

**INJUDICIOUS LEASING
OF AIRCRAFT**

**MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

HUNDRED AND NINTH REPORT

1952-53



HUNDRED AND NINTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1995-96)

(TENTH LOK SABHA)

INJUDICIOUS LEASING OF AIRCRAFT

MINISTRY OF RAILWAYS
(RAILWAY BOARD)



सत्यमेव जयते

Presented to Lok Sabha on 26.8.1995
Laid in Rajya Sabha on 26.8.1995

LOK SABHA SECRETARIAT
NEW DELHI

August, 1995/Bhadra, 1917 (Saka)

P.A.C. No. 1486

Price : Rs. 30.00

© 1995 BY LOK SABHA SECRETARIAT

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Seventh Edition) and Printed by the Manager, P.L. Unit, Government of India Press, Minto Road, New Delhi.

CORRIGENDA TO THE 109TH REPORT OF PAC (10TH LOK SABHA)

PAGE	PARA	LINE	FOR	READ
10	41	3	mooting	mooting
10	41	12	establishments	establishments
12	45 (Sl.8)	4 from bottom	trial of affected	trial of aircraft
13	After Para 46	Bold line	flying house	flying hours
13		5	Add Para No.47 at the beginning of 'As has already.....',	
13	52	6	onte	note
17	75	2	started	stated
22	96	11	operating	operating
30	124	19	Railways	Railway
37	Appendix II (Sl.No.2 of 1993-94)	-	Delhi-Chitradurga	Delhi-Chandigarh
38	Sl.No.5	under heading	-	Add * mark
40	Appendix III - (Sl.Nos.8 & 9)	Expenditure	Add Flying Time 4.00 hrs.	
64	Sl.No.3 (Para 117)	12	acceptabel	acceptable

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1995-96) . . .	(iii)
INTRODUCTION	(v)
REPORT	1
APPENDIX I Paragraph 4.1.3 of the Report of the C & AG of India for the year ended 31 March, 1994, No. 10 of 1995, Union Government (Railways)..	34
APPENDIX II Statement showing details of flights chartered by Ministry of Railways for purposes other than visiting accident sites during 1992-93 and 1993-94	37
APPENDIX III Statement showing details of journeys per- formed in IRCON's aircraft during the period 11.5.1994 to 31.5.1995.....	39
APPENDIX IV The details of annual fixed charges showing the comparative position as originally agreed to for 1994-95, as revised subsequently and as pro- posed for 1995-96.....	57
APPENDIX V Relevant extract of Schedule-D of the Balance sheet of IRCON	59
APPENDIX VI The details of the total liability to Railways due to leasing of aircraft.....	60
APPENDIX VII The list of aircrafts/helicopters purchased by different PSUs under the various Ministries registered with the DGCA.....	61
APPENDIX VIII Conclusions and Recommendations	63

PART II*

Minutes of the sittings of Public Accounts
Committee (1995-96) held on 14.7.1995 and
23.8.1995

*Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(1995-96)

Shri Ram Naik — *Chairman*

MEMBERS

Lok Sabha

2. Dr. F. Azam
3. Kumari Mamata Banerjee
4. Shri Anil Basu
5. Shri Dileep Singh Bhuria
6. Shrimati Maragatham Chandrasekhar
7. Shri Gopi Nath Gajapathi
8. Dr. K. D. Jeswani
9. Maj. Gen. (Retired) Bhuwan Chandra Khanduri
10. Shri Peter G. Marbaniang
11. Shrimati Geeta Mukherjee
12. Shri Shravan Kumar Patel
13. Shrimati Vasundhara Raje
14. Shri V. Krishna Rao
15. Shri Magunta Subbarama Reddy

Rajya Sabha

16. Shri Rahasbihari Barik
17. Shri Triloki Nath Chaturvedi
18. Shri Misa R. Ganesan
19. Shrimati Chandrika Abhinandan Jain
20. Shri Ajit P. K. Jogi
21. Shri Rajubhai A. Parmar
22. Shri G. G. Swell

SECRETARIAT

1. Shri S. N. Mishra — *Additional Secretary*
2. Shri G. C. Malhotra — *Joint Secretary*
3. Smt. P. K. Sandhu — *Director*
4. Shri P. Sreedharan — *Under Secretary*
5. Shri Rajeev Sharma — *Assistant Director*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Ninth Report on Paragraph 4.1.3 of the Report of the Comptroller & Auditor General of India for the year ended 31 March, 1994 (No. 10 of 1995), Union Government (Railways) relating to Injudicious Leasing of Aircraft.

2. The Report of the Comptroller & Auditor General of India for the year ended 31 March, 1994 (No. 10 of 1995), Union Government (Railways) was laid on the Table of the House on 9 May, 1995.

3. With a view to ensuring ready availability of an aircraft in exigencies such as accidents, natural calamities etc., the Ministry of Railways obtained a supplementary token provision of Rs. 0.50 lakh for payment of an interest free advance to Indian Railway Construction Company Limited (IRCON) to enable them to procure a suitable aircraft to meet the mutual requirements of Railways and IRCON. Subsequently, the Railway Board provided an interest free advance of Rs. 15 crore to IRCON for the purchase of the aircraft. The aircraft was received at Delhi Airport on 11 May, 1994 and was thereafter hired by Railways for their uses. The Committee's examination of the audit paragraph brings out certain revealing aspects arising out of the acquisition and the utilisation of the aircraft. Briefly, these aspects are : non preparation of detailed justification of acquisition, association of IRCON for its operation and maintenance, extra payments to IRCON due to incorrect computation of capital costs and depreciation charges etc., excessive flying hours guaranteed for the utilisation of the aircraft and above all unregulated uses of the aircraft etc. The Committee have not been convinced with the arguments adduced by the Ministry of Railways either for justification of the acquisition of the aircraft or about its utilisation for purposes other than for those intimated to Parliament while obtaining the supplementary grant. While expressing their displeasure over the same, the Committee have desired that in the light of the facts stated in the Report, Government should look into the matter thoroughly with a view to regulating acquisition of such aircraft by Ministries/Departments or their associated bodies in future and also enforcing stricter financial discipline before undertaking such costly transactions.

4. The Audit Paragraph was examined by the Public Accounts Committee at their sitting held on 14 July, 1995. The Committee considered and finalised this Report at their sitting held on 23 August, 1995. Minutes of the sitting form Part II* of the Report.

*Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

(vi)

5. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix VIII to the Report.

6. The Committee would like to express their thanks to the Officers of the Ministry of Railways (Railway Board) for the cooperation extended to them in giving information to the Committee.

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

NEW DELHI;
25 August, 1995

3 Bhadra, 1917 (Saka)

RAM NAIK,
Chairman,
Public Accounts Committee.

REPORT
INJUDICIOUS LEASING OF AIRCRAFT

I. Audit Paragraph

This Report is based on the examination of paragraph 4.1.3 of report of Comptroller and Auditor General of India for the year ended 31 March, 1994, No. 10 of 1995, Union Government (Railways) relating to "Injudicious leasing of aircraft" which is reproduced as Appendix-I.

2. The Ministry of Railways obtained a supplementary token provision of Rs. 0.50 lakh from Parliament in August 1993 for payment of interest free advance to Indian Railway Construction Company Limited (IRCON) for procurement of an aircraft with a view to ensuring its ready availability in exigencies such as accidents, natural calamities etc. to meet the mutual requirements of Railways and IRCON. The Railway Board provided an interest free advance of Rs. 15 crore to IRCON in February 1994 after re-appropriating Rs. 14.995 crore from the provisions made in the budget estimates for 1993-94. The aircraft was received at Delhi Airport on 11 May, 1994.

3. The Audit have raised the following points in the paragraph under examination:

(i) Non-preparation of detailed justification

The Railway Board did not prepare detailed justification for the aircraft showing expected level of its utilisation as desired by their Financial Commissioner in June, 1993.

(ii) Failure to get discounted operating tariff

The payment of interest free advance of Rs. 15 crore to IRCON involved financial implications of Rs. 14.62 crore to the Railways over a period of 10 years. The Railways did not get the benefit of discounted operating tariff.

(iii) Utilisation of aircraft for other purposes

49 out of 51 journeys made by the aircraft upto 2nd October, 1994 were to destinations which were connected by regular IAC flights. None of the visits was for the purpose for which the aircraft was procured.

(iv) Additional liability to Railways due to acquisition of aircraft

Against the average annual expenditure of Rs. 51 lakh on hiring of chartered/commercial flights during 1990-91 to 1992-93, the Railways now have to bear liability of Rs. 4.37 crore per annum on account of interest on advance, fixed cost and variable costs.

The total liability that will devolve on the Railways for leasing of aircraft from IRCON would amount to Rs. 38.77 crore in terms of accepted conditions.

- (v) Extra payments due to incorrect calculations of annual fixed charges

The adoption of inflated capital cost, depreciation and inclusion of insurance charges involved extra payment of over Rs. 67.47 lakh per annum by the Railways to IRCON.

- (vi) Excessive flying hours guaranteed for utilisation of the aircraft

The guarantee given by Ministry of Railways to IRCON for utilisation of aircraft for minimum flying hours per annum was excessive.

4. The various aspects arising out of the audit paragraph are discussed in the succeeding paragraphs.

II. Genesis of the proposal for acquisition of aircraft

A. General

5. According to the information made available to the Committee by the Ministry of Railways, the proposal for acquisition of an aircraft through IRCON was initiated by the Railway Board in March, 1993 and the specific needs visualised for the use of aircraft at the time of mootng the proposal were:

- (a) Ready availability at a short notice to reach the site of accident and natural calamities etc.
- (b) Ready availability for other Railways' use having many advantages, some of them quantifiable directly, others indirectly in terms of cost saving due to saving of time of members of the Government and senior executives, travel at short notice with flexibility of time and avoiding waiting time at airports and the problem of connecting flights and inconvenient timings.

6. The Committee enquired as to how the Ministry of Railways had met their requirement of air journeys in exigencies in the past. In their reply, the Ministry of Railways stated that besides commercial flights, the Ministry were arranging chartering of Indian Airlines or private airlines and IAF aircraft and helicopters for undertaking journeys by air to reach the accident sites and in connection with other natural calamities in the past.

7. According to the Ministry of Railways, the agencies from whom aircraft/helicopters were arranged by them in the past were as follows:

- (i) Border Security Force
- (ii) Indian Air Force (IAF)
- (iii) Oil and Natural Gas Commission
- (iv) Steel Authority of India
- (v) Pawanhans

(vi) Indian Airlines

(vii) Archana Airways

(viii) UB Air Pvt. Ltd.

8. In reply to a question whether the Ministry experienced any difficulties in obtaining the aircraft for their emergency use from the various agencies, the Ministry of Railways in their note stated that the following difficulties in general were experienced by them in arranging aircraft from the various agencies mentioned in the preceding paragraph:

- (i) Prime Minister's personal approval is a pre-requisite for chartering of IAF aircraft/helicopters in case Ministers were to travel.
- (ii) Prior approval of Ministry of Defence is required in all cases.
- (iii) Air Force authorities require a minimum of three hours' notice in writing for arranging the flight.
- (iv) PMO/Defence/Air Force authorities insist on written requests for chartering the aircraft which delays the process especially at odd hours.

9. Elaborating further on the experience of the Ministry in obtaining aircraft from various agencies, the Chairman, (Railway Board) also informed the Committee during evidence:

".....Our earlier experience of trying to take aircraft on lease or hire from other agencies including the Air Force was not very happy. We had to give written notice, a written request. We had to take permission from the Ministry of Defence and the Prime Minister's Office."

10. In this context, the Committee desired to know whether the delays in obtaining the IAF aircraft had hampered the proposed purpose of the Railways in meeting the emergencies in the past. In their post-evidence note, the Ministry of Railways replied in affirmative and *inter-alia* stated as follows:

"In some cases, the visits to accident site had to be postponed to next day as the clearances were received late and it was not possible to undertake a journey due to non-availability of night landing facilities in the relevant airfields. Details of all such cases have not been maintained. However, as an example on 17.2.94, the then Minister of State of Railways and Member Traffic who proposed to visit a train accident site at Indore by IAF aircraft, could not do so as necessary clearances/approvals were received only after 18.30 hrs. *i.e.* after a delay of about 7 hrs."

11. In respect of the above mentioned case it is seen from the information furnished by the Ministry to the Committee that the accident had occurred a day earlier *i.e.*, on 16 February, 1994 at 17.23 hrs.

and the Ministry of Railways had taken over 18 hours to requisition IAF aircraft as their request to Ministry of Defence (Air Headquarters) was sent only at 12.40 hrs. and that to the Prime Minister's Office at 14.30 hrs. on 17 February, 1994.

12. On being enquired whether the Ministry specifically brought such cases of delay to the notice of the authorities concerned, the Ministry of Railways in their note stated:

"Such cases, however, were not brought to the notice of concerned authorities as in this Ministry's perception such delays are due to pre-occupation of approving authority with other more urgent matters or non-availability of approving authority."

13. As regards the difficulties experienced by the Ministry in the past in obtaining aircraft from agencies other than IAF, the Ministry of Railways in their post-evidence note further explained the position as follows:

"In a typical case request for chartering of aircraft between Delhi-Jaipur-Delhi on 2nd October, 1993 was made to M/s. Vayudoot, who regretted the same due to non-availability of aircraft. Thereafter 3 more carriers, M/s. Jagson Airways, M/s. Trans Bharat Ltd. and M/s. Archana Airways were approached for chartering their aircraft for this visit. While M/s. Trans Bharat Airways expressed their inability to provide an aircraft, M/s. Jagson and M/s. Archana Airways demanded 100% advance payment. On further negotiation M/s. Archana Airways agreed to provide the aircraft on 50% advance payment subject to the condition that this advance would be forfeited in case the request is cancelled by Railways due to any reason. This exercise took 3 days. As can be seen that

- (a) aircraft was not available on demand;
- (b) certain conditions, which are not followed by Government carriers were imposed; and
- (c) sorting out these conditions and charter charges took a long time."

14. In this context, it is pertinent to note that the journey between Delhi-Jaipur-Delhi on 2nd October, 1993 was performed by the Minister of Railways in a private aircraft chartered from a private airlines (Archana Airways) involving an expenditure of rupees 1,28,800/-. This journey was performed in connection with gauge conversion projects on Western Railway (Reference: Appendix-II to this Report).

15. The Committee also enquired whether there were any instances when the request of the Railways for emergency use of aircraft had not been acceded to in the past. In their reply, the Ministry of Railways stated that their request for aircraft in cases of train accidents was never refused by IAF.

B. Consideration of proposal in the Ministry

16. The Committee have been informed that based on the discussions held with the Ministry of Railways, IRCON submitted a proposal for acquisition of an aircraft. A perusal of the note prepared by the Secretary (Railway Board) in the Ministry of Railways on this subject on 11 June, 1993 revealed that IRCON had requested for an interest-free loan commitment to the tune of Rs. 14 crores from the Ministry of Railways payable in 20 years. With a capital investment of about Rs. 14 crores, the level of utilisation required per annum was expected to be about 400 flying hours. IRCON had suggested that Railways should give them a guarantee minimum utilisation of 400 flying hours.

17. Mentioning the advantages of the ready availability of the IRCON's aircraft for Railways' use, the Secretary (Railway Board) in his note also, *inter-alia*, observed as follows:

"...A large number of industrial and commercial houses in India are having or acquiring aircraft for use of their senior executives, to have the required flexibility to discharge their functions more effectively. Waiting time at airports and the problem of connecting flights and inconvenient timings also get solved."

18. This note was considered in June, 1993 by the then Financial Commissioner of the Railways who made the following observations in this regard:

"A detailed justification for the purchase may be prepared, showing also the expected level of its utilisation.

2. The purchase of an aeroplane or financing its purchase constitutes a new service/item of expenditure for which no provision exists in the Budget. This would require the specific approval of Parliament.

