the delay in adjustment was primarily on the Railways in not having settled the procedure for indenting stores and mode of payment by the Transport Department as a result of the change in the set-up. The Committee would like to be apprised of the settlement of the case in due course.

## CHAPTER IV

### Outstanding Recommendations

48. The Committee will now proceed to deal with some of the more important items outstanding from the previous Reports of the Committee—those of less importance are referred to in the Appendix (I).

#### **Manufacture of Boilers and Locomotives by Telco** (17th Report, Appendix III, item 25)

49. The manufacture of boilers and locomotives by Telco was in pursuance of an agreement entered into by the Railway Board with the Tata Industries Limited for a period of 16 years which took effect from 1st June, 1945 (although it was formally signed on 20th August, 1947). In terms of the agreement, the production of boilers and locomotives was programmed on the following lines:

#### *Boilers:*

- (i) A minimum of 50 boilers during period 'A' covering twelve months from 1st June, 1945,
- (ii) During period 'B' that is one year from the end of period 'A' the production was to be stepped up so that by the end of this period, Telco would be capable of manufacturing at a rate of 100 boilers a year,
- (iii) 100 boilers a year during period 'C' commencing with the end of period 'B' and continuing for the remaining period of currency of this agreement.

#### *Locomotives:*

- (i) An agreed number of locomotives during period 'X' covering two years from the date of receipt of plant and machinery at works,
- (ii) period 'Y', in which 50 locomotives per year were to be produced, was to commence from the close of period 'X' and to continue to the end of the currency of the agreement *i.e.* upto 31st May, 1961.

50. The prices payable by the Railway Board during the development period *viz.* periods 'A' and 'B' in the case of boilers and the period 'X' in the case of locomotives, were to be based on the actual cost of production. The payments, however, were to be restricted to the average landed cost of similar boilers and locomotives imported from the U.K. within the period. The balance of the cost, if any,

was to be regarded as expenditure incurred on experiments and development and was to be carried to a boiler-loco development account. This development expenditure unless paid earlier by the Government was to be cleared by charging equal annual instalments to the cost of production in the first 8 years of periods 'C' and 'Y'. The price structure of boilers delivered during the period 'C' and the locomotives delivered during the period 'Y' was to be regulated year after year after allowing 7% profit on capital employed in the business and the latest actuals of costs of production. According to the Railway Board the underlying idea was to peg the Railway Board's liabilities to the limit of landed cost; the expenditure in excess of this ceiling during development period would be deemed to have been incurred on experiments and development to be set off against the cost of production during the profit earning periods. Apparently it was taken for granted that the reduction in actual cost of production in periods 'C' and 'Y' (compared to the landed cost) would be such as to absorb the amounts outstanding in the boiler/loco development Account besides allowing a profit at the rate of 7% on the capital employed in the business.

51. The Company, on grounds of economic production, planned to provide capacity for the manufacture of double the quantities of boilers and locomotives per year. The performance of the Company, however, fell far short of the phasing in the Agreement.

52. As against the target date of 1.6.1947 for annual production of 100 boilers, it was only on 1.2.54 that the scheduled production had been reached; similarly in the case of locomotives, it was on 1.7.54, *i.e.* after the expiry of half the period of the contract that the target of production was reached. The period of development extended years beyond the contracted dates although the company had installed double the capacity without the original targets having been revised.

53. This agreement had been the subject of criticism and comment by successive Public Accounts Committees in the past. The first criticism was as early as 1953, when the Committee in their fifth report pointed out the complicated nature and unsatisfactory drafting of the agreement. They also suggested the necessity of accurate cost-accounting and adequate check thereon on behalf of Government, so that the overheads were properly allocated among the several contracts and subsidiary works like manufacture of road rollers, under-frames etc., which were being carried out by Telco were not getting an advantage at the expense of Loco works. They were not happy about the 'provisional' payments made to Telco when a number of points regarding items of costs were under dispute. As the industry catered entirely for Government purposes, the Committees also felt there was obviously a strong case for State ownership and management of such industry.

54. Again in 1955, the matter came up before the Committee. It was brought to their notice at that time that the Railway Board had not only agreed to allow Telco double normal depreciation as was



being allowed by Income-tax authorities in the case of new industries but also agreed to the inclusion of this special depreciation in the total cost of production of boilers and locomotives. This meant that the cost of boilers and locomotives would be considerably inflated in the initial period and unless specifically excluded would also influence the fixation of price for the later period. The Committee were much concerned over the high cost of production thus arrived at which was very much higher than the imported cost and suggested in their thirteenth report in 1955 that the question of taking over Telco as a State undertaking should be actively considered; a team of technical experts should be appointed to go into the question of costing for boilers and locomotives and to work out the adjustment in the firm prices of boilers and locomotives of the overpayment made for double normal depreciation.

55. It may be pertinent to point out here that till the commencement of the fixed price periods (1.2.54 for boilers and 1.7.54 for locomotives) the Railway Board had subsidised the manufacture of boilers and locomotives by the amount standing in the Development Account *viz.* Rs. 229.65 lakhs, representing the excess of the actual cost of production of boilers and locos by Telco over the landed (*i.e.* ceiling) cost. In addition to this subsidy, the Railway Board had made an *ex-gratia* payment of Rs. 7 lakhs, the profit which was declared by the Company to their shareholders in the year 1950-51 before the commencement of price period for boilers although the Company was not entitled to profit during this period. Further a penalty of Rs. 12.51 lakhs leviable under clause 22 of the agreement for short deliveries of boilers and locomotives was not levied; shares worth Rs. 2 crores in Telco were purchased. Telco was allowed the reimbursement of advance payment made by it to a technical adviser (Messrs. Krauss Maffei) for materials etc. ordered on them which advance payment was in effect an interest free loan, the interest on which, when calculated on the daily balances at 4½% worked out to Rs. 4.47 lakhs.

56. In the memorandum submitted to the Committee in 1956 the Railway Board reiterated their earlier stand that the payments made to Telco were within the framework of the contract and the effect of allowing larger amounts for depreciation in the development period would be that the element of depreciation in the production cost in the post development period would be correspondingly less.

57. The Committee were rather perturbed at the complacency of the Railway Board in this matter. They were surprised how the Railway Board could be oblivious of the important fact that the extra payments made so far could not be completely recouped from the price of boilers and locomotives within 1961 by which date the contract would come to an end.

58. Thereupon an enquiry was entrusted to the Tariff Commission; the main terms of reference being:

- (i) what should be the fair prices of locomotives and boilers manufactured by Telco since the 1st February, 1954;
- (ii) for what period the prices recommended should hold good; and
- (iii) how the prices should be revised from time to time in future.

59. The memorandum of the case submitted by the Railway Board to the Tariff Commission and the Report of the Commission have been forwarded (Note—Appendix XI) to the Committee. The recommendations of the Tariff Commission have also been accepted by Government.

60. The Committee have gone through the memorandum of the Railway Board and the report of the Commission. So far as the prices of boilers and locomotives are concerned, the Tariff Commission have determined their prices for the period from 1.2.54 and 1.7.54 respectively to 31st March, 1958 as shown below:

Type of locomotives/ spare boilers	1st price period		2nd price period		3rd price period	
	No. of units	Price per unit	No. of units	Price per unit	No. of units	Price per unit
Locomotives	(1-7-54 to 31-3-55)		(1-4-55 to 31-3-56)		(1-4-56 to 31-3-58)	
YP I	34	6,90,105				
YP II			42	6,37,829	8	5,40,905
YG II					50	5,11,562
YP III					70	4,42,755
YG III					14	4,44,873
Spare Boilers	(1-2-54 to 31-3-55)		(1-4-55 to 31-3-56)		(1-4-56 to 31-3-58)	
XC I	12	3,40,908				
YD	40	1,75,512	13	1,63,216		
YP			12	1,52,229		
YG			6	1,50,867		
YF			8	1,13,622	39	92,719
XE			3	2,55,610	6*	2,37,696
					8†	2,27,584
XC					22	2,08,290

\* With clothing.

† Without clothing.

61. The Commission did not consider it advisable to go beyond 31.3.58, as the additional capacity which Telco was installing was expected to be effective early in 1958 and might affect the future cost of production appreciably. They have, therefore, suggested that the prices for each future price period should be negotiated as far as possible in advance so as to be fixed before the commencement of the price period. They have also recommended that a cost investigation should be made before prices were fixed for any price period in future.

62. The immediate question is thus, to fix the price for the period commencing from 1.4.58 and the Committee were informed that the matter was under the active consideration of the Board.

63. From the facts of this case, it is obvious that the objective underlying the agreement was that on reaching the stage of production at 100 units per year, the Railway Board will be able to purchase locomotives from Telco at prices lower than the landed cost of an identical/similar locomotive from the United Kingdom. These lower prices will thus compensate the State for higher amounts paid during the development period. The Railway Board are, therefore, of the view that the price payable should be linked to the U.K. landed cost.

64. The Committee find from a statement furnished by the Railway Board that the landed cost of an identical/similar locomotive varies from country to country. For instance, the cost of a locomotive imported from the United Kingdom was Rs. 4,15,833 in 1954-55 whereas a similar locomotive from Germany was Rs. 3,40,150 and one from Japan was far less (Rs. 3,18,334). Therefore, if landed cost is to be criterion, the Committee feel that the term 'landed cost' should not be limited to that of a locomotive from United Kingdom alone. In their opinion, the average of the landed cost of similar locomotives from United Kingdom, Germany and Japan should if the tax-payer's interest is to be safeguarded form the basis for computation. It will be futile for the State to subsidise heavily a private or a semi-Government undertaking if when the full efficient production stage is reached the tax-payer does not benefit in the shape of lower prices as compared to ruling prices in any other country.