3. There does not appear to be any reason for associating IRCON in the purchase, operation and maintenance of the aeroplane. Since this is not the normal type of business they would have to create facilities specially for one aeroplane and this would push up the cost considerably. The per hour cost by this arrangement would be higher than the normal cost of hiring an Air Taxi. The per hour cost indicated by IRCON is over Rs. 1 lakh against which the hiring charges for Air Taxis are shown as Rs. 23,000/- to Rs. 60,000/- per hour (Annexure-8 of preliminary study). The main reason for the purchase appears to be that it should be available at short notice. It is suggested that we may discuss this requirement with the Air Taxi operators. They may be willing to guarantee availability of an aircraft at short notice in return for one or more of the following:—

(a) A guaranteed minimum utilisation.

(b) A higher per hour charge than the normal.

- (c) A deposit which could be utilised by them for parts purchase of an aircraft according to our requirement.

Since an arrangement with the regular Air Taxi operators would be more economical as they would be able to utilise the facilities more intensively thereby reducing per hour cost very considerably."

19. In pursuance of the above observations made by the Financial Commissioner, the Ministry of Railways are stated to have prepared justification for the purchase of an aircraft in August, 1993. According to the Ministry of Railways, this justification was prepared after exploring the possibility of hiring of aircraft from Vayudoot as an alternative to acquisition. It was brought out that the acceptable proposal of Vayudoot, from the stand point of availability of aircraft at short notice, was for committed Dornier aircraft at fixed monthly charge of Rs. 23 lakh in addition to variable expenses besides an advance for one year's fixed charges. It was also noted that acquisition of aircraft would however, involve monthly fixed charges of Rs. 16 lakh assuming interest at the rate of 10 percent for an assumed price of aircraft. It was also mentioned in the justification that there were obvious advantages of easy availability and control if IRCON maintained and operated the aircraft as agencies were available for providing maintenance support and IRCON might not have to create special facilities for the purpose.

20. This justification was brought to the notice of the then Financial Commissioner in August, 1993 and he *inter-alia* made the following observations in this regard:—

"In so far as Railways are concerned, a comparison of actual expenditure, incurred by the Railways on air-travel, including chartered flights, with expenditure involved in the proposed arrangements does not by itself make the scheme envisaged financially remunerative. However, the primary advantage has been stated to lie in the ready availability of the aircraft at short notice in the exigencies, indicated above."

21. Subsequently, the Ministry of Railways obtained a token supplementary grant of Rs. 0.50 lakh in August, 1993 for payment of interest free advance to IRCON for procurement of an aircraft. The justification given in the relevant Explanatory Note by the Ministry of Railways for this particular item at the time of seeking supplementary demands for grants was as under:—

"Indian Railway Construction Company Ltd.—Northern Railway—with a view to ensuring ready availability of an aircraft in exigencies such as accidents, natural calamities, etc., it is proposed to give an interest-free advance of Rs. 15 crore to Indian Railway Construction Company Ltd. (IRCON) to enable them to procure a suitable aircraft to meet the mutual requirements of Railways and IRCON. For this purpose, a Supplementary Grant of Rs. 0.50 lakh is sought and the balance amount of Rs. 1499.50 lakhs will be found by re-appropriation within the grant."

C. Association of IRCON

22. Explaining the reasons for associating IRCON with the purchase and maintenance of the aircraft to be acquired for use by Ministry of Railways, the Chairman (Railway Board) deposed during evidence:

"I would like to submit that the Indian Railways do not have the facility for maintenance of the aircraft. Therefore, it was felt that if IRCON acquired the aircraft, it would have better flexibility in entering into some contract agreement with some third party/agency for operation and maintenance of the aircraft. Being a Government Department, we felt that the Railways could not have that much flexibility for operation and maintenance of the aircraft."

23. Taking note of the fact that the Railways required the facility of an aircraft for their own functioning, the Committee specifically desired to know as to why did the Railways not purchase the aircraft themselves. In his reply, the Chairman (Railway Board) stated during evidence:

"IRCON will have more flexibility of permitting the use of this aircraft by other parties also. Of course, IRCON can use the aircraft. If the aircraft had been acquired by the Railways, it would have been much more difficult to permit the third party to use it."

In this context, the witness also added:—

"Our present policy is that an activity which is not directly connected with running of trains, we should try to avoid doing that activity ourselves and we should have another agency through the contract system or leasing arrangement for performing that activity because that would be more flexible."

24. The Committee enquired whether the Ministry of Railways consulted the Ministries of Finance, Defence, Home Affairs, Civil Aviation, etc., before deciding to lease an aircraft from IRCON. In their reply, the Ministry of Railways stated that those Ministries were not consulted.

25. The Committee also desired to know whether the procurement, operation and maintenance of aircraft was in the normal line of business of IRCON. The Ministry of Railways in their note stated:

"Procurement, operation and maintenance of aircraft have not been undertaken by IRCON in the past. However, these activities have since been brought within the scope of IRCON's business objectives through a special resolution passed in the Annual General Meeting held on 28.9.1993 and confirmed by Company Law Board."

26. In reply to a question as to how the added activities of operation and maintenance of an aircraft would help IRCON in achieving its business objectives whose scope had been widened through a special resolution, the Ministry of Railways stated that "acquisition of the aircraft provided an opportunity to IRCON to increase the Company's turnover and to diversify its business."

27. The Committee have, however, been informed that at present, IRCON has no proposal for purchase of any more aircraft.

28. Replying to another related question, the Ministry of Railways informed the Committee that IRCON has not created any infrastructure within the organisation to operate and maintain the aircraft as the same has been presently contracted out.

29. The Committee have been informed that the contract for purchase of aircraft with M/s. Beech Aircraft Corporation provided for operation of the aircraft by themselves or through their representative in India atleast for the critical period of two years at a cost not exceeding Rs. 96,000 p.m. IRCON executed an agreement with M/s. Indemar Company Pvt. Ltd., Bombay who are the authorised agents of manufacturers for operation and maintenance of the aircraft.

III. Selection of aircraft

30. The Ministry of Railways and IRCON appointed two consultants to have more valued opinion in the purchase of aircraft. The First consultant was appointed by IRCON in September, 1993 and he worked independently till January, 1994 when the second consultant was appointed by the Ministry and after this both the consultants worked jointly. Both the consultants were paid Rs. 40,000 each as consultancy fee.

31. The Consultant, appointed by IRCON was to advise them on the selection and purchase of aircraft whereas the second consultant was engaged as a Technical Adviser to evaluate the technical aspects of the proposal of IRCON for procurement of aircraft and to advise on connected matters. The consultants submitted a joint report and were unanimously of the view that Beachcraft Model 350 was the best suited aircraft for the Ministry of Railways. Their recommendations were accepted both by IRCON and the Ministry of Railways.

32. The Committee's examination has revealed that while giving broad specifications of the aircraft proposed to be purchased. IRCON had clearly indicated to the consultant that the aircraft should be capable of having provision for availability of upto four stretchers/medical supplies in case of requirement to rush medical supplies and for evacuation purposes in case of accidents etc.

33. In reply to a question about the number of injured persons airlifted or saved by use of this aircraft, the Chairman (Railway Board), however, deposed during evidence:—

“It was not possible to save a human life by this aircraft.”

On scrutiny of the details of journeys undertaken in the aircraft it was seen that not even a single injured person was lifted by this aircraft.

IV. Cost of aircraft

34. According to the Ministry of Railways, the cost of aircraft paid to the authorised supplier was Rs. 14.03 crore out of which Rs. 13.68 crore were paid in foreign currency and the remaining (Rs. 34.69 lakh) were paid in Rupee currency to the authorised Indian representative of the manufacturer.

35. The Committee enquired whether any amount was refundable to the Railways out of the advance of Rs. 15 crore made to IRCON for purchase of aircraft. The Ministry of Railways in their note clarified the position as follows:

“The capital cost of the aircraft including the expenditure like LC charges, import licence, consultants fee, bank commission, etc. which was incurred in connection with the purchase of aircraft is Rs. 14.11 crore. IRCON were to refund Rs. 89 lakh to the Ministry, being the difference of the actual cost of aircraft and advance sanctioned to them. Out of this, Rs. 58.53 lakh have been adjusted from the quarterly bills of IRCON and the remaining amount would be adjusted from the future bills.”

36. Elaborating on this point, the representative of the Railway Board informed the Committee during evidence:

“Whatever overpayments were there, these will be recovered from IRCON in the financial year 1995-96.”

V. Utilisation of aircraft

A. General

37. At the instance of the Committee, the Ministry of Railways furnished the details of the journeys performed in IRCON's aircraft during the period 11 May, 1994 to 31 May, 1995. It was seen from those details that out of the 111 journeys involving a total of 194 flying hours performed during the period, the purpose of the visits had not been indicated in as many as 55 cases involving a total of approximately 107 flying hours. There were also instances where the names of the persons who travelled in the aircraft were not indicated.

38. Taking note of the incomplete information furnished to them, the Committee desired to know the reasons for failure on the part of the Ministry in giving complete information. In his deposition, the Chairman (Railway Board) stated:

“We shall furnish the information. We thought it would become a voluminous data.”

39. As regards the 55 journeys for which no purpose was indicated by the Ministry, the Chairman (Railway Board) stated during evidence:

“They are all official visits. In the body of the reply to that particular question we have said that all those visits were

official, but the precise purpose has not been shown. This is an omission and we shall rectify this."

40. The information furnished by the Ministry had also revealed that the number of journeys performed to and fro for visiting accident sites was just 12. Out of the remaining 44 journeys where purpose had been indicated, visits were mainly undertaken for inauguration of new railway lines, inauguration of new trains, review performance of several Zonal Railways or production units, meeting with Chief Ministers and MPs of Gujarat and Maharashtra, function at Wheel and Axle Plant etc.

41. The Committee enquired whether the Ministry felt that the purpose of 44 journeys referred to in the preceding paragraph fell within the ambit of exigencies/emergent needs etc. as envisaged at the time of motting the proposal for acquisition/leasing of the aircraft. In their post-evidence note, the Ministry of Railways stated as follows:

"While preparing the justification for the acquisition of an aircraft, the requirement for visiting accident sites and other exigencies were considered as the main justification and the other operational requirements which are associated with running a vast network such as Indian Railways were covered by the term "etc." It will be appreciated that Indian Railways have a vast network of establishments spread throughout the length and breadth of the country with inadequate and inconvenient air services. The 44 journeys indicated at the introductory part of the question were covering mainly official journeys in connection with running and monitoring the working of this vast organisation. When viewed in the context of the practices followed by other large organisations like SAIL and Coal India which have similar all-India jurisdiction, the acquisition of aircraft and its use for journeys connected with running of this vast enterprise has allowed considerable operational flexibility and saving of the time of senior officers. It is submitted that the purpose for which these journeys have been undertaken is covered in the original justification in the word "etc."."

42. During evidence, the Committee pointed out that though the precise reason for acquisition of the aircraft as indicated by the Ministry of Railways at the time of obtaining the supplementary demand for grants was to ensure ready availability of an aircraft in exigencies such as accidents, natural calamities etc., yet the aircraft had been used for various types of purposes. Explaining the position in this regard, the Chairman of the Railway Board stated:

"The basic feature was that because the aircraft was available it was felt expedient and convenient to use it for other official visits also...."

43. The Committee also enquired about the details of flights chartered by Ministry of Railways during 1992-93 and 1993-94 for purposes other than visiting accident sites. In their reply, the Ministry of Railways furnished a statement which is appended at Appendix II to this Report. A

scrutiny of this statement reveals the following position:

Year	Party travelled	Expenditure (Rs.)	No. of occasions on which flights were chartered	Purpose
1992-93	Minister of Railways	11,99,636	4	Natural calamities like survey of cyclone, earthquake or flood affected areas
1993-94	Minister of Railways	25,82,257**	8	1° 2° 3 5
	Total:	37,81,893	12	4° 7°

* Purpose of journey not indicated in one case.

** In one case, the bill was paid by Ministry of Agriculture.

44. A perusal of this statement also reveals that no flight was chartered during 1992-93 and 1993-94 for the exclusive use of Chairman or other officials of the Railway Board.

45. As desired by the Committee during the course of the evidence on this subject, the Ministry of Railways subsequently furnished another statement showing details of journeys performed in IRCON's aircraft during the period 11 May, 1994 to 31 May, 1995. This statement is reproduced at Appendix-III to this Report. An analysis of the details of journeys furnished in this statement reveals the following position about use of IRCON's aircraft during the period 11 May, 1994 to 31 May, 1995:

(1) Total no. of journeys performed	111
(2) Total no. of flying hours involving the journeys at (1) above	194
(3) No. of journeys undertaken to visit accident sites	12
(4) No. of journeys undertaken by aircraft for positioning to pick up VIPs or return to base or empty movements	16
(5) No. of journeys for which purpose had been indicated as "official" without specifying the exact nature	8
(6) No. of journeys where the aircraft had been used exclusively by Railway officials for purposes other than accidents	20
(7) Total no. of journeys undertaken by Minister for Railways accompanied by others for various purposes like—"Official", inauguration of new railway lines and new trains, meeting with Chief Ministers and MPs of Gujarat and Maharashtra, meeting with MPs; MLAs and public/trade representatives regarding Railways projects/schemes, to attend Platinum Celebration of the Federation of Karnataka Chamber of Commerce & Industry, function at Wheel & Axle Plant etc.	53

[includes a journey for survey of flood affected areas of Mysore and two journeys (to & fro) to Accident site at Chakradharpur]

(8) No. of journeys undertaken exclusively by parties other than Ministry of Railways	10
---	----

(includes a journey for trial of affected with CM of Andhra Pradesh on board and two journeys undertaken by Iranian Minister with MD of IRCON)

46. In the succeeding paragraphs, the Committee have further dealt with certain aspects of utilisation of IRCON's aircraft.

B. Excessive flying house guaranteed by Ministry of Railways for utilisation of aircraft

As has already been brought out in this Report, the then Secretary in Railway Board, in his note dated 11 June, 1993, had *inter-alia* observed as follows:

"With a capital investment of about Rs. 14 crores, the minimum level of utilisation required per annum is expected to be about 400 flying hours. IRCON have suggested that railways should give them a guaranteed minimum utilisation of 400 flying hours...."

48. The Memorandum of Understanding (MoU) signed between Railways and IRCON on 15 February, 1994 also stipulated that "IRCON shall endeavour to make available the aircraft to the Railways for the Ministry's requirements for about 400 hours per annum."

49. The audit paragraph however, highlights that the Ministry of Railways had indicated in July, 1993 to 'Vayudoot' the tentative demand of about 200 flying hours per annum for chartering their aircraft. Under the circumstances, guarantee given by Ministry of Railways to IRCON for utilisation of aircraft for minimum 400 flying hours per annum was excessive.

50. Explaining their position in this regard, the Ministry of Railways in a note stated that the requirement of 400 hours by them was indicated considering the "future needs" of the Ministry.

51. On being asked as to what were the "future needs" anticipated by the Ministry while assessing the requirement of 400 flying hours per annum, the Ministry of Railways stated in a note that future needs as anticipated by them were the visits to site of accidents, natural calamities and also the visits in connection with official business by the Ministers and other senior officers of Railway Board.

52. Taking note of the fact that the Ministry had indicated to 'Vayudoot' in July, 1993 their tentative demand of about 200 flying hours per annum for chartering the aircraft, the Committee desired to know whether the Ministry of Railways agreed that the requirement of 400 flying hours per annum was overestimated by them in order to justify their acquisition of an aircraft. In their note, the Ministry of Railways stated:

"The figures of 200 hours were estimated on the basis of number of accidents in 1992-93. However, there was a sharp increase in the number of passenger train accidents, especially at unmanned level crossings (30 in 1992-93 to 46 in 1993-94), the estimation of envisaged flying hours was scaled up."

53. In this context, it is pertinent to note that the Ministry of Railways had estimated their requirements of 400 flying hours per annum in June, 1993 whereas the tentative demand of about 200 flying hours per annum was indicated to 'Vayudoot' on a subsequent date in July, 1993.

C. Visits to sites of accidents and natural calamities

54. According to the Explanatory Note on Supplementary Demands for Grants presented in August, 1993, the aircraft was required in order to ensure ready availability in exigencies such as accidents, natural calamities, etc.

55. The Committee's examination of the relevant information pertaining to the period 11 May, 1994 to 31 May, 1995 as reported by the Ministry of Railways has revealed that the total number of accidents occurred on various zonal railways during this period was 519 against which nine accident sites and flood affected areas were visited from New Delhi by air.

56. It is however, seen from the information made available to the Committee that the services of IRCON's aircraft were utilised for visiting only six accident sites involving 12 journeys (to and fro) during the period 11 May, 1994 to 31 May, 1995. One journey in this aircraft was also undertaken on 22 July, 1994 for aerial survey of flood affected areas of Mysore.

57. The Committee were also informed that the Ministry of Railways requisitioned IRCON's aircraft eight times but the same was made available only on six occasions. The Ministry of Railways also stated that they requisitioned aircraft from other agencies three times during 11 May, 1994 to 31 May, 1995 and the amount paid to them was Rs.30,96,464 besides an expenditure of Rs.13,494 incurred by them for availing of regular flights of commercial airlines to visit accident sites during the period.

58. The Committee desired to know the reasons due to which the Ministry of Railways could not get IRCON's aircraft with the result that they had to requisition the aircraft from other agencies on three occasions during 11 May, 1994 to 31 May, 1995. In his reply, the Chairman (Railway Board) informed the Committee during evidence:—

"The need arose for nine times out of which six times we went to IRCON. On the other three occasions we did not get it because at one time it was under major annual overhaul and at other two times there was some technical snag; in one case the pressurisation system was not working and in other case the communication system was not working."

59. The Committee wanted to know whether it would not be correct to conclude that the decision to acquire aircraft was imprudent and injudicious particularly when Railways had to requisition the services of other aircraft for visiting accident sites despite leasing an aircraft from

IRCON after incurring substantial expenditure and also considering the fact that Railways had incurred a total annual average expenditure of only Rs.51 lakh for chartering of aircraft and commercial flights during the three years' period of 1990-93 as brought out in the audit paragraph. The Ministry of Railways stated in a note submitted after evidence as follows:—

“Ministry of Railways is of the view that the decision of leasing the aircraft from IRCON was quite judicious and prudent as it ensured ready availability for various exigencies with advantages, some of them quantifiable directly and some indirectly in terms of cost saving due to saving of time of members of Government and very senior executives, travel at short notice with flexibility of departure time and avoiding waiting time at the airports and the problem of connecting flights and inconvenient timings.”

60. As regards the time required for requisitioning IRCON's aircraft, the MoU signed between Railways and IRCON provided that the aircraft may be requisitioned by the Ministry by giving 24 hours notice in normal circumstances and 3 hours notice in emergency.

61. The Committee also enquired whether the MoU signed between Railways and IRCON provided for recovery of hire charges from IRCON in case the aircraft was not made available by IRCON when required and Railways were compelled to hire the aircraft from other agencies. In their post-evidence note, the Ministry of Railways informed that the revised MoU for the year 1995-96 contained a provision in this regard and the same reads as under:—

“In case IRCON are not able to provide the services of aircraft within the stipulated notice for whatsoever be the reason except when the aircraft is grounded for the mandatory maintenance as per schedule annexed to the MoU and for reasons beyond the control of IRCON and the Ministry happen to charter/hire an aircraft for the purpose from other ministry/commercial flights, IRCON shall have to bear the difference in expenditure incurred by the Ministry on such hiring and what was payable to IRCON for such journeys.”

62. Incidentally, the MOU for the year 1995-96 between Ministry of Railways and IRCON was signed on 13 July, 1995.

D. Journeys undertaken by Railway authorities for purposes other than visiting sites of accidents or natural calamities

63. According to the information made available to the Committee, 70 journeys were undertaken in IRCON's aircraft by different Railway authorities during the period 11 May, 1994 to 31 May, 1995 for the various purposes. Out of these, 20 journeys were undertaken exclusively by the Railway Board officials and there were instances when only one officer of the Ministry of Railways was on board in IRCON's aircraft.

64. During evidence, the Committee drew specific attention of the Ministry of Railways towards certain journeys undertaken by Member (Engineering) alone on 17 January, 1995. In reply to a related question as to why the regular flights of Indian Airlines were not undertaken in the instant case, the Member (Engineering) of Railway Board deposed:

“Some requirements were there. I had some other meeting at Calcutta earlier.”

65. In this connection, it may be pointed out that the aircraft had earlier proceeded empty on 16 January, 1995 from Delhi to Calcutta to be in position for Member (Engineering) who on 17.1.1995 undertook journey from Calcutta to Tezpur in connection with inauguration of certain BG Line.

66. When asked whether the Ministry had prepared any guidelines for requisitioning and use of IRCON's aircraft by its officers, the Ministry stated that the “purposes which have been kept in view for acquisition of the aircraft constitute the guidelines for its being requisitioned.”

67. On being asked to elucidate the “purposes” so envisaged, the Ministry of Railway in their post-evidence note stated:—

“The aircraft had been acquired by IRCON to meet the mutual requirement of Ministry and other senior officials of Railway Board and IRCON and is intended to be used by the Railway Ministry for the Railways' exigencies like reaching the site of accidents, natural calamities and other urgent administrative purposes.”

68. As regards the different categories of officials entitled to travel in IRCON's aircraft, the Ministry in their note submitted after evidence stated that the Railways officials who are entitled to travel by air as per Board's instructions are also considered entitled for travel in IRCON's aircraft. It has also been stated that Railway Board authorises/approves travel of officials by air including IRCON's aircraft.

E. Chartering of the aircraft to parties other than Railways

69. Import Licence for IRCON's aircraft was issued only for private use of Ministry of Railways and IRCON.

70. According to the information furnished by the Director General Civil Aviation, Beechcraft Super King Air 350 aircraft VT-IRC owned by IRCON was issued with Certificate of Airworthiness on 24 February, 1994 and classified under “Normal category with sub-division ‘Private’ aircraft.” In accordance with Civil Aviation Requirements Section 2 Series ‘F’ Part III dated 20 March, 1992, ‘Private’ aircraft shall not be used for hire or reward or for any kind of remuneration whatsoever.

71. According to the Ministry of Railways, the IRCON's aircraft is intended to be used mainly for the Railway's exigencies and no procedure has been laid down in regard to its use by others although the MoU with

IRCON provides for the aircraft being made available for private use on payment.

72. When asked whether any proposal for chartering the IRCON's aircraft to a third party has since been finalised, the Ministry of Railways through a note informed that no such proposal has been finalised so far but this matter has been taken up with the Director General of Civil Aviation (DGCA) for the change of category from private use to commercial use. In their subsequent note on the subject, the Ministry of Railways stated that IRCON applied to DGCA for change of category from private to commercial use on 6 July, 1994. Based on DGCA's advise, a draft operating manual was submitted on 25 January, 1995 and an amended copy of the same was resubmitted on 4 April, 1995 on the basis of the modifications suggested by DGCA. Presently, the draft manual is stated to be under discussion in the DGCA.

73. However, the Committee's examination of the details of journeys undertaken in IRCON's aircraft has revealed that 8 journeys in that aircraft were undertaken exclusively by parties other than Railways and IRCON (Reference Sl. Nos. 5, 23-24, 62-65 and 96 of Appendix III).

74. Elucidating the position in this regard, the Chairman (Railway Board) deposed during evidence:

"Regarding visits made by non-railway personnel, there are a few cases of use by Cabinet Ministers or State Chief Ministers or in one case, it was His Excellency Iranian Minister. It was given to him to visit Lucknow from Delhi. These were all official visits."

75. Asked as to who paid for these official visits, the Chairman of Railway Board started:

"Railway pay to IRCON based on the flying hours. Whenever it is given to State Chief Ministers, Railways make the payments to IRCON."

76. On being asked as to why Railways should pay for Ministers other than Railways' guests, the Chairman (Railway Board) stated:

"For such visits, payment was made by the respective Ministries."

77. Subsequently, the Chairman (Railway Board) in his letter dated 5 August, 1995 addressed to the Chairman, Public Accounts Committee stated as follows:—

....

...

...

At page 16 of the verbatim proceedings, in reply to one of the questions asked by you and the reply given by me, a correction was made as "payment was" to be made" instead of words "payment was made." The words "to be" were added as payment by the Organisations concerned is yet to be made. The Statement "Payment was made" was made by me on the basis of the

information supplied to me instantly during the course of Evidence, The words "to be" were actually not spoken by me.

The words "to be" may, therefore, kindly be considered as deleted in the corrections made in the verbatim proceedings.

3. The addition of the words, which were not spoken by me is regretted. This was done only to clarify the correct position. However, I would like to assure you that there was no intention to mislead the Public Accounts Committee in any way.'

78. At the instance of the Committee, the Ministry of Railways in their note submitted after evidence furnished following details of amount to be paid by other Ministries concerned for use of IRCON's aircraft by them:

Party travelled	Date of flight	Sectors	Flight hours	Rate per hour	Amount (Rs.)
Minister of Labour & Party	22.07.94	Nagpur Raipur-Nagpur	1'20"	Rs.1,18,000	1,57,360
Minister of State for Home Affairs & Party	15.10.94 16.10.94	Delhi Silchar Aizwal-Silchar-Delhi	8'25"	Rs.1,18,000	9,93,190
Chief Minister Karnataka & Party	16.03.95	Delhi-Bangalore	3'45"	Rs.1,18,000	4,42,515

79. The Ministry of Railways also stated that:

"Bills have been sent to the concerned Ministries on 20.7.95 and the payment is yet to be received. The delay in submission of Bills was mainly due to delay in fixation of rates."

80. During evidence, the Committee also enquired whether IRCON had not yet got the permission of DGCA to make available their aircraft to parties other than Railways. In his reply, the Chairman (Railway Board) stated:

"Yes sir."

81. On being asked whether the Ministry of Railways gave the IRCON's aircraft to others without permission from DGCA, the Chairman of Railway Board deposed:

"Sir, such cases are very few."

82. The Committee desired to know the authority under which the Ministry of Railways had made available IRCON's aircraft to the

Departments other than Railways. The Ministry of Railway in their post-evidence note stated as follows:—

“Two out of three occasions, on which the aircraft was given to other Ministries, were exceptional emergency circumstances. In one case the IAC Aircraft on which Minister for Labour etc. were travelling, was incapacitated at Nagpur Airport while landing due to development of a major technical fault leaving them stranded there. IRCON's aircraft which happened to land at Nagpur Airport around the same time was offered as a special relief measure to reach the stranded Minister and his party to his nearby destination (Raipur).

In the second case, there was a major problem in Mizoram. Ministry of Home Affairs requested this Ministry to provide IRCON's aircraft to carry-out an urgent secret mission. The identity of travellers was revealed to us only after they boarded the aircraft.

In the third case, the Minister for Railways was to travel to Bangalore alongwith Chief Minister, Karnataka. However, due to an important emergency meeting fixed all of a sudden, the Railway Minister had to reschedule his programme at the last moment. The Chief Minister, Karnataka and party who had boarded the aircraft, therefore, had to travel alone.

Bills for all the above journeys have been sent to concerned Ministries for proper accountal. The “private category of DGCA's Licence” given for the IRCON's aircraft caters for its use by VIPs/ Dignitaries in connection with business development in cases of emergency.”

83. Asked as to who took the decision to make available IRCON's aircraft to the Departments other than Railways, the Ministry of Railways in a note stated that on the proposal submitted, Minister of Railways approved the same.

84. At the instance of the Committee, the Ministry of Railway made available a copy of the 'Log Book' of the aircraft as maintained by them. A scrutiny of this 'Log Book' has revealed that IRCON's aircraft had been given for use to other Departments even after 31 May, 1995 as per details given below.

Sl. No.	Date	Name and designation	From	To	Purpose
1	2	3	4	5	6
1.	30.6.95	Positioning for Minister for External Affairs	Delhi	Tirupati	Official
2.	1.7.95	Minister for External Affairs	Tirupati	Calcutta	Official
3.	2.7.95	Empty	Calcutta	Delhi	Official

1	2	3	4	5	6
4.	9.7.95	Positioning for Minister for Industry	Delhi	Calicut	Official
5.	9.7.95	Minister for Industry and Party	Calicut	Bangalore	Official
6.	30.7.95	Welfare Minister & Party	Delhi	Varanasi	Official
7.	30.7.95	-do-	Varanasi	Delhi	Official

F. Use of aircraft by IRCON

85. As has been brought out earlier in this Report, the aircraft was procured to meet the mutual requirements of Railways and IRCON.

86. During evidence the Committee desired to know as to what was this mutual requirement and how was it defined. In his reply, the Chairman (Railway Board) stated:

“Actually, IRCON is not debarred from using it.”

87. Considering this aspect, the Committee desired to know whether any financial liability has also been devolved on IRCON for the procurement, operation and maintenance of this aircraft. The Ministry of Railway in a note clarified as follows:—

“IRCON have not incurred any financial liability in purchase, operation and maintenance of aircraft. For this purchase, they have been given an interest free loan and the cost of maintenance and operation is being reimbursed to them in the form of fixed cost and variable operating cost.”

88. On being specifically enquired whether IRCON had utilised the aircraft for its own use during the period 11 May, 1994 to 31 May, 1995, the Ministry of Railways stated that the “aircraft was not utilised by IRCON for its own use during this period.”

89. The journeys shown at Sl.Nos.28 and 29 of Appendix-III however, reveal that MD (IRCON) undertook journeys ex. Delhi-Lucknow-Delhi on 18 August, 1994 accompanied by Transport Minister of Iran and the purpose of the visit was to show R&D facilities at Lucknow as Iranian Railway is stated to be IRCON's client.

90. A perusal of the copy of the 'Log Book' of the aircraft also revealed that Director Finance, IRCON and party undertook journey from Bangalore to Delhi on 17 July, 1995 in the aircraft under reference.

VI. Extra payment to IRCON

91. According to the Memorandum of Understanding signed between the Railway Board and IRCON on 15 February, 1994, the Ministry of Railways was to pay the following to IRCON:—

(i) Annual fixed charges of Rs.241.50 lakh, this included Rs.150 lakh which were to be adjusted towards repayment of advance.

(ii) Variable operating cost at Rs. 12,480 per flying hour which included cost of fuel and maintenance.

92. The details of annual fixed charges showing the comparative position as originally agreed to for 1994-95, as revised subsequently and as proposed for 1995-96 are given in Appendix-IV to this report. The following picture of the annual fixed charges and variable operating cost for the year 1994-95 and 1995-96 emerges from the persual of these details:—

	1994-95		1995-96
	Original	Revised	
Annual fixed Charges	Rs.241.50 lakhs	Rs.202.28 lakhs	Rs.179.45 lakhs
Variable operating cost	Rs.12,482	Rs.5,459	Rs.6334.50

93. According to audit paragraph, the adoption of inflated capital cost, depreciation and inclusion of insurance charges had resulted in excess payment of Rs.67 lakh by the Railways to IRCON besides certain other benefits [Reference: Audit Sub-para (iv)].