65. The Tariff Commission have expressed doubts about the propriety of comparing prices of foreign locomotives with those of TELCO, as the working conditions in India and those in other countries varied considerably. They have further pointed out that the indigenous industry was in its infancy as compared to other countries and, therefore, they urged that due allowance must be made for the special factors in comparing domestic cost of locomotives with landed costs of those imported from abroad. The Committee would like to point out that 10 years in modern days are not a small period for any industry in India to reach a certain stages of maturity, especially if that industry happens to be subsidised and financed by the Government. The reference to advantages, which many of the old concerns abroad have, may not be quite valid today as it is possible for a manufacturer if he is able to get the right type of machinery

and requisite know-how to compete against the old foreign manufacturers successfully in a short space of time. In fact, cases can be cited where the prices of products of some of the nationalised undertakings in India compare favourably with those of foreign manufacturers. *The Committee, therefore, feel that the stage has now come when TELCO must be able to show a better performance as compared to manufacturers of identical/similar locomotives abroad. It is stated in the Tariff Commission's Report that according to a British firm which has built both WG and YP types of locomotives in large numbers, the total ex-works cost of a YP locomotive is normally 76% of a WG locomotive. The Committee, therefore, feel that the cost of manufacture of a WG locomotive at Chittaranjan should be taken as the basis for determining the cost of a Metre Gauge locomotive produced by TELCO and the above formula which is based on the experience of U.K. locomotive manufacturers should be applied thereto. They trust that this will form a reasonable basis for an amicable settlement with TELCO. This recommendation is, however, without prejudice to the Railway Board's claims in respect of the special depreciations allowed to TELCO in the form of costs during the development period.*

**Purchase of Barsi Light Railway (Paras 33 to 44 of the Committee's Seventeenth Report)**

66. The Committee had examined this case in paragraphs 33 to 44 of their Seventeenth Report (Vol. I). Not satisfied with the manner in which the case was handled, the Committee suggested that a thorough investigation should be made by the Railway Board and responsibility fixed for the various lapses on the part of persons concerned which led to the purchase of the Railway at a higher cost. In response to this, the Ministry of Railways and that of Transport and Communications have each sent a memorandum (Appendices XII and XIII) to the Committee.

67. In their Memorandum, the Ministry of Railways have argued that the legal opinion on the provisions of the contract was consistent in denying to Government any right to make deductions for any depreciation of assets unless it had resulted in the assets falling below the proper standard of efficiency, and that as the reports of the inspecting officers showed that the assets were maintained in good working order, they could not pursue the claim. On the other hand, the memorandum from the Ministry of Communications (Appendix XIII) states that the Government Inspector was not fully aware of the full implications of the caption 'deduction on account of defective maintenance and depreciation' of the letter of the Railway Board under which he carried out the inspection and the certificate dated 7th January, 1954, was therefore of a routine nature and further the Railway Board could have acted upon another detailed report which was sent by him only four days later pointing out the defects.

68. *The Committee see no reasons to change their previous conclusions. Even assuming, that no direct claim was sustainable on the basis*

of the age of the assets in terms of the provisions of the contract, the Committee feel that there was a definite omission on the part of the Railways in not pressing for a deduction from the purchase price on account of deferred renewals of sleepers. The Railway Board had intimate knowledge of the unserviceable condition of the sleepers (which had been on the line for 53 years as against their normal life of 35 years) and in fact a scheme of phased renewals was agreed to in principle by the Light Railway in 1950. This was in any case an inescapable liability devolving on the Railways in respect of which any prudent person placed in the position of the Railway Board, would have definitely claimed for deduction in the purchase price. It has been urged that no renewals of sleepers were carried out during the period of 15 months after taking over the Light Railway. The Committee are surprised at this plea which is hardly relevant. On the other hand, they learn that proposals for renewal in 1955-56 initiated in 1952 were advised to be taken up after the question of the purchase price was settled. *This, the Committee regret to observe, only indicates that either proper thought was not given to this matter before the date of expiry of the date for giving notice and the failure to do so was noticed late, or the right of the Railway Board to put in a claim was overlooked.*

69. The Committee do not agree that the responsibility rests entirely on the Government Inspector. They have already dealt with the responsibility of the Inspector in this matter.

#### **Avoidable Expenditure on Freight on 150 Locomotives (Paras 29 to 32 of the 17th Report)**

70. As desired by the Committee, the Comptroller and Auditor General furnished a note (Appendix XIV) explaining the full facts of the case together with his comments thereon. The note on the subject received from the Ministry of Works, Housing and Supply is also appended. (Appendix XV).

71. Last year, it was stated in evidence that the main reason for not accepting the lower quotation of £2400 per locomotive was the delay which was anticipated in the delivery of locomotives for shipment as some of them were expected to be supplied beyond the stipulated date, viz. 31st December, 1952. In reply to a specific question whether in that case, the Government could not have negotiated for two different rates viz. £2400 per locomotive for locomotives delivered for shipment till 31-12-52 and another rate for those delivered later, the Committee were informed that it was not open to Government to tell the Shipping Company that they would accept the offer at lower rate for shipment upto December, 1952 and thereafter the Company should give them a further quotation.

72. From the note submitted to them by Audit, the Committee are surprised to learn that this statement was not well founded. There had been cases in which different rates had been allowed for different periods of delivery. In fact even in this particular instance, it has been reported, that the Shipping Conference had charged at the same rates

for shipment of 24 locomotives after March, 1953, as for those shipped before that month, although the contract period was only upto March, 1953 and the offer was couched in terms very similar to the first. It is, therefore, obvious, that the India Store Department did not appear to have thought on these lines for which the Committee see no reasonable explanation.

73. Another disquieting feature of this case is the manner in which the brokers wrote to the Shipping Company just a couple of days before the expiry of the date for the acceptance of the shipping rates by the India Stores Department, asking for an extended delivery period. In reply to a question whether the brokers wrote to the Shipping Company with the approval of the D.G.I.S.D. the Secretary of the Ministry of Works, Housing and Supply could not give a categorical answer. It has now been stated in the note as follows:

"The India Store Department have stated that though there is nothing on record, it is recollected by the Officer dealing with the case that the Brokers advised the then Deputy Director General that the suppliers were behind in the original promise of delivery and thereupon the Deputy Director General authorised them to write their letter dated 28-11-51".

The Director of Audit, Indian Accounts in U.K. has, however, pointed out that—

"there is no evidence in the file to the effect that the Brokers' letter dated the 28th November, 1951, informing the Conference Lines requesting an extended delivery period was issued with the approval of the India Store Department, although it is seen from the files that some conversation took place between the Brokers and the India Store Department, the exact matter discussed being not clear".

74. *The Committee find it difficult to arrive at the correct position in the absence of proper records. They have previously drawn attention to the necessity of keeping proper records of all decisions in the absence of which responsibility cannot be put when losses are incurred.—vide their report No. 23 App. I item 15.*

75. *The Committee can do no more than reiterate their earlier recommendation.*

#### **Purchase of Defective and Unserviceable Rails (17th Report App. II, items 13 to 15)**

76. The Committee in para 68 of their 13th report observed that there was gross mishandling of this case by I.S.M. (India Supply Mission), Washington and it required further detailed investigation. They also called for further report on the transaction and the action that was proposed to be taken against officials at faults. A note received from the Ministry of W.H. & S. in response to this recommendation of the Committee is appended (Appendix XVI).

77. The important observations of the previous Committee were as follows:

- “(i) While the contract contained a provision that the firm was responsible for any defect or fault detected by the purchaser in the stores on their arrival in India, the Committee fail to understand why the claim could not be preferred earlier against the firm and earnest attempts made to effect recovery. The Committee would like to know the action taken against the officials responsible for the delay in preferring the claim.
- “(ii) It is somewhat extraordinary that the inspection contract was placed on the same private firm which had been hired by the supplying firm in connection with the purchase of these very rails. The Committee are perturbed that the salutary principle that the Inspectors should not in any way be connected with the purchase of the particular goods has been departed from in this case.
- “(iii) The Inspection Reports were also reported to contain an unusual type of statement that they covered only the condition of rails as seen by the Inspector and reflected his best judgment and no liability was accepted for defects that might have been over-looked by him or for error of judgment or for claims that might ensue from the ultimate receiver of the merchandise. It passes the comprehension of the Committee how Inspection Reports based on random inspection, particularly when the goods were second-hand, were accepted by the I.S.M., Washington.”

78. It is seen from the note of the Ministry that the I.S.M. filed a demand for arbitration (though after a lapse of 3 years) and claimed compensation but without success. It was decided to abandon the claim on legal advice. One of the grounds advanced by the supplier was that the contract contained no provision for arbitration, since the copy of the standard conditions of contract stated to have been enclosed with it was not received by them. The Committee notice that Government have since taken steps to modify the contract form so that the standard conditions of contract become an integral part of it instead of being appended thereto as in the past.

79. It has also been stated by the Ministry of W.H. and S. that Government's failure to seek legal redress in the case had arisen out of the consignee's failure to report the defective nature of the supply promptly. To obviate such contributory factors, the Ministry have observed that instructions have been issued to all indentors explaining the significance of the warranty clause and the need on their part to report promptly of the defects and damages noticed in the stores received by them. The Committee regret to observe that there had been a number

of such cases where Government's rights for damages could not be established on account of failures to report the defects in supply in time. *They would urge that this aspect requires greater consideration as, in the context of the Plan, purchases of stores abroad for the projects would go up to record figures and unless the indenting departments are vigilant, there is the risk of defective stores or stores of inferior quality being received.*

80. As regards the criticism that the inspection contract was placed on the same private firm which had been hired by the supplying firm, for purchasing the rails, the Committee are amazed to learn that the view taken by I.S.M. was that there was nothing unusual in this. They observe from the note that the inspection contract did not specify any details of the specification to which supplies were to be inspected. In the absence of any such instructions, it passes the comprehension of the Committee, what sort of inspection was conducted. According to the Railway Administration a large number of rails and fishplates received was unserviceable.

81. *The results of the inquiry conducted by the Ministry reveal that the whole case was being dealt with by a very junior official locally recruited who not only exceeded his authority but also encroached upon the functions of other officials, on occasions deliberately. A perusal of the extracts regarding the inquiry officer's report discloses the way in which the I.S.M. had been working then. The Committee cannot help observing that the then Head of the Supply Mission who had also since resigned was responsible for this state of affairs by allowing his subordinate to have things in his own way quite oblivious of his own overall responsibility.*

**Irregularities in Store Purchase (Paras 14 to 20 of the 17th Report)  
Building certain Rail-cars and Trailers (Paras 21 to 22 of the 17th Report)**

82. The Committee had observed in their 17th report that there was great delay in finalising the departmental action against the officials concerned and desired the Railway Board to pursue the case vigorously. A note (Appendix XVII) since received from the Board disclosed that on the advice of U.P.S.C. orders had been issued dismissing the General Manager, the Chief Mechanical Engineer and the Chief Accounts Officer from service and removing the Controller of Stores from service. Action is also being progressed regarding the prosecution of the dismissed officers. *The Committee observe that there was great delay in finalising this case and would like to impress for future that in such cases prompt action was very essential.*

**Infructuous Expenditure in the Purchase of Oil Tank Wagons  
(Para 83 of the 17th Report)**

83. The Committee had recommended that in this case the Railway Board should re-examine the matter and allocate responsibility for



the failure of their office in not following up this case which had culminated in the waste of public money to the tune of Rs.11·23 lakhs. In a note furnished to the Committee (Appendix XVIII) it has been stated that "the officer-in-charge of the Branch who, in December, 1948, had initiated the correspondence with the I. S. M. Washington, resigned on the 8th January, 1951 and had he continued in service it could be expected that he would have pursued the matter from personal recollection of such an important case which he had handled." *The Committee are surprised at this statement. They thought that in every office, a watch would be kept over such cases through certain registers so as to prevent their being lost sight of for some reason or other. To rely on the memory of some one alone was, they feel, attendant with risks of losses. The Committee are glad that the Board have issued necessary instruction in this direction.*

**Purchase of British Standard Locomotive Components and Fittings in Dollars (hard currency) instead of Sterling (Paras 56 to 63 of the 17th Report)**

84. The Committee had commented upon this case in paragraphs 56 to 63 of their Seventeenth Report. They had observed that the India Supply Mission had failed in its duty in not pressing the question of payment in sterling for the U.K. specialities ordered in this case instead of in dollars according to earlier arrangement especially when it (I. S. M.) had to intervene through the D. G. I. S. D., London to procure the specialities for the American Manufacturers and the bulk of the locomotives were sent to India by the American manufacturers without the specialities as their supply was considerably delayed.

The Ministry of W. H. & S. have stated in their memorandum (Appendix XIX) that the I.S.M. did take this matter with the D.G. I.S.D., London but the latter did not think it worthwhile as the balance outstanding was not considerable. (It may be mentioned here that the predecessor Committee were informed that this question of payment in sterling was not perhaps considered).

As a result of the delay in the receipt of the specialities, the period of delivery of the locomotives was extended. Devaluation intervened and Government had to incur a loss now estimated at Rs. 4·5 lakhs instead of Rs. 20 lakhs as computed earlier. The specialities had to be fitted to most of the locomotives in India. *The Committee desired that the question of claiming damages from the manufacturers for delay in delivery should be looked into. They regret to observe that although more than 20 months had elapsed, the Ministry of W. H. & S. have not finalised action on this. The Committee wish that this case should be pursued expeditiously.*

NEW DELHI:  
The 1st April, 1958.

T. N. SINGH,  
Chairman.  
Public Accounts Committee



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**PART II**

**Proceedings of the Sittings of the Public Accounts Committee  
held on the 26th, 28th and 30th August, 1957 and 1st April,  
1958.**

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**Proceedings of the Thirteenth Sitting of the Public Accounts Committee  
held on Monday, the 26th August, 1957**

85. The Committee sat from 15.00 hours to 17.55 hours.

**PRESENT**

Shri T. N. Singh—*Chairman*.

**MEMBERS**

2. Dr. Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri N. G. Ranga
5. Shri Radhelal Vyas
6. Shri A. C. Guha
7. Shri N. R. M. Swamy
8. Shri Upendranath Barman
9. Shri J. M. Mohamed Imam
10. Shri H. C. Dasappa
11. Shri N. Siva Raj
12. Shrimati Pushpalata Das
13. Shri P. T. Leuva
14. Shri M. Govinda Reddy
15. Shri Jaswant Singh
16. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller and Auditor-General of India,  
New Delhi*.

Shri G. H. Po Saw, *Additional Deputy Comptroller and  
Auditor-General of India (Railways)*.

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary*.

**WITNESSES**

*Ministry of Railways (Railway Board)*

Shri P. C. Mukerjee, *Chairman*.

Shri J. Dayal, *Financial Commissioner*.

Shri K. P. Mushran, *Member (Staff)*.

Shri K. B. Mathur, *Member (Transportation)*.

Shri N. K. Roy, *Additional Member (Work)*.

Shri W. Issacs, *Additional Member (Mechanical)*.

1952. As however the Light Railway was pressing for the payments, the Railway Administration made provisional payments to avoid inconvenience to the Light Railway. The Administration was under the impression that inasmuch as the compensation was being paid continuously for the last 25 years, it was only the quantum of compensation that was under dispute and not the principle of it, and that audit objection merely pointed out the absence of technical sanction of the Railway Board. In reply to a question, the Member of the Railway Board admitted that the papers revealed that the Railway Board were not apprised by the Eastern Railway Administration of the facts of provisional payments and of audit objections thereon, nor had the Board called for any explanation from the Administration for this lapse on its part. He further added that it was only in July, 1952 when a fresh proposal for compensation was received by them that the Railway Board examined the question in all its aspects and concluded that the Railway Administration was under no legal obligations to pay any compensation. Till then, the principle of compensation was never in doubt. As regards the failure of the Railway Board to revive the sanction beyond 1st April, 1946 in time, it was pleaded that the Board were waiting for the abnormal conditions which had arisen out of war, partition etc. then prevailing to come to normalcy. The Committee were not satisfied with the explanations put forth in support of the provisional payments. They drew the attention of the Railway Officials to the provisions in the Indian Railway Code permitting provisional payments only under sanctions of competent authorities and that too upto a period of 3 months. Thereupon the Financial Commissioner for Railways promised to look into the files and intimate to the Committee the exact reasons for making provisional payments during the period of 6 years from 1946—1952.

**Para 8—Northern Railway—Avoidable expenditure on handling of goods at a station**

88. With effect from 23rd January, 1954 owing to the failure of the existing contractor to carry out the contract, the work of handling and transshipment of goods at some 10 stations on the Northern Railway was being carried out by employment of casual labourers. Fresh tenders were called for and a new contractor was appointed from September, 1954 for 9 stations. No contract was entered into in respect of Delhi Serai Rohilla Station, the 10th station. Explaining the reasons, the representative of the Board observed that as the labourers at that Station had represented to the Railway Board for continuing the existing arrangement, the Board issued directions to the Railway Administration not to disturb the arrangement at the 10th Station pending long-term arrangement. The Railway Administration reported that this arrangement proved unsatisfactory both from the administrative and financial points of view. The rates paid to labour in that Station were higher than those paid by the new contractor in the other 9 stations and the Railway Administration was sustaining a recurring loss of Rs. 30,000 a year from September, 1954 onwards.

- Shri S. A. Kalyanaraman, Additional Member (Commercial).  
 Shri S. L. Visvanadhan, Additional Member (Staff).  
 Shri N. C. Deb, Additional Member (Finance).  
 Shri Y. P. Kulkarni, Director (Establishment).  
 Shri C. T. Venugopal, Director Finance (Expenditure).  
 Shri H. D. Awasty, Director, Civil (Engineering).  
 Shri R. H. G. Da Cunha Dacosta, Director (Mechanical Standards Central Standards Office for Railways).

**APPROPRIATION ACCOUNTS OF THE RAILWAYS IN INDIA  
 FOR 1954-55 AND AUDIT REPORT 1956**

**Audit Report 1956—Para 7—Compensation paid to the Howrah  
 Sheakhala Light Railway Company**

86. This para. in the Audit Report revealed a case where provisional payments of compensation were made by a Railway Administration (Eastern Railway) without obtaining the sanction of the Railway Board. Two stations were opened on the Howrah Burdwan chord of the East Indian Railway (now Eastern Railway) in 1919. As the earnings of the Howrah Sheakhala Light Railway (a private company) were adversely affected thereby, it was decided to compensate the Light Railway by payment of 45 per cent. of the gross earnings of all traffic between Howrah and these two stations. This arrangement which was subject to reconsideration three years after the date of opening of the stations was extended from time to time upto 31st March, 1946 with the approval of the Railway Board; but thereafter provisional payments to the extent of Rs. 2.58 lakhs were made by the Railway Administration without obtaining the prior sanction of the Railway Board. Although the irregularity of the payment without the Board's sanction was pointed out by Audit in August, 1946 and again in January, 1948, the proposal was sent to the Railway Board for according sanction only in July, 1952. The Board, after taking legal advice, informed the Railway Administration that the Railways were under no legal obligations to pay compensation from 1st April, 1946. Ultimately to avoid great inconvenience and loss to the Light Railway, payment of compensation due upto 1953-54 was made in August, 1955. The total compensation paid from 1946-47 onwards amounted to Rs. 4.3 lakhs. No payment was made with effect from 1st April, 1954.

87. The Committee first enquired the circumstances in which payment of compensation after 1st April, 1946 was continued to be made without the sanction of the Railway Board and in spite of Audit objections in August, 1946 and January, 1948. The representative of the Railway Board stated that compensation was being paid continuously since 1921 although the actual quantum of payment was being reviewed from time to time. Due to a number of urgent problems arising out of Partition etc., that had cropped up and also due to the time taken in collecting the requisite data, the Eastern Railway Administration could not determine the quantum of compensation till

89. In extenuation it was stated by representative of the Railway Board that the Board agreed to the proposal on humanitarian grounds thinking that thereby the agency of middlemen would be dispensed with and the labourers would get the full benefit of their labour. The system was being tried on an experimental basis. As regards the annual loss of Rs. 30,000 he stated that it was computed with reference to the rates quoted by the new contractor. Labour at the 10th Station were being paid at the old rates on a maundage basis that they were in receipt of prior to January, 1954 and there was therefore no question of any loss. The new contractor too had failed to carry out the contract at the other 9 stations at the lower rates offered by him. Further, since the Board had to deal with labour directly, it was obligatory for them to pay labour charges according to the minimum wages prescribed by the Delhi Municipal Committee.