94. Explaining the basis on which annual fixed charges of Rs.241.50 lakh for 1994-95 was calculated and subsequently revised, the Ministry of Railways stated as follows:

“The Annual Fixed Charges for the year 1994-95 were calculated based on the anticipated cost of aircraft of Rs.15 crore and the same have been revised during the first review of the MOU to be based on the actual cost of the aircraft i.e, Rs.14.11 crore. During the revision, other items like insurance, cost of crew etc., have been taken as per actual and items like maintenance staff and overheads have been deleted and also the contingency charges have been reduced from 5% to 3%. The excess payment made during the year 1994-95 will be recovered from IRCON's bills during the year 1995-96”

95. In reply to a question about status of recovery of overpayments made to IRCON, the representative of the Railway Board informed the Committee during evidence:—

“Regarding overpayment made to IRCON, I would like to mention here that the original MOU provided for an annual review of charges. The revised MOU has been signed with IRCON. The IRCON comes under our organisation. Whatever over-payments were made to them, will be recovered from them in the financial year 1995-96 based on the original cost of acquisition.”

96. The Committee desired to know the actual excess payment made by Railways to IRCON during the year 1994-95 with reference to the points raised in the audit paragraph. The Ministry of Railways in their note clarified the position as follows:

"For the year 1994-95, the annual fixed charges have been paid to IRCON @Rs.241.50 lakhs against Rs.202.28 lakhs as initially they were worked out on the basis of the anticipated cost of aircraft of Rs.15.00 crore. Based on the actual capital cost of aircraft of Rs.14.11 crore, the annual fixed charges for the year 1994-95 are Rs.202.28 lakh. Similarly, during the year 1994-95, the variable perating cost has been paid @Rs.12480 per flying hour against Rs.5459/-per flying hour."

97. Subsequently, the Committee have been informed by Audit that even the revised annual charges for the year 1994-95 have not been correctly worked out. While the Railways have allowed Rs.159.58 lakh to be included towards depreciation in 1994-95 as per the revised MOU, IRCON have charged an amount of only Rs.70.36 lakh towards depreciation of the aircraft (As on 31 March, 1995) in their certified balance sheet dated 28 June, 1995. (Relevant extract of Schedule-D of the Balance Sheet enclosed at Appendix-V).

VII. Additional liability to Railways due to leasing of aircraft

98. According to audit paragraph, the total liability that will devolve on the Railways for leasing of aircraft from IRCON would amount to Rs.38.77 crore in terms of accepted conditions.

99. Reacting to these findings of the Audit, the Ministry of Railways in their note stated as follows:

"The figure of liability worked out by the Audit at Rs.38.77 crores in terms of the accepted conditions is excessive, as explained below.

Audit have computed interest on advance apparently at the rate of 20% per annum, whereas the cost of capital borrowed by the Railways from the general exchequer or the interest allowed to Railways on the amounts placed in the Railway Funds, is only 7%. At this rate the total interest over a period of 10 years, calculated on the diminishing balance, works out to Rs. 5.14 crores.

The fixed costs as now proposed to be revised are Rs.1.8 crores per annum (approx.). However, out of this an amount of Rs. 1.5 crore per annum is being recovered towards the capital advance given to IRCON. Hence, the net outflow is Rs. 0.30 crore per annum or Rs. 3 crores in 10 years.

Variable costs at the level determined for 1995-96 are Rs. 6,335 per flying hour and from the third year onwards it will be about

Rs.13,000 approximately. Assuming about 200 flying hours per year the total payments will come to Rs.2.33 crores (approx.).

Summing up, the fixed and variable charges on account of hiring IRCON's aircraft come to Rs.10.47 crore. In addition the capital cost is Rs.14.11 crores and together the total implication works out to Rs. 24.58 crores."

100. The details of these calculations as furnished by Ministry of Railways are appended at Appendix VI to this Report.

101. The committee desired to know as to how the Ministry of Railways justified their average expenditure of approximately Rs.2.45 crores per annum on leasing of IRCON aircraft in view of the fact that they had incurred an average annual expenditure of only Rs.51 lakhs on chartering of aircraft and commercial flights during the periods 1990-91 to 1992-93. In their note, the Ministry of Railways stated as follows:

"It is to be pointed out that the Railways have a vast jurisdiction covering the entire country. Centres of Railways activity like Chittranjan, Gorakhpur, Hubli etc. are not well connected by commercial flights. Taking into account the operational requirements and the practice followed by other major organisations like SAIL, Coal India etc., it is submitted that acquisition of an aircraft was in the overall interest of the organisation. The comparison of expenditure on chartering of aircraft does not give the correct picture as this (Rs. 51 lakh) covers accident cases only."

VIII. Cost of a flying hour in IRCON's aircraft

102. In the context of the audit observations that the Railways had incurred an average annual expenditure of Rs. 51 lakhs on hiring of chartered/commercial flights during the period 1990-93, the Committee enquired about the justification for investing a huge sum of Rs. 15 crores for acquiring an aircraft. In his deposition, the chairman (Railway Board) stated:

"In fact this expenditure is only for undertaking the visits to accident sites in emergency situations. Once an aircraft becomes available to the Ministry of Railways for use, it is used not only for emergency purposes but also for inspection and other activities for which normal commercial flights are not generally available, it will be better to use the aircraft compared to a commercial airlines."

In this context, the witness further added:

"In case the number of passengers is four or more, it is cheaper to use the IRCON aircraft than using a commercial airline."

103. Taking note of this statement by Chairman of Railway Board, the Committee desired that the Railways should calculate the total cost of the first flight of IRCON's aircraft from Delhi to Bangalore with seven persons on board vis-a-vis the cost involved for the same journey in a

commercial flight. This information as received from the Ministry of Railways is reproduced below:

“1.0	Cost of air travel if the journey had been taken by I.A. flight.	
	Number of persons on board	=7
	Air fare for one person from Delhi to Bangalore (In “J” Class in June 1994)	=Rs. 5360 7×5360
	Cost of journey	=Rs. 37,520
2.0	Cost of journey in using IRCON's aircraft	
	Flying time (from choks off to choks on)	=3 hrs. 45 min. =3.75 hrs.
	Operating cost per hour for the year 1994-95	=Rs. 5459/-
	Fixed cost per hour for the year 1994-95	= $202.28 \times 100000 / 365 \times 24 = 2300$
	Interest @ 15% (on the capital cost of the aircraft of Rs. 14.11 crores)	$1411 \times 0.15 \times 100000 / 365 \times 24 = 2400$
	Interest @ 7% (-do-)	$1411 \times .07 \times 100000 / 365 \times 24 = 1100$
	Total charges per hour if interest is taken @ 15%	=5459+2300+2400 =10159
	Total charges per hour if interest is taken @ 7%	=5459+2300+1100 =8859
	Cost of the visit:	
	(a) If interest is taken @ 15%	=10159×3.75 =Rs. 38,096
	(b) If interest is taken @ 7%	=8859×3.75 =33,221

104. It would be seen from the above that the cost of a flying hour in IRCON's aircraft as computed by Railways works out to Rs. 10,159 per flying hour if the interest rate is taken as 15%. It may however be noted that in computing this cost, the Ministry have worked out the fixed cost per hour by dividing the total fixed cost for the year by the total number of hours in a year which is not in accordance with the generally accepted method of computing unit cost of overhead charges.

105. In this context, it may also be pointed out that the Ministry of Railways have charged other Ministries at the rate of Rs. 1.18 lakh per flying hour for the use of IRCON's aircraft by them.

106. The Committee desired to be apprised of the basis on which the Ministry of Railways computed the cost of Rs. 1.18 lakh per flying hour in IRCON's aircraft for the purposes of charging other Ministries. The requisite information, as furnished by the Ministry of Railways is reproduced below:

IRCON, the owner of the Aircraft have advised that hire charges for the

use of Aircraft by third parties (other Government Organisations using plane on no profit no loss basis) should be as under:

(a) Proportionate fixed charges Rs. 241.51 lakhs — 400 hrs. (This is based on expected 400 hours utilisation per annum)	Rs. 60,500
(b) Hourly flying charges (As per MOU 94-95)	Rs. 12,500
(c) Interest on Capital @ 12% (Capital Rs. 15 cr.)	Rs. 45,000
	Rs. 1,18,000

IX. Failure to get discounted operating tariff

107. According to the information furnished by the Ministry of Railways, one of the conditions made at the time of sanctioning of an interest free advance of Rs. 15 crore was that Railways would get the benefit of discounted operating tariff.

108. According to audit paragraph, the payment of interest free advance of Rs. 15 crore to IRCON involved financial implications of Rs. 14.62 crore to the Railways over a period of 10 years. The Railways did not get the benefit of discounted operating tariff.

109. The Committee desired to know whether the Railways have been getting the benefit of discounted tariff. The Ministry of Railways in a note stated as follows:

“All the constituents comprising the fixed charges and variable operating cost payable to IRCON have been taken as per actuals and no additional element by way of profit or departmental charges has been allowed to IRCON who had originally claimed 10% on account of departmental charges. For any third party, additional charges of this nature, besides cost of capital, would be charged. It may thus be seen that Railways are actually getting the benefit of discounted operating tariff.”

X. Leasing/acquisition of further aircraft

110. The Committee also enquired from the Ministry of Railways whether they ever considered leasing/acquisition of further aircraft. The Ministry in their note stated:

“A proposal to acquire 5 Helicopters, one each for Central and Western Railways, Southern and South Central Railways, Eastern and South Eastern Railways, Northern and North Eastern Railways, and North East Frontier Railway, for use by Zonal Railways in accidents and exigencies was examined in 1993, which was not found feasible and was dropped.

Another proposal for purchase of a second hand Boeing-737 Aircraft from Indian Airlines was examined in 1994 for the use by various Departments of the Railways, such as Civil Engineering, Safety, Transportation, Tourism etc. but the same was not found acceptable and was, therefore, dropped.

Presently, there is no proposal under consideration of Ministry of Railways for leasing/acquisition of further aircrafts."

XI. Need for common guidelines for all Ministries/Departments regarding acquisition of aircraft

111. The Committee have been informed that presently, no guidelines have been issued by Government regarding acquisition of aircraft by various Ministries/Departments and their associated bodies.

112. During evidence, the Committee desired to know the views of the Ministry of Railways on the desirability for formulation of common guidelines for the purpose of acquisition and use of aircraft. In his reply, the Chairman (Railway Board) stated:

"Possibly some broad guidelines should be there for acquisition of aircraft. Each Ministry or Corporation can decide on certain guidelines internally to avoid misuse of the aircraft. The requirement of one Ministry may be somewhat different from another. A uniform guideline may not be practicable for all Ministries."

XII. Pooling of aircraft

113. The Director General Civil Aviation is the monitoring and licencing authority in respect of all civil aircraft and he gives the registration numbers. As on 7.7.1995 41 aircraft/helicopters purchased by different PSUs under the various Ministries were registered with the DGCA. The list of such aircraft/helicopters is reproduced at Appendix VII.

114. Asked to comment on a suggestion for forming a central pool of aircraft/helicopters of various PSUs under different Ministries, the Chairman of Railway Board stated during evidence:

"We feel it is a good suggestion. The only thing to ensure is, we should be able to get an aircraft within three hours in emergency cases. As long as that is ensured we will also contribute to the suggestion of having a central pool."

115. The Committee note that with a view to ensuring ready availability of an aircraft in exigencies such as accidents, natural calamities etc., the Ministry of Railways obtained a supplementary token provision of Rs. 0.50 lakh for payment of an interest-free advance to Indian Railway Construction Company Limited (IRCON) to enable them to procure a suitable aircraft to meet the mutual requirements of Railways and IRCON. Subsequently, the Railway Board provided an interest-free advance of Rs. 15 crore to IRCON in February, 1994 after re-appropriating Rs. 14.995

crore from the provisions made in the budget estimates for 1993-94 for new lines, gauge conversion, railway electrification, rolling stock etc. The aircraft was received at Delhi Airport on 11 May 1994 and was thereafter hired by Railways for their uses. The Committee's examination of the audit paragraph brings out certain revealing aspects arising out of the acquisition and utilisation of the aircraft which are dealt with in the succeeding paragraphs.

116. The Committee find that the Ministry of Railways had been considering several proposals to acquire aircraft/helicopters for their use atleast from 1993 onwards. One such proposal was initiated by them in March, 1993 for acquisition of an aircraft through IRCON which is a Government Company under the administrative control of the Ministry of Railways themselves with senior officials of the Ministry being represented on the Board of Directors of the Company. Based on the discussions held with the Ministry of Railways, IRCON is stated to have submitted a proposal for acquisition of an aircraft which involved an interest free loan commitment of the order of Rs. 14 crore. This proposal was processed in the Ministry and examined by the then Financial Commissioner (Railways) who desired in June, 1993 that a detailed justification for the purchase of the aircraft should be prepared showing the expected level of its utilisation. The Financial Commissioner also expressed his reservations about associating IRCON in the purchase, operation and maintenance of the aircraft on the ground that this was not the normal type of business for IRCON and they would have to create facilities specially for one aircraft thus pushing up the cost considerably. He therefore, suggested discussions with regular Air Taxi operators with a view to effecting economy.

117. From the information made available to them on this aspect, the Committee are deeply concerned to note that no proper justification was prepared in the Ministry on the above lines suggested by the Financial Commissioner. Despite availability of several commercial airlines in the country, the Ministry of Railways, for reasons best known to them, did not carry out a thorough market survey and chose to explore the possibility of hiring an aircraft only from 'vayudoot' whose proposal was not found financially acceptable by them. Interestingly, the Ministry solely guided by the obvious advantages of easy availability and control of aircraft, sought to justify maintenance and operation of the aircraft by IRCON through contract agencies. No attempt also seemed to have been made by the Ministry of Railways independently to work out the expected level of utilisation of the aircraft proposed to be acquired. Even though the succeeding Financial Commissioner (Railways) had also found that a comparison of actual expenditure incurred by the Railways on air travel with expenditure involved in the proposed arrangements for acquisition of aircraft did not by itself make the proposal envisaged "financially remunerative", yet the proposal was pushed through on grounds of ready availability of the aircraft at short notice in the exigencies. Since IRCON also

required a minimum notice of 3 hours, the Committee fail to accept such a justification. At this stage, the Committee can only express their unhappiness over the manner in which the proposal for acquisition of the aircraft was dealt with by the Ministry of Railways.

118. Strangely enough, the Chairman (Railway Board) informed the Committee during evidence; "Our earlier experience of trying to take aircraft on lease or hire from other agencies including the Air Force was not very happy. We had to give written notice, a written request. We had to take permission from the Ministry of Defence and the Prime Minister's office." However, Ministry of Railways could not give concrete examples of delays in obtaining the Air Force aircraft in meeting the emergent situations in the past. In fact, Railways have gone on record to admit that their request for availability of aircraft in cases of train accidents was never refused by IAF. The Committee's examination, on the other hand, also revealed that the requirements of Railways for aircraft even for other purposes were always met in the past. Considering the fact that aircraft were always available to Railways in the past for meeting their requirements and also the Audit Finding that Railways had incurred a total annual average expenditure of Rs. 51 lakh only for chartering of aircraft and commercial flights during the three years' period 1990—93, the Committee regret to note that Railways opted for such a costly proposition.

119. Another factor observed by the Committee related to the manner in which IRCON was associated in the exercise. Although it was not the normal type of business of IRCON in terms of the company's Memorandum of Association, as rightly pointed out by the then Financial Commissioner in June, 1993 they were yet associated in the purchase, operation and maintenance of the aircraft without any expertise having been available with them. The Memorandum of Association of the Company had to be got amended through a special resolution to accommodate this new line of business. During evidence, the Chairman, Railway Board stated that it was done in view of the flexibility that IRCON enjoyed compared to Railways being a Government Department. The Ministry also stated that acquisition of the aircraft provided an opportunity to IRCON to diversify the Company's business. The Committee cannot accept this argument in the light of the Ministry's admission that there was no proposal with IRCON for purchase of more aircraft.