The Committee drew attention to the remarks in the audit para that the Railway Administration was not in favour of this arrangement as it would create administrative and financial difficulties. The representative of the Railway Board stated that the Railway Administration had initially anticipated difficulties in the working of this arrangement, but actual experience proved that the system was working smoothly.

90. The Committee next enquired whether the Railway authorities had ascertained that full payments were actually received by the labourers and that no profits were made by their representatives through whom the wages were paid. The Member (Transportation), Railway Board said that the labourers had expressed satisfaction with the arrangement. However, only two months ago, a complaint against the representatives was received by the Northern Railway Administration which was making investigations into the matter. The Committee desired to be apprised of the results of the enquiry.

**Para 9—Northern Railway—Overpayment due to Irregular Fixation of the Cadre of Cabinmen**

91. According to this para, an overpayment of Rs. 83,000 occurred during the period from April, 1950 to March, 1955 on account of irregular fixation of the strength of the cadre of cabinmen involving 125 employees in the ex-Eastern Punjab Railway (now Northern Railway). The irregularity in fixing the strength was pointed out by Audit in June, 1951 and the employees concerned were warned in July, 1951 that the payments made to them would be recovered if the views of Audit were accepted. The views of Audit were accepted in July, 1954, but no action had been taken to recover the overpayment nor responsibility for the overpayments had been fixed.

92. The Committee desired to know why no action was taken later on to effect recovery of the overpayment. The representative of the Railway Board stated in reply that the overpayment could not be recovered from the cabinmen as their wages were governed by the Payment of Wages Act. The Chairman observed that this point should have been known at the time of issuing the warning to recover

excess payments. Such warnings which could not be effectively enforced for *prima facie* reasons only showed laxity of the Administration.

**Para 10—Western Railway—Overpayment to a Handling Contractor**

93. According to a contract entered into by the Western Railway with a firm for the handling of goods at a station the portage to be performed by the contractor included, in the case of inward consignments, unloading from wagons, stacking on the platform or in the yard and re-weighment. This provision in the contract was, however, not implemented. Eight Hamals were employed departmentally to do the work of re-weighment. A claim for Rs. 59,040, representing the payment made to the hamals during the period from 1st November, 1947 to 31st October, 1953, against the contractor was rejected by him on the ground that he was never asked to do that work and that whenever asked he had not refused to do it. Responsibility for this extra expenditure had not been fixed and the question of its regularisation was still under consideration.

94. In extenuation of the case, the representative of the Railway Board stated that the eight hamals had been carrying on the work of re-weighment since 1943 onwards and were being paid by the Railway. The documents pertaining to the contract of 1943 were not available but it was believed that the terms of contract entered into with effect from 1st January, 1947 were similar to those of the contract of 1943. The exact circumstances in which the eight hamals were employed in 1943 by the Railway Administration could not, in the absence of relevant papers, be indicated. The Board however admitted that the extra payment had occurred due to failure to realise the full implications of the terms of contract in proper time.

**Para 11—Central Railway—Non-acceptance of lower rates offered by a firm for the supply and application of sprayed asbestos insulation of air-conditioned coaches**

95. In response to a call for tenders in November, 1955 for the supply and application of "sprayed asbestos insulation" two firms one from Bombay and another from Calcutta had submitted tenders to the Central Railway Administration. Due to the short notice, the Calcutta firm could not submit its tender in time and its tender was late by a few hours. The quotation was, however, 30 per cent, lower than that of the Bombay firm. When certain minor alterations were considered necessary in the specifications, a revised quotation was obtained from the Bombay firm. The advice of the Financial Adviser and Chief Accounts Officer that either fresh tenders should be invited or negotiations should be conducted with the Calcutta firm also was ignored and the tender from the Calcutta firm was rejected on the technical ground that it was received late and also because the Railway had no previous experience of the ability of that firm to execute the work successfully. The higher tender of the Bombay firm was accepted.



96. Explaining the case, the Directors (Finance Expenditure) Railway Board said that in accepting the offer of the Bombay firm, the Tender Committee was guided by previous experience. Only four months before this contract, the Railway had to carry out spraying of 300 to 500 coaches and at that time the Calcutta firm did not submit any offer. The Calcutta firm appeared to be a new comer in the field and was inexperienced in this line of work. The Committee thought that it would not be correct to conclude that the Calcutta firm had no experience simply because it did not tender on the earlier occasion. The Railway Administration had at their disposal adequate facilities to verify the capacity of the firm and rejection of the firm's offer in this case without investigations was not quite proper. The Auditor-General invited the attention of the Committee to a letter of May, 1956 from the Chief Mechanical Engineer of the Central Railway to the Railway Board in which he had referred to only one tender although there were actually two tenders. The Chairman of the Railway Board stated that the Tender Committee was aware of the receipt of two tenders. He, however, promised to look into this matter.

97. The Committee next wanted to know the reasons for overriding the advice tendered by the F.A. & C.A.O. They were informed that though the F.A. & C.A.O. had objected earlier, he was satisfied when the position was explained to him. In reply to a question as to when the F.A. & C.A.O. accepted that position, the Committee were informed that it was in November, 1956 *i.e.* after the receipt of the audit para by the Railway Board.

#### **Para 12—Supply of Defective Springs in all-metal M.G. Coach Body Shell**

98. The Railway Board's Rolling Stock Programme for three years, 1952-53 to 1954-55, provided for the procurement of 900 unfurnished all-metal III Class M.G. Coach body shells partly from abroad and partly from a firm in India. It was decided that these shells should be furnished in the Railway workshops according to the specifications laid down in the Central Standards Office. The springs supplied by the firm were also in accordance with the specifications given by the Central Standards Organisation. It was, however, noticed that the tare weight of the vehicle with the fully furnished shell varied from 29 to 31 tons in all the workshops which was too heavy for the springs provided with the shells. Modifications in the springs at an estimated expenditure of about Rs. 4.74 lakhs had to be carried out before the springs could be brought into use. No responsibility had been fixed for the error which brought about this unnecessary expenditure of Rs. 4.74 lakhs. In extenuation, the representative of the Railway Board stated that the springs supplied were standard ones designed for standard coaches. In fact, similar springs were used in full furnished coaches imported from Germany and were found to be giving satisfactory service. The German firm had used light weight materials of costlier type for furnishings. The workshops in India could not do similar furnishing of comparatively light weight. As the

weight of the coaches taking into account the allowance for crush load, exceeded 36 tons, the maximum bearing capacity of the springs, it was decided to modify the springs so as to make them fit for heavier loads. The other alternative of redesigning the coaches would have been more expensive.

The Committee then adjourned to meet again on Wednesday the 28th August, 1957.

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**Proceedings of the Fourteenth sitting of the Public Accounts Committee held on Wednesday the 28th August, 1957**

99. The Committee sat from 15.00 hours to 17.50 hours

**PRESENT**

Shri T. N. Singh—*Chairman*

**MEMBERS**

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri N. G. Ranga
5. Shri Radhelal Vyas
6. Shri A. C. Guha
7. Shri N. R. M. Swamy
8. Shri Upendranath Barman
9. Shri J. M. Mohamed Imam
10. Shri H. C. Dasappa
11. Shri N. Siva Raj
12. Shrimati Pushpalata Das
13. Shri P. T. Leuva
14. Shri M. Govinda Reddy
15. Shri Jaswant Singh
16. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller and Auditor General of India, New Delhi.*

Shri G. H. Po Saw, *Additional Deputy Comptroller and Auditor General of India (Railways).*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

**WITNESSES**

*Ministry of Railways (Railway Board)*

Shri P. C. Mukerjee, *Chairman.*

Shri J. Dayal, *Financial Commissioner for Railways.*

Shri K. P. Mushran, *Member (Staff).*

Shri K. B. Mathur, *Member (Transportation).*

Shri N. C. Deb, *Additional Member (Finance).*

- Shri S. L. Visvanadhan, Additional Member (Staff).  
 Shri N. K. Roy, Additional Member (Works).  
 Shri W. Issacs, Additional Member (Mechanical).  
 Shri S. R. Kalyanaraman, Additional Member (Commercial).  
 Shri C. T. Venugopal, Director, Finance (Expenditure).  
 Shri Y. P. Kulkarni, Director, Establishment.  
 Shri H. D. Awasty, Director, Civil (Engineering).  
 Shri R. H. G. Da Cunha Dacosta, Director, Mechanical Standards Office for Railways.  
 Shri D. U. Rao, Joint Director, Finance (Budget).

APPROPRIATION ACCOUNTS OF THE RAILWAYS IN INDIA  
 FOR 1954-55 AND AUDIT REPORT 1956—(contd.)

**Para 13 of the Audit Report—Central Railway—Construction of a Colliery without settlement of terms.**

100. As a matter of urgency to step up coal production, the Railway Board at the suggestion of the late Department of Industries and Supplies instructed the Central Railway Administration to construct a colliery siding for a private company. The Administration was asked to fix the siding charges recoverable from the company in such a way as to cover interest, depreciation and maintenance charges. However, the construction work was carried out without prior settlement of the terms and the siding was opened for traffic on 21st March, 1947 and the colliery was informed that, subject to revision with retrospective effect, the rate of Re. 1 per four-wheeled wagon leviable on another siding in the area would be levied for the siding. In April, 1949 the company was requested to pay siding charges at Rs. 9 per four-wheeled wagon with effect from 21st March, 1947, but the company contended that the rate was grossly excessive and that the control price of coal fixed by Government on the basis of production costs did not take into account the increased rate of siding charges. The matter finally went to the Railway Rates Tribunal which decided that the colliery should pay interest, maintenance and depreciation charges on the cost of construction plus the usual siding charges. Owing to its limited powers the Tribunal could not order for payments at these rates prior to 6th July, 1954, the date of the institution of the complaint with it. A claim amounting to Rs. 1,46,630 representing siding charges for the period from 21st March, 1947 to 5th July 1954 was outstanding.

101. Explaining the circumstances in which the colliery siding was constructed without prior settlement of terms, the Chairman, Railway Board stated that it was decided in 1945 between the Board and the late Supply Department that the construction charges should be met initially from the Coal Production Fund to be reimbursed by the private company to the Fund later on. In view of the pressure of the Supply Department, the Railway Board instructed the G.I.P. Railway to construct the colliery siding without delay. The question of

rates of siding charges was not settled with the Company before carrying out the construction work. Though the Company protested in 1949 to pay the siding charges at the higher rates despite the warning given to it earlier in 1947 at the time of opening the siding, the Railway Board did not arrive at a decision till 1953. The Committee could not get any satisfactory reply for this delay of 4 years.

102. The Committee thought that the rates for siding charges in force at present were too many and desired to know whether the Railway Board propose to take steps to make them uniform. The representative of the Railway Board stated that prior to amalgamation of Railways, there were various systems of rates adopted by Company Railways and Government Railways then existing. About three years ago, the problem was examined and a uniform principle was evolved, but the rates so worked out were disproportionately high as compared to the existing rates in a number of cases. It was therefore decided to step up the rates gradually over a period of years so that the repercussions thereof on the trade might not be violent. The Committee did not see any reason why the Railway Board should concern themselves so much about the repercussions, as it was a matter for the Ministry concerned with the commodity or article. In any case, the Committee did not feel happy about the Railways giving such concessions which savoured of discrimination. They desired to have a note from the Railway Board stating the future policy of the Railway Board in the matter of fixing uniform charges in this matter.

**Para 14 of the Audit Report—North Eastern Railway—Sale of grass and fishing rights.**

103. The sale of grass along the land adjacent to Railway lines used to be made annually together with the lease for fishing rights to the highest bidder. On the recommendations of the Ministry of Agriculture, the contracts for the years 1948-49, 1949-50 and 1950-51 were given to a certain Federation of Gaushala and Pinjrapole in Bihar. The Federation could not pay the full amounts and a sum of Rs. 1,12,268 which by a further concession was reduced to Rs. 90,537, was outstanding against them.

104. The Committee felt that it was wrong to have given the contract to the Federation for the years 1949-50 and 1950-51 when it was in arrears of payment of dues in respect of the previous years. Secondly, the procedure followed in this case viz., calling for tenders and then giving the contract to a party, who had not tendered at all, for the amount offered by the highest bidder was unfair to both the successful and unsuccessful contractors. The Chairman observed that although it might be desirable to show concessions to co-operative organisations, the finances of the State also required to be adequately and suitably safeguarded. A suitable machinery should be devised which will ensure both these ends. The Committee noticed that there were great delays on the part of the Railway Board in taking decisions in this case. The Committee desired that the case should be settled early.

**Para 15 of the Audit Report—Western Railway—Loss owing to the delay in introducing correct freight rates**

105. Prior to October, 1947, the ex-Morvi State Railway entered into an agreement with a private firm for the transport of salt from Kuda to Dhrangadhra, a distance of 14 miles, on payment of hire charges for rolling stock. On the integration of the Railway with the ex-Saurashtra Railway from 1st April, 1948, a rate of Rs. 0-15-6 per ton was adopted. Freight at the lower rate was continued to be recovered even after the 30th September, 1950 the date upto which all existing concessions were extended, in spite of Railway Board's specific orders that no rate which infringed the powers of reduction of rates of the Railway Administration should be retained after that date. It was only with effect from 1st January, 1955 that freight at tariff rates and within the permissible limits of Railway Administration's powers of reduction was adopted. The responsibility for the failure to carry out the Board's orders had not been fixed.

106. In defence of the case, it was stated by the representative of the Railway Board that the rate in this case was not a station to station rate but a special rate agreed upon by the Railway Administration with the firm concerned. As the orders of the Railway Board issued in February 1950 restricted reductions of station to station rates only, it was apparently not taken into account when this case was decided in 1951. He admitted however that a careful reading of those orders would have revealed how they would affect the rate in the present case too. Delay in detecting this undercharge was also due to movement of files from one place to another consequent upon the reformation of Railways. It was therefore difficult to fix responsibility in the case.

**Para 16—Western (Ex-Saurashtra) Railway—Non-recovery of interest and maintenance charges for sidings**

107. The Auditor-General then pointed out that arrears on account of recoveries of siding charges were on the increase. The Committee desired to know whether this could not be prevented by refusing supply of wagons to the defaulters. The representative of the Railway Board stated that the arrears were accumulating mainly in the case of sidings which were under the control of ex-Saurashtra Railway and had since been transferred to Bombay State Government and that the whole question of recoveries in this case was a complicated one. The Committee asked the Railway Board to examine the feasibility of taking over such sidings under the control of the Ministry of Railways and desired them to submit a comprehensive note on this question.

**Para 17 of the Audit Report—Northern Railway—Unnecessary haulage of permanent way material**

108. Prior to regrouping, the Eastern Punjab Railway had a permanent way depot at Ghaziabad to which all materials were consigned by the suppliers. These were then despatched to the stations where

they were required. Supplies were mostly from Calcutta, Tatanagar and other stations on the eastern side and the arrangement was quite suitable. But the same system was adopted even in respect of supplies to destinations in the three divisions viz., Allahabad, Lucknow and Moradabad which were merged after regrouping of railways with the Eastern Punjab Railway. As a result, a large number of wagons containing permanent way material meant for use on these three divisions were rebooked to ultimate destinations in most cases by the same route by which they had to come to Ghaziabad. Unnecessary haulage of wagons involving freight charges estimated at nearly Rs. 15 lakhs since April, 1952 could have been avoided had the Administration continued the ex-East Indian Railway's practice of despatching the materials direct to the site of the work in the case of these three divisions in question.

109. It was stated by the Railway Officials in evidence before the Committee that the practice had since been discontinued and that a depot had been opened at Bechupura near Moghalsarai. The Auditor-General drew attention to a letter of 5th December, 1952 from the Deputy Chief Engineer, Northern Railway to the Accounts Officer from which it was evident that the Chief Engineer criticised the procedure and suggested direct supply from the firms in 1952 itself. However, no decision was taken in the matter for years. In reply to a question, the Chairman of the Railway Board stated that there was no officer in the Railway Board to watch and control movements of wagons and that it was the responsibility of Railway Administrations. The Committee desired that there should be a machinery to study the movements of wagons to detect such cases of unnecessary haulage.

**Para 18 of the Audit Report—Eastern Railway—Purchase of defective axle boxes from Italy**

110. Against indents placed on the India Stores Department, London by the Railway Board, an Italian firm supplied 312 axle boxes in 1951 to the Jamalpur Workshops. It was discovered in 1952 during the periodical overhaul of locomotives that these boxes were defective; 93 boxes were declared as unserviceable while the remaining 219 were stated to be in service on the locomotives. The matter was reported by the General Manager to the Railway Board in January, 1956 suggesting a claim for compensation from the suppliers. The question of defective inspection before despatch had been referred to the Ministry of Works, Housing and Supply.

The Committee observed that there was considerable delay in inspecting all the axles and in reporting defects in them to higher authorities. It was stated by the Chairman, Railway Board that by the time the defects were reported in November, 1953 the guarantee period of 18 months had already elapsed. The Auditor General, however, pointed out that the guarantee period had not ended when the defects were first noticed in 1952. Had prompt action been taken, the firm could have been held responsible for the defective supplies.

The Chairman, Railway Board stated that the Italian firm had agreed to make good the loss in respect of the boxes which had been rejected. The Committee were not happy about the delay in handling this case at almost every stage.

**Para 19 of Audit Report—Central Railway—Non-recovery of expenditure on freight of 150 locomotives**

111. An Officer was appointed as a temporary Engineer with effect from 11th November, 1942 in the scale of Rs. 350-25-450 on the ex-G.I.P. Railway. On 3rd July, 1950, the Railway Board issued an order that the officer should be confirmed with effect from 11th November, 1945 on completing the normal period of three years' probation and after passing all the departmental examinations and that his pay should be fixed in the *post-1931 scale under normal rules* and then refixed in the prescribed scale of Rs. 350-850 with effect from 1st January, 1947 or 16th August, 1947 according to the choice of the officer. Before the receipt of the above orders, the Railway Administration confirmed the Officer from 18th August, 1950 (as he had completed his departmental examination by that date) and fixed his pay at Rs. 470 in the prescribed scale from 1st January, 1947; treating the pay of Rs. 450 drawn by him in the scale of Rs. 350-25-450 as present pay for the purpose of pay fixation in the prescribed scale. (This was not in accordance with the orders of the Railway Board of 3rd July, 1950). A reference was therefore made on receipt of the above orders to the Railway Board by the Railway Administration in February, 1951 but the Railway Administration had paid a sum of Rs. 3093-9 on 1st August, 1950 as arrears due to him as a result of the above refixation of pay. The Railway Board ordered on 31st March, 1951 that the officer's pay should be fixed at Rs. 410 with effect from 1st January, 1947 and waived the recovery of the overpayment of Rs. 3913. In extenuation, it was urged by the representative of the Railway Board that the officer was recruited on a higher initial pay during the war in the scale of Rs. 350-25-450 and although the Board's order of March, 1951 was intended not to give such officers an adventitious benefit over others recruited in the same year, the Board have since decided to modify those orders.

The Committee then adjourned to meet again on 30th August, 1957.