120. The Ministry of Railways contended that the specific emergent needs/exigencies envisaged for the use of aircraft at the time of mooted the proposal for its acquisition were (a) ready availability at a short notice to reach the site of accidents and natural calamities, etc. and (b) ready availability for other Railway's use having many advantages, some of them quantifiable directly, others indirectly in terms of cost savings due to saving of time of Members of Government and senior executives, travel at short notice with flexibility of time and avoiding waiting time at airports and the problem of connecting flights and inconvenient timings. However, while

obtaining a token supplementary provision in August, 1993, the Ministry in their explanatory note on relevant Supplementary Demands for Grants specified that "with a view to ensuring ready availability of an aircraft in exigencies such as accidents, natural calamities etc., it is proposed to give an interest free advance of Rs. 15 crore to IRCON to enable them to procure a suitable aircraft to meet the mutual requirements of Railways and IRCON". The explanatory note was completely silent about the other uses of the aircraft which the Ministry now claim to have been contemplated at the time of initiating the proposal. The Committee have been informed by the Railways during the course of their examination of this audit paragraph that "while preparing the justification for the acquisition of aircraft, the requirement for visiting accidents sites and other exigencies were considered as main justification and the other operational requirements which are associated with running a vast network such as Indian Railways were covered by the term etc." The Committee consider this to be an afterthought and an incorrect interpretation of the term "etc." which was actually used to describe the exigencies of the nature of accidents and natural calamities.

121. It is further disquieting to note that while giving broad specifications of the aircraft proposed to be purchased, IRCON had clearly indicated to the consultants appointed by them for rendering suitable advice that the aircraft should be capable of having provision for availability of upto four stretchers/medical supplies for emergent use during such exigencies, in actual practice not even a single injured person could be air-lifted or saved by the aircraft after its acquisition. The deposition of Chairman (Railway Board) that "it was not possible to save human life by this aircraft" explains the irony without warranting any further comment.

122. The Committee note that the aircraft under reference was received at Delhi Airport on 11 May, 1994 and was hired for undertaking 111 journeys upto 31 May, 1995 involving 194 flying hours. The Committee's examination of the details of journeys undertaken during this period in the aircraft operated and maintained by IRCON (reference Appendix-III to this Report) revealed that this aircraft was used for undertaking visits to accidents sites only on six occasions involving 12 journeys. There was also one instance when the aircraft was used for survey of flood affected areas. Significantly, all the remaining journeys were undertaken for several other purposes which included 16 journeys taken for positioning of the aircraft to pick up VIPs or for empty movements. The Committee have in the succeeding paragraphs dealt with some of the aspects arising out of utilisation of this aircraft.

123. While the main justification for procurement of this aircraft was to ensure ready availability in exigencies such as accidents, natural calamities etc., the Committee's examination of the relevant information has revealed that only six accidents sites were visited by this aircraft as against 519 accidents occurring on various Zonal Railways during this period.

Surprisingly, the Railways had to requisition aircraft from some other agencies on three occasions for visiting accidents sites during this period due to non-availability of IRCON's aircraft on account of technical snags or major overhaul. Thus, the main purpose of acquiring an aircraft for meeting exigencies in case of accidents stood defeated and pertinently the Railways had to incur an additional expenditure of Rs. 30.96 lakh for requisitioning aircraft from other agencies to visit accident sites, even after acquisition of the present aircraft.

124. The Committee's scrutiny revealed that 70 journeys were undertaken in IRCON's aircraft by different Railway authorities during the period 11 May, 1994 to 31 May, 1995 for various other purposes. Out of these, 20 journeys were undertaken Exclusively by the Railway Board officials and there were instances when only one officer of the Ministry of Railways was on board in IRCON's aircraft. It was found by the Committee that journeys were also undertaken for inauguration of new railway lines and new trains, state level minorities conference, review performance of Zonal Railways or production units, meeting with Chief Ministers and MPs, function at Wheel and Axle Plant, platinum celebration of Karnataka Chamber of Commerce and Industries etc. all of which were described by the Railways as part of their operational requirement. Eight journeys were described merely as "official" without specifying the exact nature.

In the absence of precise guidelines about the utilisation of aircraft in the Ministry of Railways, the Committee cannot but express their unhappiness over the use of this aircraft by the authorities in the Ministry. Explaining the reasons for use of aircraft by Railways for various types of purposes, the Committee were informed by none other than the Chairman of the Railways Board that "the basic feature was that because the aircraft was available it was felt expedient and convenient to use it for other visits also." The Committee are not inclined to agree with the assertions made by the Ministry of Railways that the acquisition of aircraft and its use for journeys connected with running of their vast enterprise had allowed considerable operational flexibility. On the contrary they are of the view that most of the journeys undertaken in this aircraft reveal misuse of the machinery available at the disposal of the Ministry.

125. What has caused concern to the Committee is that instead of attempting to regulate such uses involving undertaking of journeys even on the regular commercial air routes, the Ministry of Railways, unfortunately, have attempted to justify them by resorting to putting forth unconvincing and illogical methods of costing. During evidence, the Chairman, Railways Board had try to justify use of this aircraft in the Ministry of Railways on the ground that it would be better to use the aircraft compared to a commercial airline as it was cheaper to use the IRCON's aircraft in case the number of passengers was four or more. In support of their argument, the Ministry of Railways have tried to compute the cost of flying in IRCON's aircraft at Rs. 10,159 per flying hour. This cost has been calculated by the

Ministry by taking the total number of hours in a year instead of the actual flying hours of the aircraft on the principle that fixed charges are payable irrespective of the hours of usage. In contrast, while claiming the charges from other Ministries/Agencies (dealt with subsequently) the Ministry have computed the cost @ Rs. 1.18 lakh per flying hour on the basis of rates fixed by IRCON, the owner of aircraft. The Committee would, therefore, urge that the matter should be looked into in greater details and precise guidelines laid down for use of IRCON's aircraft by the Railway authorities.

126. The Committee note that the then Secretary (Railway Board) in his note dated 11 June, 1993 had *inter-alia* observed that IRCON had suggested that Railway should give them a guaranteed minimum utilisation of 400 flying hours. Subsequently, the Memorandum of Understanding signed between Railways and IRCON on 15 February, 1994 also stipulated that "IRCON should endeavour to make available the aircraft to the Railways for the Ministry's requirements for about 400 hours per annum". The Committee find it surprising that the Ministry of Railways gave an indication of utilisation of aircraft for minimum 400 flying hours despite the fact that while exploring the possibility of obtaining aircraft from 'Vayudoot' the Ministry had indicated their tentative requirement of about 200 flying hours per annum for chartering their aircraft. The Committee's examination has revealed that despite utilisation of IRCON's aircraft even for purposes other than for which it had been acquired, from its receipt on 11 May, 1994 to 31 May, 1995, the Ministry of Railways could utilise this aircraft for 170 flying hours only. Evidently, the Ministry of Railways in order to justify their acquisition of an aircraft gave guaranteed minimum utilisation of 400 flying hours to IRCON.

127. The Committee have been informed that the import licence for IRCON's aircraft was issued only for private use of Ministry of Railways and IRCON. The aircraft acquired by IRCON was issued with Airworthiness Certificate by Director General Civil Aviation (DGCA) and classified under "Normal category" with sub-division "private" aircraft. According to DGCA requirements, "private" aircraft shall not be used for hire or reward or for any kind of remuneration whatsoever. However, the MOU signed between Ministry of Railways and IRCON provided for the aircraft being made available for private use on payment and the matter for change of category of aircraft from private use to commercial use is stated to have been pending in DGCA at present. The Committee's examination has however, revealed that eight journeys in this aircraft were undertaken exclusively by parties other than Railways and IRCON upto the period ending 31 May, 1995 (reference Sl. No. 5,23-24, 62-65 and 96 of Appendix-III). The Committee's further scrutiny revealed that seven journeys were undertaken by non-Railway personnel subsequent to the period 31 May, 1995 also. This is clearly indicative of the fact that the aircraft was operated in contravention of the conditions attached to the Certificate issued by DGCA. While taking a serious view of this

aberration, the Committee hope that the Ministry of Railways/Civil Aviation Authorities will take necessary measures in order to ensure that journeys in the aircraft are undertaken strictly in accordance with the certificate issued for the purpose.

128. What has amazed the Committee most is the fact that although the aircraft was freely made available to other agencies, no action was taken by the Ministry to recover the necessary charges from the concerned authorities. It was only after the matter was pointed out by the Committee during evidence that the Ministry chose to raise bills against those agencies. The Committee have been informed that the payments are yet to be effected. The Committee hope that necessary action will be taken to recover the legitimate dues of IRCON/Railways. They would also like to be apprised of the further developments in this matter.

129. The Committee note that despite procuring the aircraft for meeting the mutual requirements of Railways and IRCON, no financial liability has been imposed on IRCON for the procurement, operation and maintenance of the aircraft. The Committee's examination has revealed that IRCON have on atleast three occasions used this aircraft for their purposes apparently without sharing any financial burden on account of fixed cost of aircraft. The Committee consider this state of affairs as not in the financial interest of the Ministry and desire that the Ministry of Railways should review the present arrangement and make IRCON also liable as the aircraft was acquired for the mutual requirements.

130. Another matter of concern to the Committee is the excess payment made by the Ministry of Railways to IRCON due to adoption of inflated capital cost, depreciation and inclusion of insurance charges etc., which according to the Audit paragraph had exceeded Rs. 67 lakh. The Ministry of Railways pleaded that the revised MOU has since been signed on 13 July, 1995 i.e. the day before the representatives of the Ministry of Railways appeared before the Committee and the recoveries against the excess payments will be made during the year 1995-96. The Committee are however surprised to note that even the revised charges for the year 1994-95 have not been correctly worked out insofar as the depreciation of Rs. 159.58 lakh allowed for that year was stated to be higher and not in conformity with the actual amount of Rs. 70.36 lakh charged towards depreciation of the aircraft by IRCON in their certified Balance Sheet dated 28 June, 1995. The Committee consider it astonishing that the Ministry of Railways themselves despite being represented in the Board of Directors of IRCON have failed in safeguarding their financial interest. The Committee trust that the Ministry of Railways atleast now would take appropriate remedial measures in this regard.

131. The Committee are surprised to note that presently no guidelines have been issued by Government regarding acquisition of aircraft by various Ministries/Departments and their associate bodies. The

Committee are of the view that this matter requires to be looked into seriously with a view to prescribing uniform guidelines and also for making a single authority responsible for monitoring the same.

132. The Committee's examination also revealed that presently there are 41 aircraft/helicopters purchased by different Public Sector Undertakings under various Ministries which were registered with the DGCA. The Committee suggest that in order to have better utilisation of various aircraft by Government/Public Sector Undertakings in the exigencies, Government should examine the desirability of forming a central pool for the purpose.

133. The facts stated in the foregoing paragraphs arising out of the procurement of the aircraft for meeting the mutual requirements of Railways and IRCON and also its utilisation are revealing. Briefly, these are: non-preparation of detailed justification for acquisition, association of IRCON for its operation and maintenance, extra payments to IRCON due to incorrect computation of capital cost and depreciation charges etc. excessive flying hours guaranteed for the utilisation of the aircraft and unregulated uses of the aircraft etc. Significantly, as against the average annual expenditure of Rs. 51 lakh on hiring of chartered/commercial flights during 1990-93, the total liability that will devolve on the Railways on leasing of aircraft from IRCON in the admission of the Ministry themselves would amount to Rs. 24.58 crore over a period of 10 years (even though according to Audit the amount would be about Rs. 38.77 crore.) The Committee are not convinced with the arguments adduced by the Ministry either for justification of the acquisition of the aircraft or about its excessive utilisation for purposes other than for those intimated to Parliament while obtaining the supplementary grant. While expressing their displeasure over the same, the Committee desire that in the light of the facts stated in this Report, Government should look into the matter thoroughly with a view to regulating acquisition of such aircraft by Ministries/Departments or their associated bodies in future and also enforcing stricter financial discipline before undertaking such costly transactions. The Committee would like to be apprised of the precise action taken in the matter.

NEW DELHI;
25 August, 1995

3 Bhadra, 1917 (Saka)

RAM NAIK,
Chairman,
PUBLIC ACCOUNTS COMMITTEE

APPENDIX I

(Vide Para 1)

Paragraph 4.1.3 of Audit Report No. 10 of 1995 (Railways)

4.1.3 Injudicious leasing of aircraft

In March 1993, the Ministry of Railways considered it necessary to acquire an aircraft through Indian Railway Construction Company Limited (IRCON) for use by the Ministry in exigencies such as accidents, natural calamities etc.

In June 1993 the Financial Commissioner while expressing reservations about the proposal desired that a detailed justification for acquisition should be prepared showing expected level of utilisation. This was, however, not done and in September 1993, Ministry of Railways decided to provide interest free advance for purchase of aircraft to IRCON which in return would arrange necessary services for its operation. A token supplementary grant of Rs. 0.50 lakh was obtained in August 1993 for payment of interest free advance to IRCON for procurement of aircraft with a view to ensuring ready availability of an aircraft in exigencies such as accidents, natural calamities etc. to meet the mutual requirements of Railways and IRCON.

The Railway Board released Rs. 15 crores to IRCON in February 1994 after re-appropriating an additional amount of Rs. 14.995 crores from the provisions made in the budget estimates for 1993-94 for new lines, gauge conversion, railway electrification, rolling stock etc. According to the Memorandum of Understanding signed between the Board and IRCON on 15 February 1994, the Ministry was to pay the following to IRCON:

- i) Annual fixed charges of Rs. 241.50 lakhs; this included Rs. 150 lakhs which were to be adjusted towards repayment of advance and
- ii) Variable operating cost at Rs. 12,480 per flying hour which included cost of fuel and maintenance.

During the period the Ministry of Railways did not require the aircraft and in case the same could be chartered to a third party, the charges recovered from third party in excess of Rs. 12,480 per flying hour were to be refunded by IRCON to Ministry of Railways.

The aircraft which was received at Delhi Airport on 11th May 1994 was hired for Railways use to visit 51 destinations aggregating to 121.75 hours, on an average 24.35 hours per month upto 2 October 1994. These included visits to Bangalore (15 occasions), Mangalore/

Harihar (4 occasions), Tirupati (1 occasion), Nagpur (5 occasions) and Bombay (9 occasions).

Following points emerge in this connection:

- (i) The Railway Board did not prepare detailed justification for the aircraft showing expected level of its utilisation as desired by the Financial Commissioner. The Board had on an average chartered aircraft on 14 occasions during the three years 1990-91, 1991-92 and 1992-93 and incurred average annual expenditure of Rs. 51 lakhs only on chartering of aircrafts and commercial flights. In July 1993, the Railways had indicated a tentative demand of about 200 hours while discussing proposals for hiring of an aircraft.
- (ii) According to the Explanatory note on Supplementary Demands for Grants presented in August 1993, the aircraft was required in order to ensure ready availability in exigencies such as accidents, natural calamities, etc. However, 49 out of 51 journeys made upto 2nd October 1994 were to destinations which were connected by regular IAC flights. These journeys included visits to Bangalore (15 occasions), Mangalore/Harihar (4 occasions), Tirupati (1 occasion), Nagpur (5 occasions) and Bombay (9 occasions). None of the visits was for the purpose for which the aircraft was procured.
- (iii) The payment of interest free advance of Rs. 15 crores to IRCON involved financial implications of Rs. 14.62 crores to the Railways over the period of 10 years. The Railways did not get the benefit of discounted operating tariff.
- (iv) The annual fixed charges of Rs. 241.50 lakhs to be paid by the Railways to IRCON were determined on a capital cost of Rs. 15 crores and depreciation at the rate of 11.31 per cent per annum. However, the capital cost actually paid by IRCON was Rs. 13.87 crores excluding the initial insurance (Rs. 16.65 lakhs) and free spares valued at US \$ 75,000 (Rs. 23.62 lakhs) received by IRCON and depreciation should have been charged at the rate of 8.33 per cent with reference to the 12 year life span of the aircraft. The adoption of inflated capital cost and depreciation involved excess payment of Rs. 54.12 lakhs per annum or Rs. 6.49 crores over 12 years by the Railways to IRCON.