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**Proceedings of the Fifteenth sitting of the Public Accounts Committee  
held on Friday the 30th August, 1957**

112. The Committee sat from 14.30 hours to 17.45 hours.

**PRESENT**

Shri T. N. Singh, *Chairman*

**MEMBERS**

2. Shri N. C. Laskar
3. Shri N. G. Ranga
4. Shri Radhelal Vyas
5. Shri A. C. Guha
6. Shri N. R. M. Swamy
7. Shri Upendranath Barman
8. Shri J. M. Mohammed Imam
9. Shri H. C. Dasappa
10. Shri Prabhat Kar
11. Shri N. Siva Raj
12. Shrimati Pushpalata Das
13. Shri P. T. Leuva
14. Shri M. Govinda Reddy
15. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller and Auditor General of India,  
New Delhi.*

Shri G. H. Po Saw, *Additional Deputy Comptroller and Auditor  
General of India (Railways), New Delhi.*

**SECRETARIAT**

Shri V. Subramanian, *Deputy Secretary.*

**WITNESSES**

*Ministry of Transport & Communications, Deptt. of Com. & Civil*

Shri D. C. Das, *I.C.S., Joint Secretary.*

*Ministry of Works, Housing and Supply*

Shri M. R. Sachdev, *I.C.S., Secretary.*

Shri J. C. Kumaramangalam, *Deputy Secretary.*

*Ministry of Railways (Railway Board)*

Shri P. C. Mukerjee, *Chairman.*

Shri J. Dayal, *Financial Commissioner for Railways.*

- Shri Karnail Singh, *Member, Engineering.*  
 Shri K. P. Mushran, *Member, Staff*  
 Shri K. B. Mathur, *Member, Transportation.*  
 Shri N. C. Deb, *Additional Member, Finance.*  
 Shri S. L. Visvanadhan, *Additional Member, Staff.*  
 Shri N. K. Roy, *Additional Member, Works.*  
 Shri W. Isaacs, *Additional Member, Mechanical.*  
 Shri S. R. Kalyanaraman, *Additional Member, Com.*  
 Shri C. T. Venugopal, *Director, Finance (Expenditure).*  
 Shri Y. P. Kulkarni, *Director, Establishment.*  
 Shri H. D. Awasty, *Director, Civil Engineering.*  
 Shri R. H. G. Da Cunha Dacosta, *Director, Mechanical Standards, Central Standards Office for Railways.*  
 Shri D. U. Rao, *Joint Director, Finance (Budget).*  
 Shri K. Ramachandran, *General Manager, Chittaranjan Locomotive Works.*  
 Shri B. Bhattacharya, *Dy. F.A. & C.A.O., C.L.W.*

APPROPRIATION ACCOUNTS OF RAILWAYS IN INDIA  
 1954-55 (RAILWAYS) AND AUDIT REPORT, 1956

**Para 20 of the Audit Report, 1957—Other cases of losses**

113. The Committee went rapidly through the various cases of losses reported in the Audit para and desired that the Railway Board should furnish to them notes in respect of these cases indicating the latest position in regard thereto. The Chairman summed up the position as follows:

- (i) there occurred great delays in taking disciplinary actions where necessary on the plea that compliance with the provisions in the Constitution was time consuming. Prompt action in such matters was desirable.
- (ii) The Administration itself should be able to detect irregularities before being pointed out by Audit.
- (iii) There were inordinate delays in disposal of cases. The Administration should be tightened up.

The Committee next took up outstanding recommendations in their earlier Reports for consideration.

**OUTSTANDING RECOMMENDATIONS**

**17th Report of the P.A.C.—Appendix II, item 13—Purchase of defective and unserviceable rails**

114. The Chairman observed that from the note furnished by the W.H.S. Ministry it transpired that in this case firstly the whole deal was handled by foreign employees in the India Supply Mission,

Washington, secondly in the process of handing over and taking over charge, the new incumbent was not apprised of this important purchase and thirdly the inspecting agency employed on behalf of India Government was the same as the one employed by the foreign suppliers. The Committee felt that suitable steps should be taken to avoid such lapses. In this connection they desired to have a note on the present system of inspection of purchases made abroad by Government.

**17th report of the P.A.C. Appendix III, item 11—Supply of defective cylinders**

115. The Chairman, Railway Board, informed the Committee that the manufacturers had offered to pay £10,000 in full and final settlement of the Government of India's claim, as a contribution towards the cost of rectification and replacement of defective cylinders. The cylinders were supplied according to the drawings and it was due to defects in the drawings that the cylinders supplied were defective and had to be rectified. The Chairman further added that it was considered feasible to accept the offer of £10,000 instead of taking legal action which might involve delay and which perhaps might not in the end be favourable to Government. The Committee after hearing evidence called for detailed note showing the latest position of the case.

**17th report of the P.A.C.—Appendix III, item 12—Avoidable expenditure on freight of 150 locomotives**

116. As the representative of the Ministry of Works, Housing and Supply had not with him all the relevant papers, the Committee desired him to send a detailed note on the case.

**17th report of the P.A.C.—Appendix III, item 18—Purchase of locomotive components in dollars instead of in sterling**

117. The Committee observed that in this case Government had incurred loss due to lack of proper technical advice. The Committee sought a note showing the latest position of the claims for damages against the U.K. firm.

**17th Report of the P.A.C. Appendix III, item 13—Purchase of Barsi Light Railway**

The Committee next took up item 13 for examination.

118. In extenuation of this case the Secretary of the Ministry of Transport and Communications stated that the Government Inspector of Railways had brought out the overage character of sleepers and other stocks in his report of 11th January, 1954 whereas the certificate signed by him on 7th January, 1954 was merely a routine one certifying 'good maintenance'. The Chairman, Railway Board stated that before taking the decision to purchase the Light Railway a special technical-cum-financial examination of the Railway had been conducted in 1952 by the Central Railway Administration. That

examination had not pointed out anything against the condition of the Railway. The Comptroller and Auditor-General, however, pointed out that as early as 1950 the Railway Board had information about the programme of renewal of sleepers in this Railway at the rate of 10 miles per year for the next 5 years and in fact the Government Inspector had drawn attention to such renewals during 1950-51 and 1951-52 in his inspection reports for these years. Thereupon the Chairman observed that the case should have been scrutinised more carefully by the Railway Board. The Chairman, Railway Board stated that the case was dealt with at a high level. The Chairman desired that all the relevant papers regarding what happened prior to the purchase of the Railway should be shown to him.

**17th Report—Appendix III item 25—Prices of Telco Locomotives**

119. The Committee next took up the outstanding recommendation regarding manufacture of locomotives and boilers by Telco. Opening the discussion, the Chairman remarked that the Committee were greatly concerned over this issue from as far back as 1950. They had been very critical in the past regarding the various clauses of the agreement, the rate at which production was progressing, the accounting and pricing procedure of Telco and other cognate matters. The Committee were assured that necessary action would be taken by the Railway Board on these recommendations to safeguard the financial interests of Government. The Committee desired to know why the Tariff Commission had been asked to determine a suitable price in this case when a contract was subsisting between the Telco and the Railway Board for about 10 years. They were informed that the Railway Board felt that the Tariff Commission, a semi-judicial body with its expert advisers, would be able to do the expert examination thoroughly. In reply to a question whether the Government case had been presented to the Tariff Commission in all its aspects, the representative of the Railway Board stated that the blue book circulated to the Members of the Committee set out the case fully and it was also seen by Audit. The Chairman observed that the blue book required very careful study and for the benefit of Members he desired the Railway Board to furnish the following information:—

- (i) The price at which the Singhbhum factory was sold to Tatas; whether it was considered a fair price?
- (ii) Although the agreement with Telco did not stipulate normal and double depreciation that should be charged what were the considerations for agreeing to this through exchange of letters?
- (iii) Is it a fact that under the existing pricing system, 90 per cent. of the cost of the factory had been paid to Tatas by Government on account of excessive payments made to the company by way of prices of locomotives and boilers?
- (iv) To what extent the equipment for locomotive production is being utilised by non-Loco Works?

- (v) On what considerations the question of pricing was taken to the Tariff Commission for examination and at whose instance?
- (vi) Do Tata Industries Ltd. enjoy commission as agents of the German Firm M/s. Krauss Maffei? If so, at what rate and how far the payment of this commission affects the prices of locomotives? Were the Railway Board apprised of this arrangement by Tatas?
- (vii) At what prices steel is being supplied to Telco by Tisco?
- (viii) What would be the financial implications in case it would be decided to take over the undertaking as a National concern?

The Railway Board promised to supply the information.

The Committee next decided to hold another sitting to examine the question again after receipt of the necessary literature.

The Committee then adjourned.

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**Proceedings of the Forty-third sitting of the Public Accounts Committee held on Tuesday, the 1st April, 1958.**

The Committee sat from 15.00 hours to 17.15 hours.

**PRESENT**

Shri T. N. Singh, *Chairman*

**MEMBERS**

2. Shri Ram Subhag Singh
3. Shri Radhelal Vyas
4. Shri A. C. Guha
5. Shri N. R. M. Swamy
6. Shri H. C. Dasappa
7. Shri N. Sivaraj
8. Shrimati Pushpalata Das
9. Shri P. T. Leuva
10. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller & Auditor General of India*

Shri G. H. Po Saw, *Additional Deputy Comptroller and Auditor General.*

**SECRETARIAT**

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

The Committee considered their draft Report on the Appropriation Accounts (Railways), 1954-55 and Audit Report, 1956 and approved the same with certain modifications here and there.

The Committee authorised the Chairman to present this Report on their behalf to the Lok Sabha.

The Committee also authorised Shri P. T. Leuva to present this Report to the Rajya Sabha.

The Committee then adjourned.

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## **APPENDICES**

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## APPENDIX I

### Statement showing action taken or proposed to be taken on the previous recommendations of the Public Accounts Committee (Railways)

Sl. No.	Para No. of the Report	Ministry/ Department Concerned	Particulars of item	Remarks of the Ministry	Comments of the Committee
1	2	3	4	5	6
1	83 (XIII)	Railways	The Committee had recommended in para 83 of their 13th report that they should like to watch further results in the matter of economy effected by the re-grouping of Railways. They at the same time suggested that the Railway Board should evolve some method by which to segregate the financial effect, if any that may have arisen out of the regrouping. As it was stated by the Railway Board that the question of evolving a method for segregating the financial effect of regrouping was under consideration in consultation with audit, the Committee awaited for a further report.	<p>A memorandum has been submitted (<i>See Appendix XXI.</i>)</p> <p>It is not possible to determine the exact value of the economies achieved by re-grouping.</p>	No Comments.