The annual fixed charges also included insurance charges at the rate of 2 per cent per annum or Rs. 30 lakhs per annum on the capital cost of Rs. 15 crores. This involved further extra payment of Rs. 13.35 lakhs per annum (or Rs. 1.6 crores over 12 years) with reference to initial insurance premium of Rs. 16.65 lakhs paid by the IRCON.

The annual fixed charges also included Rs. 28.80 lakhs for operation during the first two years against Rs. 23.04 lakhs to be paid by IRCON to the supplier. The aircraft supplier was to provide free

maintenance for two years; the equivalent benefit thereof amounting to Rs. 9.6 lakhs was not passed on to the Railways. IRCON also recovered contingency at the rate of 5 per cent instead of 3 per cent provided in the Railways contracts. IRCON recovered a further amount at the rate of Rs. 2.5 lakhs per annum towards overheads; the basis and nature of this charge was not specified.

- (v) Against the average annual expenditure of Rs. 51 lakhs on hiring of chartered/commercial flights during 1990-91 to 1992-93, the Railways now will have to bear liability of Rs. 4.37 crores per annum (on account of interest on advance, fixed costs and variable costs).
- (vi) The Ministry of Railways had indicated (July 1993) to 'Vayudoot' the tentative demand of about 200 flying hours per annum for chartering their aircraft. Under the circumstances, guarantee given by Ministry of Railways to IRCON for utilisation of aircraft for minimum 400 flying hours per annum was excessive.

The total liability that will devolve on the Railways for leasing of aircraft from IRCON would amount Rs. 38.77 crores in terms of accepted conditions.

The matter was referred to the Railway Board in September 1994, reply has not been received (January 1995).

The Ministries of Finance, Home Affairs, Defence and Civil Aviation were requested, in November 1994 to intimate whether any general guidelines had been prescribed in connection with acquisition of aircraft by the various Ministries and Departments of Government of India. While the Ministries of Home Affairs and Finance stated that no such guidelines has been issued, replies were not received from Ministries of Defence and Civil Aviation.

APPENDIX II

(Vide Para 43)

Statement showing details of Flights Chartered by Ministry of Railways for purposes other than visiting Accident sites.

S. No.	Party Travelled	Agency	Dates	Sectors	Expenditure (Rs)	Purpose
1.	Minister of Rlys.	BSF	25.06.92 26.06.92	Delhi Nagpur- Bangalore-Hydrabad- Delhi	273681	File Not Readily Available
2.	Minister of Rlys.	IAF	21.11.92	Chitradurga-Bangalore- Chitradurga-Bangalore- Yelahanka	282383	Arial Survey of Cyclone Affected areas of Chitradurga
3.	Minister of Rlys.	BSF	16.09.92	Nanded-Bangalore- Nanded	226605	Parbhani-Parli MG to BG
4.	Minister of Rlys.	IAF	31.01.93 02.02.93	Belgaum-Bangalore- Chitradurga-Bangalore- Chitradurga-Belgaum	416466.75	Inauguration of G.C. Miraj-Belgaum-Londa line
1.	Minister of Rlys.	Pawanhans	06.06.93 10.06.93	Hydrabad-Bijapur- Jamkhandi-Hubli- Hoospet-Bellary- Bangalore-Hydrabad- Pakala-Bangalore	744865	Inauguration of Gauge Conversion Programmes on S.C. Railway
2.	Minister of Rlys.	IAF	13.07.93	Delhi-Chitradurga- Patiala-Delhi	317478	Arial Survey of Flood affected area of Haryana & Punjab
3.	Minister of Rlys.	IAF	01.09.93 02.09.93	Sulur-Yelahanka-Castle Rock-Gooe-Yelahanka- Sulur.	596896	Visit the Site of Collapse of Tunnel near Haunavar

S. No.	Party Travelled	Agency	Dates	Sectors	Expenditure (Rs)	Purpose
4.	Minister of Riys.	Archana Airways	02.10.93	Delhi-Jaipur-Delhi	128800	Gauge Conversion Projects on Western Railway
5.	Minister of Riys.	IAF	01.10.93	Hydrabad-Gulbarga-Jewargi-Atzalpur-Latur		Visit to Earthquake Affected Areas
6.	Minister of Riys.	Pawanhans	21.10.93	Trivandrum-Kanyakumari-Tuticorin-Trichy-Madras	321534	Inspection of KDMT Project
7.	Minister of Riys.	Pawanhans	27.11.93	Arnikere-Tiptur-Arnikere	370391	Inauguration of Tumkur-Arnikere Rly. Line after Gauge Conversion
8.	Minister of Riys.	UB AIR	10.01.94	Bangalore-Gundlupet-Mysore-Bangalore	75000	Arial Survey of Gundlupet Mysore New Line-Cum-Gauge Conversion
			15.01.94	Bangalore-Davangere-Bangalore	27893	Cancelled. Arial Survey of Bangalore-Miraj MG Line to BG

• Bill paid by Ministry of Agriculture.

APPENDIX III
(Vide Para 45)

Statement showing details of journeys performed in IRCON's Aircraft during the period 11.5.94 to 31.5.95.

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
1.	11.5.94	Minister for Railways and six others	Delhi	Bombay	2.35	Meeting with CM and other Rly. users for Rly. projects
2.	27.5.94	Minister for Railways PS/MR	Bombay	Delhi	2.35	-do-
3.	2.6.94	2 SAs to MR Minister for Railways with his wife Addl. PS/MR Physician to MR 3 Personal Attendants/MR	Delhi	Bangalore	3.45	} Official 3.45
4.	8.6.94	Return of aircraft to its base for schedule for 9.6.95. Personnel Physician/MR and Attendant/MR on board.	Bangalore	Delhi	3.45	
5.	11.6.94	Trial of aircraft CM of Andhra Pradesh on board	Delhi	Delhi	0.30	
6.	14.6.94	Member Engineering Adviser (PU)	Delhi	Baroda	2.10	} Accident site 2.00
7.	15.6.94	Member Engineering Adviser (PU)	Baroda	Delhi	2.00	

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
8.	30.6.94	Minister of Railways (Personnel) with four members PA/MR	MOS Delhi	Nagpur		Official
9.	30.6.94	Minister of Railways (Personnel) with four members PA/MR	MOS Nagpur	Madras		
10.	30.6.94	Minister of Railways (Personnel) with four members PA/MR	MOS Madras	Bangalore	0.45	
11.	1.7.94	Minister for Railways with his wife PA/MR	Bangalore	Trivandrum	1.10	Flagging of Trivandrum-Madras-Nizamuddin Rajdhani. & Trivandrum-Bombay
12.	2.7.94	Minister for Railways with his wife PA/MR	Trivandrum	Bangalore	1.15	Weekly Express.
13.	2.7.94	Positioning	Bangalore	Bombay	2.00	
14.	3.7.94	Minister for Railways and his wife Personal Physician/MR P.O./ W.Rly. PA/MR	Bombay	Jaipur	2.15	Inauguration of Jaipur-Sealdah Exp.
15.	3.7.94	Positioning	Jaipur	Delhi	0.45	
16.	4.7.94	Minister for Railways and his wife PS/MR Physician/MR Mr. Saifudin Soz, MP	Delhi	Patna	2.00	Meeting with MPs/MLAs of Bihar and State level minorities conference.

17.	4.7.94	Returning to its base for schedule on 9.7.95 with Sh. S. Soz, MP	Patna	Delhi	2.00
18.	20.7.94	Positioning for M.R.	Delhi	Bangalore	3.45
19.	22.7.94	Minister for Railways PS/MR Shri Dharam Singh/Karnataka Minister AGM/S.Rly. Four media persons	Bangalore	Mangalore	1.10
					Aerial survey of flood affected areas of Mysore.
20.	22.7.94	Minister for Railways Shri Dharam Singh/Karnataka Minister AGM/S.Rly. Four media persons	Mangalore	Mangalore	0.30
					Survey of Konkan Railway alignment.
21.	22.7.94	Minister for Railways Sh. Dharam Singh/Karnataka Minister AGM/S. Rly. Four media persons	Mangalore	Bangalore	0.50
					Refuelling
22.	22.7.94	Minister for Railways PA/MR	Bangalore	Nagpur	2.00
23.	22.7.94	Union Labour Minister, Shri Shyama Charan Shukla M.L.A. PS/Labour Minister Shri Sohi, MP Four officials from Coal India & Labour Ministry	Nagpur	Raipur	0.40
					Official visit of Labour Minister to Raipur. Bills raised on Labour Ministry.

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
24.	22.7.94	Empty return after dropping Union Labour Minister	Raipur	Nagpur	0.40	
25.	22.7.94	Minister for Railways PA/MR	Nagpur	Delhi	1.50	Return to Delhi.
26.	11.8.94	Minister for Railways MOS/External Affairs Shri Iqbal Singh, MP CRB OSD/MR PS/MR Five press/media representatives	Delhi	Amritsar	1.00	Inauguration of Amritsar-New Delhi Shatabdi Express.
27.	11.8.94	Minister for Railways MOS/External Affairs Shri Iqbal Singh, MP CRB OSD/MR PS/MR Five press/media representatives	Amritsar	Delhi	1.00	
28.	18.8.94	MD/IRCON Adv. (ME) H.E. Akbar Torkan/Irani Minister Mr. Brahmni/Irani Minister Mr. Azizi/IS(Tpt)/Iran Mr. A. Gohli/Consultant/Iran Mr. A. Akbar/Irani Minister Mr. Roustami/Chairman (Tpt) Iran	Delhi	Lacknow	1.00	Visit of Transport Minister of Iran (Iranian Railway is IRCON's client) to RDSO-LKD, to show them Indian Railways R&D facilities.

29.	18.8.94	MD/IRCON Adv. (ME) H.E. Akbar Torkan/Irani Minister Mr. Brahm/Irani Minister Mr. Azizi/IS (Tpt)/Iran Mr. A. Gohli/Consultant/Iran Mr. A. Afshar/Irani Minister Mr. Rostami/Chairman (Tpt)/ Iran	Lucknow	Delhi	1.00
30.	21.8.94	C.R.B. M.E. F.C. Adviser (PU) Adviser (ME) EDOC	Delhi	Varanasi	1.30 } Performance review of DLW/Varanasi
31.	21.8.94	C.R.B. M.E. F.C. Adviser (PU) Adviser (ME) EDOC MS and his wife	Varanasi	Delhi	1.30
32.	28.8.94	M.E. M.S. F.C. Adv. (ME) Adv. (Works)	Delhi	Gorakhpur	1.30 Performance review of NE Rly./ Gorakhpur

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
33.	28.8.94	M.E. M.S. F.C. Adv. (ME) Adv. (Works)	Gorakhpur	Delhi	1.30	
34.	2.9.94	Minister for Railways PS/MR Consultant/MR Personal Physician/MR	Delhi	Bangalore	3.30	Meeting with MPs, MLAs & public representatives regarding Railway projects/schemes.
35.	2.9.94	Minister for Railways PS/MR Consultant/MR Personal Physician/MR	Bangalore	Tirupathy	0.35	
36.	2.9.94	Minister for Railways Consultant/MR Personal Physician/MR	Tirupathy	Bangalore	0.35	Concluding ceremony of Platinum celebration of the Federation of Karnataka Chamber of Commerce & Industry.
37.	4.9.94	Minister for Railways and his wife. PA/MR Personal Physician/MR	Bangalore	Pune	1.30	
38.	4.9.94	Minister for Railways and his wife Personal Physician/MR	Pune	Bangalore	1.30	Official
39.	6.9.94	Minister for Railways and his wife PA/MR Personal Physician/MR	Bangalore	Nagpur	1.55	Meeting with trade/industry/public representatives regarding Railway projects/schemes.

40	6.9.94	Minister for Railways and his wife. PA/MR Personal Physician/MR	Nagpur	Delhi	1.55	
41	9.9.94	C.R.B. M.E.	Delhi	Jodhpur	1.00	Inauguration of Inter-city Express between Jodhpur-Delhi.
42	9.9.94	C.R.B. M.E.	Jodhpur	Delhi	1.05	
43	12.9.94	Adv. (ME) EDCE DG/RDSO	Delhi	Vijayawada	2.40	Accident: site
44	13.9.94	Adv. (ME) EDCE DG/RDSO	Vijayawada	Nagpur*	1.10	*Refuelling
45	13.9.94	Adv. (ME) EDCE DG/RDSO	Nagpur	Delhi	2.05	
46	19.9.94	Empty for Minister for Railways	Delhi	Bangalore	3.40	
47	20.9.94	Minister for Railways and his wife EDPGS/MR PA/MR PA/MR	Bangalore	Ahmedabad	2.35	Meeting with CM, MPs of Gujarat

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
48	20.9.94	Minister for Railways and his wife EDPG/MR PA/MR PA/MR	Ahmedabad	Bombay	1.10	Meeting with CM, MPs of Maharashtra Commissioning of Chicktajur-Harihar B.G. Line.
49	21.9.94	Personal Physician/MR	Bombay	Delhi	2.40	
50	23.9.94	Empty for M.R.	Delhi	Bangalore	3.35	
51	23.9.94	Minister for Railways Shri Hanumanthappa/ Karnataka Minister	Bangalore	Harihar	0.35	
		PA to MR Consultant/MR OSD/MR Physician/MR				
52	23.9.94	Empty for Dy. Chairman/ Planning Commission CRB & ME	Harihar	Bangalore	0.35	Commissioning of Chicktajur-Harihar B.G. Line.
53	24.9.94	Dy. Chairman/Planning Commission C.R.B. and ME	Bangalore	Harihar	0.35	
54	24.9.94	Minister for Railways Dy. Chairman/Planning Commission Shri Hanumanthappa/MP Karnataka Minister PA/MR OSD/MR Personal Physician/MR	Harihar	Bangalore	0.35	-do-

55	24.9.94	Empty for CRB, ME	Bangalore	Harihar	Bangalore	0.35	} Commissioning of Chickijur-Harihar BG Line.
56	24.9.94	CRB ME CAO (C)	Harihar	Bangalore	Bangalore	0.35	
57	27.9.94	Minister for Railways ME PA/MR Personal Physician/MR OSD/MR	Bangalore	Pune	Pune	1.30	Inauguration of Baramati-Daund BG Line.
58	27.9.94	Minister for Railways ME PA/MR Personal Physician/MR OSD/MR	Pune	Bangalore	Bangalore	1.40	} To Preside over the function 'A decade of the Plant' at Wheel & Axle Plant on 28.9.94.
59	2.10.94	Empty	Bangalore	Delhi	Delhi	3.35	
60	12.10.94	M.M. DME(Planning) DG/RDSO	Delhi	Jodhpur	Jodhpur	1.05	Inauguration of Gauge Conversion
61	12.10.94	M.M. DME(Planning) DG/RDSO	Jodhpur	Delhi	Delhi	1.05	
62	15.10.94	MOS(Home) APS to MOS(Home) PS/MOS (Home) PSO/MOS(Home) J.S.(Home) Home Secretary	Delhi	Sitlhar	Sitlhar	3.15	} Official, Bills raised on Ministry of Home Affairs.