1	2	3	4	5	6
2	4(XVII) Introduction	Railways All other Ministries	<p>Delays in the submission of notes containing information called for by the Committee not only hamper the work of the Committee but also in many cases involving serious financial and procedural irregularities prevent them from recording their findings in time on merits, or otherwise of such cases. The Committee strongly disapprove of such delays. They also view with like disfavour the submission of notes at the last moment. The Committee, therefore, emphasize that as already recommended by them in para 5 of Introduction to their 16th Report, the Ministries concerned should make it a point to submit the notes etc. called for by the Committee by the prescribed dates. In cases, where it is not possible to adhere to these dates, the Ministries should invariably inform the Committee before-hand the special circumstances which prevented them from furnishing the requisite information by the specified dates. To enable</p>	<p>The Committee's observations have been noted in the Ministry of Railways and the Railway Administrations have also been suitably instructed in the matter. (App. XXII)</p>	<p>The Committee observe that delays still occur in the submission of notes and desire that the period prescribed in para 5 of the Committee's 16th Report for submission of notes should be strictly adhered to.</p>

them to fulfil this requirement, the Railway Board should impress upon the various Railway Administrations that priority should be given in the matter of supplying to the Board information called for by the Committee.

3	5 (XVII) Introduction	Railways <hr/> Finance.	An early decision should be arrived at in the matter of action to be taken when expenditure had been incurred without the sanction of the competent authority and <i>ex-post-facto</i> sanction thereof was refused by the Ministry of Finance or the Finance Branch of the Railway Board's office, as the case may be, as suggested by the committee in para 5 of their Thirteenth Report (1954-55).	The procedure in this matter is being evolved by the Ministry of Finance (Appendix XXII).	The matter is under the examination by the Committee.
4	5 (XVII)	Railways	The Excess over the seven voted grants which occurred in the year under report, as referred to in para 5 (iv) of the Report be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.	The demands for excess grants has already been placed before Parliament (See Appendix XXII).	No comments.
5	6 (XVII)	Railways <hr/> All other Ministries.	The procedure for debiting the cost of materials intended for various works to the accounts of those works much in advance of the physical movement of the stores from the stores Depots is	Necessary instructions have been issued by the Railway Board to the Railways. (Appendix XXII).	No comments.

highly objectionable as it results in fictitious adjustments in the accounts and is attendant with grave risks of fraud, embezzlement etc.

The Railway Board should impress upon all Railway Administrations the need to ensure that such an irregularity does not occur in future and that issue of stores, especially in the month of March is confined to what can reasonably be expected to be utilised and despatched before the end of that month.

6 7 (XVII)

Railways  
 All other Ministries.

The Committee would once again reiterate the recommendations made by them in the recent years that a suitable procedure should be devised by the large spending ministries like the Ministry of Railways, whereby they should be able to ascertain telegraphically, if necessary from the Purchase Missions abroad about the precise position in regard to the supplies within the financial year and estimate the total requirements as accurately as possible

Note submitted by the Ministry of Railways (App. XXIII). Necessary steps are being taken in this regard.

No comments.

In the opinion of the Committee the position should improve if the Railway Adviser attached to the Indian High Commission in London is entrusted with the task of chasing the indents placed with the various suppliers and manufacturers in the U. K. and the Continent and thus keeping a constant progress check over them.

7 8 (XVII)	Railways	<p>(i) Proper vigilance on the use of savings for the commencement of any new work not contemplated in the original budget should be exercised.</p> <p>(ii) In the future Reviews on the Appropriation Accounts (Railways), the Railway Board should split up the important savings under the various Grants into suitable categories <i>e.g.</i>, non-receipt of supplies and/or debits therefor, slow progress of works etc. and give details under each category to enable the Committee to appraise the overall utilisation of savings properly.</p>	<p>(i) This recommendation is linked up with the general question raised in para 10 of the 13th report of the Committee which is under consideration by the Ministry of Finance in consultation with the other Ministries and the Railway Ministry would await the decision. (See Appendix XXII).</p> <p>(ii) Noted for compliance (App. XXIV).</p>	<p>Further developments awaited.</p> <p>No comments.</p>
8 9 (XVII)	Railways	<p>The question of recovery of the freight amounting to Rs. 10 lakhs paid in excess to the Indian Com-</p>	<p>See (App. XXV &amp; XXVI). The matter has been taken up with the firm.</p>	<p>Further developments are awaited.</p>

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pany, as commented upon in Para 8 of the Audit Report ((Railways), 1955 has been very much delayed. It should be pushed to an early decision and a detailed note submitted to the Committee as soon as the settlement with the firm has been arrived at.

9 23 to 28 Railways  
(XVII)

The Committee should be informed of the result of the claim for compensation from the manufacturers for the supply of defective cylinders to be lodged by the Director General, India Store Department, London.

The matter is still being pursued by the Ministry. Note from the Ministry is at Appendix XXV.

Further developments awaited.

The Committee are surprised that this reputed firm of manufacturers should advance the absence of a formal guarantee clause in the agreement as an argument for repudiating the claim for defective supply of cylinders, as under the established custom and usage in trade, the manufacturing firm was bound to deliver supplies which were free from defect.

As regards the responsibility of the Consulting Engineers in the above case and of the other firm which supplied cylinders direct to the Chittaranjan Locomotive Works, the Railway Board should examine the legal aspects of the matter in consultation with Director General, India Store Department, London and take further action to claim compensation from them.

to 48 (XVII)

Railways

C. & A. G.

The progress made in effecting recovery of the outstanding amount on account of interest and maintenance charges for sidings provided by the Western Railway in the ex-Saurashtra Rly. region should be indicated in the subsequent year's Audit Reports.

Railway Board stated that it is noted that the information should be indicated through Audit report. The W. Rly. Administration has been instructed to see that the figures are duly verified by the Chief Auditor. (Appendix XXII).

No comments.

The C.&A.G. has stated that the progress made upto 1-9-56 in effecting recoveries of the outstanding amounts will be indicated in Audit Report, 1956.

1	2	3	4	5	6
11	52(XVII)	Railways	The action taken against the officials who were responsible for working out, proposing and accepting the erroneous assessment of the number of cleaners required in the Loco. Running Sheds, which resulted in an excess expenditure estimated over Rs. 2 lakhs, should be intimated to the Committee.	Note received (App. XXVII). The matter is under examination.	Further developments awaited.
12	64 (XVII)	Railways, Communications, D.G. P.&T.	An early settlement should be made between the Railways and Posts and Telegraphs Departments about the revision of the rates of haulage of postal and non-postal vehicles run for the exclusive use of the Postal Department which has been pending for more than 16 years.	A settlement has been reached on the question of rates of haulage of postal vans and the revised rates will be effective from 1-4-56 (App. XXII).j	No comments.
13	68 (XVII)	Railways	A report about the finalisation of the lease in respect of the hiring of a portion of the Esplanade Mansions, Calcutta for the Public Relations and Publicity Offices which had been outstanding for the last 10 years should be furnished to the Committee in due course.	Note received (Appendix XXII). The lease agreement for the Esplanade Mansion has since been signed by the Life Insurance Corporation of India.†	No comments.

14 69 (XVII)	Railways	The Committee would draw the attention of the Railway Board to the recommendations made by the Railway Convention Committee of 1954 in Para 25 (b) of their Report and emphasise that the Railway Board should urgently look into the matter of assessment of rent in regard to the class III and class IV staff quarters and thus ensure that a fair return of rent commensurate with the capital cost is obtained on all residential buildings.	Note received (Appendix XXV).  The Question is being examined by the Railway Board.	Further developments awaited.
15 70 (XVII)	Railways	A report about the amount of claim on account of repairs and maintenance charges recoverable in respect of vehicles reserved for the exclusive use of the Ministry of Defence as outstanding on 31-3-56 and the steps taken to ensure recovery thereof 'should be furnished to the Committee in due course.	Note received (Appendix XXVIII). The matter is being pursued	Further developments awaited. 8
16 71 (XVII)	Railways	The Committee should be informed of the steps the Railway Board contemplate to effect recovery of Rs. 1.07 lakhs outstanding from a firm of con-	Note received. (Appendix XXIX). Negotiations with the firm started with a view to settle the matter.	Further developments awaited.



1	2	3	4	5	6
17	72 (XVII)	Railways	<p>ractors which was working the Shillong outagency on the Old Assam Railway.</p> <p>In the interest of current work, the Railway Board should evolve an <i>ad hoc</i> procedure in consultation with Audit whereby the following arrears which date back to ten years or so and which are not readily susceptible of verification with the vouchers in the Accounts Department at such a distant date can be liquidated :</p> <p>(a) Incomplete and inaccurate postings in Works Registers remaining to be set right ;</p> <p>(b) Reconciliation of Accounts Office Works Registers with Departmental Works Registers to be completed ;</p> <p>(c) Rectification of the differences revealed by the reconciliation of Accounts Office Works Registers with Departmental Registers.</p>	<p>Note received (App. XXX). The matter is being examined.</p>	<p>Further report awaited.</p>
18	80 (XVII)	Railways	<p>The Committee look forward to see further reduction in the scale of remissions in relation to</p>	<p>As would be observed from para 67 of the App. Accounts Part-I Review</p>	<p>Further progress would be watched.</p>

the accruals of demurrage and wharfage charges as a result of the measures taken by the Railway Board.

for 1954-55 the percentage of remission has registered a further Improvement from 20.54% in 1953-54 to 19.76% in 1954-55. Details of such figures would continue to be included in the App. Accounts (Appendix XXII).

19 84(XVII) Railways  
Labour

The implications arising from the recommendations made by the Committee in the matter of amendment of the Payment of wages Act to ensure the recovery of traffic debits from the station staff should be carefully examined at an inter-Ministerial meeting and the matter expedited. In the meantime, the Committee should like to know the extent of improvement effected in the recovery of outstanding of traffic debits since the Committee last examined this matter.