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose	
63	15.10.94	MOS(Home) APS to MOS(Home) PS/MOS (Home) PSO/MOS(Home) J.S.(Home) Home Secretary	Silchar	Aizwal	0.20	}	
64	16.10.94	MOS(Home) APS to MOS(Home) PS/MOS (Home) PSO/MOS(Home) J.S.(Home) Home Secretary CM/Mizoram	Aizwal	Silchar	0.20		
65	16.10.94	MOS(Home) APS to MOS(Home) PS/MOS (Home) PSO/MOS(Home) J.S.(Home) Home Secretary CM/Mizoram	Silchar	Delhi	4.25		
66	22.10.94	C.R.B. Adv. (Works) PS/MOS for Chem. & Fert.	Delhi	Bihra	1.55		} Survey of Arrah-Sasaram-Banjari BG Line.
67	22.10.94	C.R.B. Adv. (Works) PS/MOS for Chem. & Fert.	Bihra	Delhi	1.55		

68	26.10.94	Minister for Railways CRB MM Personal Physician/MR OSFD/MR DG/RPF	Delhi	Jamshedpur	2.10	} Visit to Accident site at Chakradharpur.
69	26.10.94	Minister for Railways CRB MM Personal Physician/MR OSFD/MR DG/RPF	Jamshedpur	Delhi	2.40	
70	25.11.94	Minister for Railways	Delhi	Lucknow	1.00	} Official
71	3.12.94	Positioning for M/o. Railways with EDPG/MR on board.	Lucknow	Delhi	1.00	
72	4.12.94	Minister for Railways and his wife ME GM/S.Rly. Personal Physician to MR	Delhi	Bangalore	3.15	
73	4.12.94	Minister for Railways and his wife ME GM/S.Rly. Personal Physician to MR	Bangalore	Belgaum	1.05	} Official, Meeting with public and trade representatives regarding Railway projects.
74	5.12.94	Minister for Railways	Bombay	Bombay	0.50	
					2.30	

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
75	16.12.94	Positioning for M/o Railways with PS & Addl. PS/MR on board.	Delhi	Bangalore	3.15	
76	18.12.94	Minister for Railways and his wife Addl. PS/MR Physician to MR	Bangalore	Pune	1.40	Official, Meeting with public and trade representatives regarding Railway projects
77	18.12.94	Minister for Railways and his wife Addl. PS/MR Physician to MR	Pune	Bombay	0.20	
78	19.12.94	Minister for Railways and his wife Addl. PS/MR Physician to MR	Bombay	Delhi	2.40	
79	24.12.94	Minister for Railways MOS(PMO) Shri Ashok Gehlot, MP CRB FC Personal Physician/MR OSD/MR Three media representatives	Delhi	Jaipur	0.40	Inauguration of Shatabdi Express between Jaipur & Delhi.

80	24.12.94	Minister for Railways MOS(PMO) Shri Ashok Gehlot, MP CRB FC Personal Physician/MR OSD/MR Three media representatives	Jaipur	Delhi	0.40
81	31.12.94	ME MM EDCE(B&S)	Delhi	Bangalore	3.15
82	1.1.95	ME MM EDCE(B&S)	Bangalore	Delhi	3.15
83	3.1.95	CRB MM ED (Metro)	Delhi	Bombay	2.45
84	4.1.95	CRB MM ED (Metro)	Bombay	Delhi	2.20
85	16.1.95	Positioning	Delhi	Calcutta	3.00
86	17.1.95	ME	Calcutta	Tezpur	1.55
87	17.1.95	ME	Tezpur	Patna*	2.30
88	17.1.95	ME	Patna	Delhi	2.30

Inauguration of Chapramukh
Haibergaon converted BG Line
by CM/Assam
• Refuelling

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
89	22.1.95	ME MM COPS/NE Rly. GM/NE Rly. DRM(Mech)/NE Rly. ED(Safety) EDCE(B&S) EDME (RSM)	Delhi	Lucknow	1.00	Accident site
90	23.1.95	ME MM GM/NE Rly. ED(Safety) EDCE(B&S) EDME(RSM)	Lucknow	Delhi	1.00	
91	10.3.95	Positioning	Delhi	Hyderabad	2.35	Meeting with MPs/MLAs and trade representatives regarding Railway projects for Textiles.
92	10.3.95	Minister for Railways and his wife. PA/MR OSD/DMR Personal Physician/MR	Hyderabad	Delhi	2.35	
90	12.3.95	ME MM GN/N. Rly. CE/N Rly. PA/MR	Delhi	Jaisalmer	1.40	Flagging off Lime stone special on newly converted Jaisalmer-Jodhpur BG Line.

94	12.3.95	ME MM GN/N. Rly. CE/N Rly. PA/MR	Jaisalmer	Jodhpur	0.35 } Flagging of Marudhar Express from Jodhpur.
95	12.3.95	ME MM GN/N. Rly. CE/N Rly. PA/MR Sh. Ashok Gehlot/MP	Jodhpur	Delhi	1.00 }
96	16.3.95	Chief Minister/Karnataka PRO/CM/Karnataka S.P. Three PSs to C.M.	Delhi	Bangalore	3.45 Official, Bill raised on State Govt.
97	19.3.95	Positioning	Bangalore	Harihar	0.35 }
98	19.3.95	Minister for Railways and his wife ME MM PA/MR ASP/MR	Harihar	Bangalore	0.35 Commissioning of Gauge converted line.
99	20.3.95	ME MM	Bangalore	Delhi	3.30 }

S.No.	Date	Name and Designation	From	To	Flying Time	Purpose
110	14.5.95	Minister for Railways ME OSD/MR CM/Karnataka Shri S. Rao/Ex. MP CAO(C)/S.Rly.	Belgaum	Bangalore	1.00	
111	14.5.95	ME OSD/MR Shri S. Rao/Ex. MP	Bangalore	Delhi	3.40	

APPENDIX IV
(Vide Para 92)

Fixed Cost and Variable Operating Charges for the years 1994-95 and 1995-96

Particulars	Annual Charges (Rs. lakhs)			
	1994-95		1995-96	
	Original	Revised	Original	Revised
1	2	3	4	
(i) Depreciation of aircraft/initial pack of capital equipment (@ 11.31% at the cost of (11.31% at the cost of aircraft (@ 9.5% on Rs. 14.11 crore aircraft (Rs. 15.00 crore) of Rs. 14.11 cr. actual) anticipated)	169.65	159.58	134.05	
(ii) Insurance 30.00 (a 2% of capital cost)		16.64 (As per actual)	20.00 (As per Actual)	
(iii) Crew: 3 Pilots (No Air-hostess) 14.40 (@ Rs. 40,000/- per Pilot p.m.)		11.52	11.52	
(iv) 1 Engineer and 2 Technicians 4.80 (Engineer @ Rs. 15,000/- and Technician @ Rs. 12,500/- p.m.)		—	(@ Rs. 96,000/p.m.) Total	(@ Rs. 96000 p.m.) Total
(v) Hangarage 3.65 (@ Rs. 1000/- per day)		3.65		3.65 (@ Rs. 1000/- per day)
(vi) Misc. services/catering etc. 5.00 (lump-sum)		5.00 (lump-sum)		5.00 (lump-sum)
(vii) Overheads 2.50 (lump-sum)				
Total Annual Charges 230.00		196.39		174.22
Add contingencies 11.50 (@5%)		5.89 (@3%)		5.23 (@3%)
Total	Rs. 241.50 lakhs	202.28		179.45

B. Variable Operating Cost

1	2	3	4
(i) Fuel Cost (including Lubricants)	4800	(Fig. in Rs.) Rs. 4800	5250.00 (As per Actual)
(ii) Maintenance	6588 (a \$ 212.50/Hr.)	Nil	
(iii) Landing/Navigation	500 (Estimated)	Rs. 500 (Estimated)	900.00 (As per Actual)
Add contingencies	Rs. 11888 per flying hour 594 (@ 5%)	Rs. 5300 Rs. 159 (@ 3%)	6150.00 184.50 (@ 3%)
	Rs. 12482	Rs. 54594	6334.50

APPENDIX V
(Vide para 97)

Schedule Forming Part of the Balance Sheet as at 31st March 1995

SCHEDULE 'D'
FIXED ASSETS

Sl. No.	Particulars	Cost/Book Value as at 1.4.1994	Gross Block Value as at 31.3.1994	Less Additions during the year	Less Sales/Adjustments during the year	Cost/Book value as at 31.3.1995	Up to 31.3.1995	Less on Sales adjustments during the year	Net Block as at 31.3.1995	As at 31.3.1994
1.	Freehold Land	2,408,102				2,408,102			2,408,102	2,408,102
2.	Leasehold Land	1,711,010				1,711,010			1,711,010	1,711,010
3.	Buildings Plot	32,478,874	32,478,874	4,920,497	172,813	32,478,874	1,209,011		1,209,011	1,209,011
4.	Plants & Machinery	1,389,644,640	55,563,728	233,895,774	783,104	1,216,542,604	5,623,311	234,357,639	26,856,363	27,568,467
5.	Office Equipments	37,528,263	3,527,803	962,033	116,329,008	40,094,000	868,140,453	224,132	342,202,151	402,475,566
6.	Survey Instruments	18,673,163	3,302,956	1,197,947	2,461,650	20,778,172	20,095,386	257,641	19,098,647	20,075,973
7.	Furniture Fixtures & Furnishings	23,227,097	1,249,493	1,880,755	3,503,968	22,565,836	11,672,842	1,957,128	9,106,300	9,204,370
8.	Currents, Camps & Temporary, Sheds	211,061,351	3,153,273	185,556,591	3,133,270	28,659,033	185,565,595		7,806,077	9,314,179
9.	Vehicles	86,463,730	1,768,715	29,314,415	3,683,100	58,099,030	47,481,480	25,486,306	11,416,560	17,181,144
10.	Computers	7,483,325	2,146,070	(340,237)	1,425,509	9,058,632	4,171,141	(204,062)	5,798,491	4,941,745
11.	Air Craft	141,100,306	141,100,306		7,006,091	141,100,306	7,006,091		134,072,206	NA
	Total	1,808,679,566	211,870,434	452,666,278	141,182,351	1,569,083,711	1,314,712,897	447,614,230	1,008,260,868	694,046,858
	Previous years figures	1,664,104,478	172,272,876	26,687,708	180,232,854	1,809,579,566	1,176,916,643	22,454,800	1,314,712,687	487,189,835

The demands in respect of flats acquired from DDA are awaiting registration.

Plant & Machinery having Book Value of Rs. 1,902,714 (Last Year Rs. 2,066,300) with third person in the ordinary course of Business

Due to Political situation in Iraq, Chest has shares in his possession assets costing Rs. 152,508 (Net Block Rs. 2,586)

PREVIOUS YEAR Rs. 421,965,158 client NET BLOCK Rs. 963,527

APPENDIX VI
(Vide Para 100)

Calculations of Liability

Amount of Original Advance to IRCON	Rs. 15 crore
(A) Interest Liability	
Actual amount paid to IRCON towards the cost of Aircraft	Rs. 14.11 crore
Interest rate	7% p.a.
Total interest for 10 years on Diminishing balance	Rs. 5.14 cr (i)
(B) Liability on account of Fixed Cost:	
Proposed Fixed Cost/annum	Rs. 1.8 crore
Recovery of advance from IRCON	Rs. 1.5 crore
Net Fixed cost outgo	Rs. 0.3 crore
Total outgo for 10 years	0.3 × 10 = Rs. 3 crore (ii)
(C) Liability on account of Variable Cost	
Proposed Variable Cost for first 2 years	Rs. 6335/- p.m.
Total hours per year	200
Liability for first 2 years	200 × 2 × 6335 = 25.3 lacs = 0.253 crore
Proposed Variable cost from 3rd year	= Rs. 13000
Liability for next 8 years	= 8 × 200 × 13000 = 208 lakh = 2.08 crore
Total liability for 10 years	= 0.253+ 2.08 cr. = 2.33 crore (iii)
(D) Cost of aircraft	Rs. 14.11 cr (iv)
Total Liability	= i + ii + iii + iv = 5.14 + 3 + 2.33 + 14.11 = Rs. 24.58 cr.

APPENDIX VII
(Vide Para 113)

OWNER	TYPE	"VT." REGN	
1	2	3	4
2	BHARAT EARTH MOVERS LTD.	ALOUETTE III HELICOPTER	VT-EIL
3	BHARAT ORGE CO. LTD.	BEECH DUKE A-60	VT-EBO
4	BOKARO STEEL PLANT	BEECH SUPER KING AIR B-200	VT-ECO
5	BORDER SECURITY FORCE	AVRO HS-748	VT-EAV
6	BORDER SECURITY FORCE	AVRO HS-748	VT-EIR
7	BORDER SECURITY FORCE	AVRO HS-748	VT-EHL
8	BORDER SECURITY FORCE	AVRO HS-748	VT-EAT
9	BORDER SECURITY FORCE	AVRO HS-748	VT-DXH
10	BORDER SECURITY FORCE	B-200	VT-EHK
11	BORDER SECURITY FORCE	CHEETAH HELICOPTER	VT-EOL
12	COAL INDIA LTD.	BEECH EXPEDITER D 185	VT-CHY
13	COAL INDIA LTD.	BEECH SUPER KING AIR B-200	VT-CIL
14	COAL INDIA LTD.	CHETAK SA 3168 HELICOPTER	VT-EOY
15	COAL INDIA LTD.	BEECH BARON 8.58 P	VT-EEZ
16	GAS AUTHORITY OF INDIA LTD.	ECUREUIL AS 355F HELICOPTER	VT-ERU
17	HINDUSTAN STEEL LTD.	BEECH TWIN BONANZA D50E	VT-DOR
18	IEL	ISLANDER BN-2A	VT-DYZ
19	INDIAN IRON AND STEEL CO. LTD.	BEECH TWIN BONANZA D50C	VT-DMO
20	INDIAN IRON AND STEEL CO. LTD.	BEECH QUEEN AIR 65	VT-DHR
21	INDIAN METALS AND FERRO ALLOYS LTD.	CESSNA 172	VT-DUR
22	INDIAN METALS AND FERRO ALLOYS LTD.	ALOUETTE III HELICOPTER	VT-EGZ
23	INDIAN METALS AND FERRO ALLOYS LTD.	BEECH BARON B-55	VT-DTU
24	INDIAN RAILWAY CONSTRUCTION CO. LIMITED	BEECH SUPER KING AIR B-350	VT-IRC
25	KUDREMUKH IRON ORE CO.	ALOUETTE III HELICOPTER	VT-EEY
26	NATIONAL AERONAUTICAL LABORATORY	LONG-EZ	VT-XIU
27	NATIONAL AERONAUTICAL LABORATORY	NALLA	VT-XIW
28	NATIONAL AIRPORTS AUTHORITY	DAKOTA DC-3	VT-CTV
29	NATIONAL AIRPORTS AUTHORITY	AVRO HS-748	VT-EFO

1	2	3	4
30	NATIONAL AIRPORTS AUTHORITY	DORNIER 228-200	VT-ENK
31	NATIONAL AIRPORTS AUTHORITY	AVRO HS-748	VT-EFR
32	NATIONAL AIRPORTS AUTHORITY	DORNIER 228-201	VT-EPU
33	NATIONAL ALLUMINIUM CO. LTD.	ALOUETTE III HELI- COPTER	VT-EIS
34	OIL AND NATURAL GAS COMMISSION	ALOUETTE III HELI- COPTER	VT-EIV
35	OIL AND NATURAL GAS COMMISSION	DORNIER 228-101	VT-EIX
36	OIL AND NATURAL GAS COMMISSION	ALOUETTE III HELICOPTER	VT-EIW
37	OIL AND NATURAL GAS COMMISSION	ALOUETTE III HELICOPTER	VT-EIZ
38	STEEL AUTHORITY OF INDIA	BEECH QUEEN AIR 65	VT-DOO
39	STEEL AUTHORITY OF INDIA	ISLANDER BN-2A	VT-EAN
40	STEEL AUTHORITY OF INDIA	BEECH KING AIR F-90A	VT-ELZ
41	UNITED NATIONS DEVELOP- MENT PROGRAMME	LAMA HELICOPTER	VT-ELY

APPENDIX VIII
(Conclusions and Recommendations)