Note received from Rly. Board (App. XXXI). Note received from Ministry of Labour states that the proposal for amendment of the Payment of Wages Act, 1936 to permit deductions for recovery of traffic debits (for loss on account of counterfeit or base coins and mutilated or forged notes accepted by the staff) has been included in the second batch of amendments which has been referred to the various interests concerned. Finalisation of the amendment will, however, take time. (Note received with Ministry of Labour No. B & AG (30)/56 dated 27.11.56). Further progress would be watched.

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20	84 (XVII)	Railways	<p>The Committee trust that necessary machinery would be set up, if not already in existence, to screen cinders of below <math>\frac{1}{2}</math>" size and to prevent the fraudulent admixture of cinders of <math>\frac{1}{2}</math>" size and above with that below <math>\frac{1}{2}</math>" in the Railway sheds to ensure against any malpractices.</p>	<p>Machinery already exists in the Fuel Control Organisation on each Railway for carrying out periodic checks on cinders recovered from coal ashes. However, the Committee's observations have been brought to the notice of the Rly. Administrations with the instructions to arrange for surprise checks of Fuel Inspectors in addition to periodic tests to guard against hidden cinders of <math>\frac{1}{2}</math>" size and above in ash dumps and to prevent fraudulent admixture of cinders below <math>\frac{1}{2}</math>" size of raw coal broken to cinder size with cinders of <math>\frac{1}{2}</math>" and above. (App. XXII).</p>	No Comments.
21	85 (XVII)	Railways	<p>In the case relating to overpayment of special pay on the Central (ex-G.I.P.) Railway amounting to Rs. 8,829 referred to in paras</p>	<p>It has been decided that the Board's displeasure should be conveyed to the Dy. General Manager (Per-</p>	No comments.

195-196 of the 13th Report a further report about the disciplinary action taken against the persons responsible should be submitted to the Committee.

sonnel) concerned for his carelessness in having issued an incorrect sanction and that the Senior Accountant concerned of the Accounts Department should be reduced from his post to that of a Junior Accountant for a period of one year for his negligence in having allowed payment of special pay to the staff without ascertaining whether the sanction of competent authority had been obtained. (Appendix XXII).

## APPENDIX II

### Summary of the main conclusions/Recommendations of the Fourth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) 1954-55.

Serial No.	Para No of the Report	Ministry or department concerned	Conclusions/Recommendations
1	2	3	4
1	5 (Introduction)	Railways <hr style="width: 100px; margin: 0 auto;"/> W.H.&S.	The irregularities and financial losses referred to in paras 40 and 70 of the Report disclose laxity in the administration of Purchasing Organisations abroad. A tightening up of the Organisations and exercise of greater vigilance over all purchases of stores are very necessary at this Juncture
2.	6 (Introduction)	Railways	The Committee have suggested a basis for fixing of prices of locomotives manufactured at Telco in para 65 of their report.
3	7 (Introduction)	Railways <hr style="width: 100px; margin: 0 auto;"/> All Ministries	The Committee notice that in spite of repeated observations in the past, there are long delays in submission of Notes/Memoranda by the Ministries. Such delays result not only in dislocating the programme of business of the Committee, but due to lapse of time, the criticisms and suggestions in respect of some of the vitally important procedural and financial issues lose much of their force.
4	5	Railways	The excesses over the eight voted grants which occurred in the year under report as referred to in para 5 of the Report be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.
5	9	Do.	In the Committee's opinion, the General Manager of the East Indian Railway had not only erred in his judgement in not paying attention to the objections raised by

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Audit in 1948, but had acted in an irresponsible way in continuing to make payments of large sums to the Company twice *i.e.* in 1951 and 1952. Equally, the Chief Accounts Officer erred in making these payments without the sanction of the competent authority, although in such cases provisional payments were not permissible under the Rules. The Committee consider that the Railway Board were not also blameless in the matter as they took nearly two years (July 1952 to Jan. 1954) to reach a decision. Because of this delay the payment had to be continued for a further period of 2 years.

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| 6 | 13      | Railways | The Committee deprecate the system of provisional payments as it involves a number of complications <i>e.g.</i> difficulty in recovery of overpayments due to Payment of Wages Act, etc.   |
| 7 | 16      | Do.      | The Committee are distressed to see the great negligence in appointing the eight harnals in Western Railway although according to the terms of contract the work was to be performed by the contractor. The Committee learn that the disciplinary aspect of the case is under examination of the Railway Board and they would like to point out in this connection their oft-repeated observation that disciplinary action to be effective must be prompt and speedy.  |
| 8 | 18 & 19 | Do.      | The Committee feel that undue emphasis on previous experience of contractors would cut across the very principle of inviting open tenders and by shutting out all new-comers, it would tend to create monopolistic tendencies. The Committee trust that the instructions issued by the Railway Board in January, 1956 in pursuance of para 72 of their Thirteenth Report would be strictly adhered to. The Board have impressed therein the need for allowing the prescribed period of notice for submission of tenders. The Committee desire that sufficient notice should also be given in cases where the |
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			specifications in a tender have undergone changes and fresh tenders called for in cases where the modifications are major in character warranting such a course.
9	22& 23	Railways <hr/> Central Standards Office	The Committee are surprised to observe that the safety margin of 1.25 tons for furnishings which was usually allowed in wooden coaches was not provided in the case of these metal coaches. It is regrettable that an expert Organisation like the Central Standards Office should have committed such a serious error in a matter which ultimately involved the safety of thousands of railway passengers. The Committee suggest that an investigation should be made into this case and responsibility fixed.  The Committee also feel that the working of the Central Standards Office requires looking into.
10	26—27	Railways	The Committee regret to observe that in this case, failure to take the ordinary precaution of settling the terms with the Colliery before construction of the sidings had resulted in an unsatisfactory situation. They would urge that the matter should be investigated and responsibility fixed for this omission, and for the inordinate delay in settlement. They would also like to be informed of the action that is being taken by the Ministry to effect recovery of Rs. 1,46,630 from the Colliery.  The Committee expect that the change over to uniform rates for siding charges would be completed by the end of June, 1958 by which time they hope to take up examination of the next Railway Accounts.
11	30	Do.	The Committee appreciate the need for encouraging Co-operative Organisations, but they feel that being a Commercial Department, the Railways should not ignore business principles.  They are also distressed to see the long delays on the part of the Railway Board in taking decisions in this case and desire that the case should be settled without further delay.

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12	33	Railways	The Committee are surprised that some of the old concessions obtaining on the <i>ex-State</i> Railways are being continued even after three to four years after their integration. It is time the Railway Administration reviews the position completely and introduces uniformity in rates.
13	36	Do.	The Committee desire that the Railway Board should examine the feasibility of taking over assisted and private sidings on the <i>ex-Saurashtra</i> Railway (now merged in Western Railway) from the Bombay State and bringing them under the control of the Railway Board.
14	38—39	Do.	<p>The Committee feel that obviously the economic utilisation of Railway stocks should be the responsibility of the Railway Board.</p> <p>The Committee are surprised that in spite of the suggestion of the Deputy Chief Engineer to curtail unnecessary wagon-movements as early as 1952, the Railway Administration did not take any steps to stop the infructuous expenditure and was dilatory in dealing with the matter. They desire that the Railway Board should impress upon the Railway Administration the need for prompt action which would go a long way in avoiding unnecessary expenditure.</p>
15	44	Do.	<p>The Committee observe from the Audit-Report that in this case a visual examination revealed the casting defects. They are therefore led to conclude that the inspection carried out by the firm in London at the time of purchase was perfunctory. The Committee desire that the matter should be pursued further and responsibility fixed.</p> <p>The Committee wish to emphasize that the relevant clauses in the contracts should be tightened up further so as to fully safeguard the tax-payer's money.</p>
16	45	Railways	The Committee desire that the cases referred to in para 20 of the Audit Report 1956 should be progressed without any further



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			delay and the result of the investigation communicated to them. They also emphasize that cases involving disciplinary action should be disposed of quickly.
17	47	Railways	The Committee would like to be apprised of the settlement of the case mentioned in para 21 of the Audit Report, in due course.
18	65	Do.	It is stated in the Tariff Commission's report that according to an experienced British firm the total ex-works cost of a YP locomotive is normally 76% of a WG locomotive. The Committee trust that applying this formula, 76% of the cost of a WG locomotive manufactured in Chittaranjan would form a reasonable basis for fixation of prices of Telco locomotives during the price periods from 1-4-58 onwards.
19	68	Do.	The Committee see no reason to change their previous conclusions in this case (Purchase of the Barsi Light Railway). The Committee observe that in this case either proper thought was not given to this matter before the date of expiry of the date for giving notice to the company and the failure to do so was noticed late or the right of the Railway Board to put in a claim was overlooked.
20	74	Do.	The Committee find it difficult to arrive at the correct position in the absence of proper records. They have previously drawn attention to the necessity of keeping proper records of all decisions in the absence of which responsibility cannot be fixed when losses are incurred, <i>vide</i> their 23rd Report, App. I item 15.  The Committee can do no more than re-iterate their earlier recommendations in this case.
21	81	Railways W.H.&S.	The results of the inquiry conducted by the Ministry reveal that the whole case was being dealt with by a very junior official locally recruited who not only exceeded

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			his authority but also encroached upon the functions of other officials. The Committee cannot help observing that the Head of the Supply Mission who had since resigned was responsible for this state of affairs by allowing his subordinate to have things in his own way, quite oblivious of his own overall responsibility.
22	82	Railways	The Committee observe that there was great delay in finalising this case and would like to impress for future the need for prompt action in such cases.
23	84	<u>Railways</u> W.H. & S.	The Committee desire that the question of claiming damages from the manufacturers for delay in delivery should be looked into. They regret to observe that although more than 20 months had elapsed, the Ministry of W.H. & S. have not finalised action on this. The Committee wish that this case should be pursued expeditiously.