Sl. No.	Para No.	Ministry/ Deptt. concerned	Recommendations/conclusions
1	2	3	4
1	115	Ministry of Railways (Railway Board)	The Committee note that with a view to ensuring ready availability of an aircraft in exigencies such as accidents, natural calamities etc., the Ministry of Railways obtained a supplementary token provision of Rs. 0.50 lakh for payment of an interest-free advance to Indian Railway Construction Company Limited (IRCON) to enable them to procure a suitable aircraft to meet the mutual requirements of Railways and IRCON. Subsequently, the Railway Board provided an interest-free advance of Rs. 15 crore to IRCON in February, 1994 after re-appropriating Rs. 14.995 crore from the provisions made in the budget estimates for 1993-94 for new lines, gauge conversion, railway electrification, rolling stock etc. The aircraft was received at Delhi Airport on 11 May, 1994 and was thereafter hired by Railways for their uses. The Committee's examination of the audit paragraph brings out certain revealing aspects arising out of the acquisition and utilisation of the aircraft which are dealt with in the succeeding paragraphs.
2	116	-do-	The Committee find that the Ministry of Railways had been considering several proposals to acquire aircraft/helicopters for their use atleast from 1993 onwards. One such proposal was initiated by them in March, 1993 for acquisition of an aircraft through IRCON which is a Government Company under the administrative control of the Ministry of

1	2	3	4
			<p>Railways themselves with senior officials of the Ministry being represented on the Board of Directors of the Company. Based on the discussions held with the Ministry of Railways, IRCON is stated to have submitted a proposal for acquisition of an aircraft which involved an interest free loan commitment of the order of Rs. 14 crore. This proposal was processed in the Ministry and examined by the then Financial Commissioner (Railways) who desired in June, 1993 that a detailed justification for the purchase of the aircraft should be prepared showing the expected level of its utilisation. The Financial Commissioner also expressed his reservations about associating IRCON in the purchase, operation and maintenance of the aircraft on the ground that this was not the normal type of business for IRCON and they would have to create facilities specially for one aircraft thus pushing up the cost considerably. He therefore, suggested discussions with regular Air Taxi operators with a view to effecting economy.</p>
3	117	<p>Ministry of Railways (Railway Board)</p>	<p>From the information made available to them on this aspect, the Committee are deeply concerned to note that no proper justification was prepared in the Ministry on the above lines suggested by the Financial Commissioner. Despite availability of several commercial airlines in the country, the Ministry of Railways, for reasons best known to them, did not carry out a thorough market survey and chose to explore the possibility of hiring an aircraft only from 'vayudoot' whose proposal was not found financially acceptable by them. Interestingly, the Ministry solely guided by the obvious advantages of easy availability and control of aircraft, sought to justify maintenance and operation of the aircraft by IRCON through contract agencies. No attempt also seemed to have been made by the Ministry of</p>

1	2	3	4
4	118	Ministry of Railways (Railway Board)	<p>Railways independently to work out the expected level of utilisation of the aircraft proposed to be acquired. Even though the succeeding Financial Commissioner (Railways) had also found that a comparison of actual expenditure incurred by the Railways on air travel with expenditure involved in the proposed arrangements for acquisition of aircraft did not by itself make the proposal envisaged "financially remunerative", yet the proposal was pushed through on grounds of ready availability of the aircraft at short notice in the exigencies. Since IRCON also required a minimum notice of 3 hours, the Committee fail to accept such a justification. At this stage, the Committee can only express their unhappiness over the manner in which the proposal for acquisition of the aircraft was dealt with by the Ministry of Railways.</p> <p>Strangely enough, the Chairman (Railway Board) informed the Committee during evidence; "Our earlier experience of trying to take aircraft on lease or hire from other agencies including the Air Force was not very happy. We had to give written notice, a written request. We had to take permission from the Ministry of Defence and the Prime Minister's office." However, Ministry of Railways could not give concrete examples of delays in obtaining the Air Force aircraft in meeting the emergent situations in the past. In fact, Railways have gone on record to admit that their request for availability of aircraft in cases of train accidents was never refused by IAF. The Committee's examination, on the other hand, also revealed that the requirements of Railways for aircraft even for other purposes were always met in the past. Considering the fact that aircraft were always available to Railways in the past for meeting their requirements and also the Audit finding that Railways had incurred a total annual average expenditure of Rs. 51 lakh only for chartering of aircraft and commercial flights during the three years' period 1990-93, the Committee regret to note that Railways opted for such a costly proposition.</p>

1	2	3	4
5	119	Ministry of Railways (Railway Board)	<p>Another factor observed by the Committee related to the manner in which IRCON was associated in the exercise. Although it was not the normal type of business of IRCON in terms of the company's Memorandum of Association, as rightly pointed out by the then Financial Commissioner in June, 1993 they were yet associated in the purchase, operation and maintenance of the aircraft without any expertise having been available with them. The Memorandum of Association of the Company had to be got amended through a special resolution to accommodate this new line of business. During evidence, the Chairman, Railway Board stated that it was done in view of the flexibility that IRCON enjoyed compared to Railways being a Government Department. The Ministry also stated that acquisition of the aircraft provided an opportunity to IRCON to diversify the company's business. The Committee cannot accept this argument in the light of the Ministry's admission that there was no proposal with IRCON for purchase of more aircraft.</p>
6	120	-do-	<p>The Ministry of Railways contended that the specific emergent needs/exigencies envisaged for the use of aircraft at the time of mooted proposal for its acquisition were (a) ready availability at a short notice to reach the site of accidents and natural calamities, etc. and (b) ready availability for other Railway's use having many advantages, some of them quantifiable directly, others indirectly in terms of cost savings due to saving of time of Members of Government and senior executives, travel at short notice with flexibility of time and avoiding waiting time at airports and the problem of connecting flights and inconvenient timings. However, while obtaining a token supplementary provision in August, 1993, the Ministry in their explanatory note on relevant Supplementary Demands for Grants specified that with a view to ensuring ready availability of an aircraft in exigencies such as accidents, natural calamities etc., it is proposed to give an interest free advance of Rs. 15 crore to IRCON to enable them to procure a suitable aircraft to meet the mutual requirements of Railways and</p>

1	2	3	4
			<p>IRCON". The explanatory note was completely silent about the other uses of the aircraft which the Ministry now claim to have been contemplated at the time of initiating the proposal. The Committee have been informed by the Railways during the course of their examination of this audit paragraph that while preparing the justification for the acquisition of aircraft, the requirement for visiting accident sites and other exigencies were considered as the main justification and the other operational requirements which are associated with running a vast network such as Indian Railways were covered by the term etc.". The Committee consider this to be an after thought and an incorrect interpretation of the term "etc." which was actually used to describe the exigencies of the nature of accidents and natural calamities.</p>
7	121	<p>Ministry of Railways (Railway Board)</p>	<p>It is further disquieting to note that while giving broad specifications of the aircraft proposed to be purchased. IRCON had clearly indicated to the consultants appointed by them for rendering suitable advice that the aircraft should be capable of having provision for availability of upto four stretchers/medical supplies for emergent use during such exigencies, in actual practice not even a single injured person could be airlifted or saved by the aircraft after its acquisition. The deposition of Chairman (Railway Board) that " it was not possible to save human life by this aircraft" explains the irony without warranting any further comment.</p>
8	122	-do-	<p>The Committee note that the aircraft under reference was received at Delhi Airport on 11 May, 1994 and was hired for undertaking 111 journeys upto 31 May, 1995 involving 194 flying hours. The Committee's examination of the details of journeys undertaken during this period in the aircraft operated and maintained by IRCON (reference Appendix-III to this Report) revealed that this aircraft was used for undertaking visits to accident sites only on six occasions involving 12 journeys. There was also one instance when the aircraft was used for survey of flood affected areas. Significantly, all the remaining journeys were undertaken for several other purposes which included 16 journeys taken for positioning of the aircraft to pick up VIPs or for empty movements. The Commit</p>

1	2	3	4
			tee have in the succeeding paragraphs dealt with some of the aspects arising out of utilisation of this aircraft.
9	123	Ministry of Railways (Railway Board)	While the main justification for procurement of this aircraft was to ensure ready availability in exigencies such as accidents, natural calamities etc., the Committee's examination of the relevant information has revealed that only six accident sites were visited by this aircraft as against 519 accidents occurring on various zonal Railways during this period. Surprisingly, the Railways had to requisition aircraft from some other agencies on three occasions for visiting accident sites during this period due to non-availability of IRCON's aircraft on account of technical snags or major overhaul. Thus, the main purpose of acquiring an aircraft for meeting exigencies in case of accidents stood defeated and pertinently the Railways had to incur an additional expenditure of Rs. 30.96 lakh for requisitioning aircraft from other agencies to visit accident sites, even after acquisition of the present aircraft.
10	124	-do	The Committee's scrutiny revealed that 70 journeys were undertaken in IRCON's aircraft by different Railways authorities during the period 11 May, 1994 to 31 May, 1995 for various other purposes. Out of these, 20 journeys were undertaken exclusively by the Railway Board officials and there were instances when only one officer of the Ministry of Railways was on Board in IRCON's aircraft. It was found by the Committee that journeys were also undertaken for inauguration of new railway lines and new trains, state level minorities conference, review performance of Zonal Railways or production units, meeting with Chief Ministers and MPs, function at Wheel and Axle Plant, platinum celebrations of Karnataka Chamber of Commerce and Industries etc. all of which were described by the Railways as part of their operational

1

2

3

4

requirement. Eight journeys were described merely as "official" without specifying the exact nature.

In the absence of precise guidelines about the utilisation of aircraft in the Ministry of Railways, the Committee cannot but express their unhappiness over the use of this aircraft by the authorities in the Ministry. Explaining the reasons for use of aircraft by Railways for various types of purposes, the Committee were informed by none other than the Chairman of the Railway Board that "the basic feature was that because the aircraft was available it was felt expedient and convenient to use it for other visits also." The Committee are not inclined to agree with the assertions made by the Ministry of Railways that the acquisition of aircraft and its use for journeys connected with running of their vast enterprise had allowed considerable operational flexibility. On the contrary they are of the view that most of the journeys undertaken in this aircraft reveal misuse of the machinery available at the disposal of the Ministry.

- | | | | |
|----|-----|--------------------------------------|---|
| 11 | 125 | Ministry of Railways (Railway Board) | <p>What has caused concern to the Committee is that instead of attempting to regulate such uses involving undertaking of journeys even on the regular commercial air routes, the Ministry of Railways, unfortunately, have attempted to justify them by resorting to putting forth inconvincing and illogical methods of costing. During evidence, the Chairman, Railway Board had tried to justify use of this aircraft in the Ministry of Railways on the ground that it would be better to use the aircraft compared to a commercial airline as it was cheaper to use the IRCON's aircraft in case the number of passengers was four or more. In support of their argument, the Ministry of Railways have tried to compute the cost of flying in IRCON's aircraft at Rs. 10,159 per flying hour. This cost</p> |
|----|-----|--------------------------------------|---|

1	2	3	4
			<p>has been calculated by the Ministry by taking the total number of hours in a year instead of the actual flying hours of the aircraft on the principle that fixed charges are payable irrespective of the hours of usage. In contrast while claiming the charges from other Ministries/Agencies (dealt with subsequently) the Ministry have computed the cost @ Rs. 1.1 lakh per flying hour on the basis of rates fixed by IRCON, the owner of aircraft. The Committee would, therefore, urge that the matter should be looked into in greater details and precise guidelines, laid down for use of IRCON's aircraft by the Railway authorities.</p>
12	126	Ministry of Railways (Railway Board)	<p>The Committee note that the then Secretary (Railway Board) in his note dated 11 June, 1993 had <i>inter-alia</i> observed that IRCON had suggested that Railway should give them a guaranteed minimum utilisation of 400 flying hours. Subsequently, the Memorandum of Understanding signed between Railways and IRCON on 15 February, 1994 also stipulated that "IRCON should endeavour to make available the aircraft to the Railways for the Ministry's requirements for about 400 hours per annum". The Committee find it surprising that the Ministry of Railways gave an indication of utilisation of aircraft for minimum 400 flying hours despite the fact that while exploring the possibility of obtaining aircraft from 'Vayudoot' the Ministry had indicated their tentative requirement of about 200 flying hours per annum for chartering their aircraft. The Committee's examination has revealed that despite utilisation of IRCON's aircraft even for purposes other than for which it had been acquired, from its receipt on 11 May, 1994 to 31 May, 1995, the Ministry of Railways could utilise this aircraft for 170 flying hours only. Evidently, the Ministry of Railways in order to justify their acquisition of an aircraft gave guaranteed minimum utilisation of 400 flying hours to IRCON.</p>

1	2	3	4
13	127	Ministry of Railways (Railway Board) Ministry of Civil Aviation	<p>The Committee have been informed that the import licence for IRCON's aircraft was issued only for private use of Ministry of Railways and Board) in IRCON. The aircraft acquired by IRCON was coordination issued with Airworthiness Certificate by with Ministry Director General Civil Aviation (DGCA) and of Civil classified under "Normal category" with sub-Aviation division "private" aircraft. According to DGCA and Tourism requirements, "private" aircraft shall not be (Deptt. of used for hire or reward or for any kind of Civil remuneration whatsoever. However, the MOU Civil Aviation) signed between Ministry of Railways and IRCON provided for the aircraft being made available for private use on payment and the matter for change of category of aircraft from private use to commercial use is stated to have been pending in DGCA at present. The Committee's examination has however, revealed that eight journeys in this aircraft were undertaken exclusively by parties other than Railways and IRCON upto the period ending 31 May, 1995 (reference Sl. No. 5, 23-24, 62-65 and 96 of Appendix-III). The Committee's further scrutiny revealed that seven journeys were undertaken by non-Railway personnel subsequent to the period 31 May, 1995 also. This is clearly indicative of the fact that the aircraft was operated in contravention of the conditions attached to the Certificate issued by DGCA. While taking a serious view of this aberration, the Committee hope that the Ministry of Railways/Civil Aviation Authorities will take necessary measures in order to ensure that jourenys in the aircraft are undertaken strictly in accordance with the certificate issued for the purpose.</p>
14.	128	Ministry of Railways (Railway Board)	<p>What has amazed the Committee most is the fact that although the aircraft was freely made available to other agencies, no action was taken by the Ministry to recover the necessary charges from the concerned authorities. It was only after</p>

1	2	3	4
			<p>the matter was pointed out by the Committee during evidence that the Ministry chose to raise bills against those agencies. The Committee have been informed that the payments are yet to be effected. The Committee hope that necessary action will be taken to recover the legitimate dues of IRCON/Railways. They would also like to be apprised of the further developments in this matter.</p>
15.	129	Ministry of Railways (Railway Board)	<p>The Committee note that despite procuring the aircraft for meeting the mutual requirements of Railways and IRCON, no financial liability has been imposed on IRCON for the procurement, operation and maintenance of the aircraft. The Committee's examination has revealed that IRCON have on atleast three occasions used this aircraft for their purposes apparently without sharing any financial burden on account of fixed cost of aircraft. The Committee consider this state of affairs as not in the financial interest of the Ministry and desire that the Ministry of Railways should review the present arrangement and make IRCON also liable as the aircraft was acquired for the mutual requirements.</p>
16	130	Ministry of Railways (Railway Board)	<p>Another matter of concern to the Committee is the excess payment made by the Ministry of Railways to IRCON due to adoption of inflated capital cost, depreciation and inclusion of insurance charges etc., which according to the Audit paragraph had exceed Rs. 67 lakh. The Ministry of Railways pleaded that the revised MOU has since been signed on July, 1995 i.e. the day before the representatives of the Ministry of Railways appeared before the Committee and the recoveries against the excess payments will be made during the year 1995-96. The Committee are however surprised to note that even the revised charges for the year 1994-95 have not been correctly worked out insofar as the depreciation of Rs. 159.58 lakh allowed</p>

1	2	3	4
			<p>for that year was stated to be higher and not in conformity with the actual amount of Rs. 70.36 lakh charged towards depreciation of the aircraft by IRCON in their certified Balance Sheet dated 28 June, 1995. The Committee consider it astonishing that the Ministry of Railways themselves despite being represented in the Board of Directors of IRCON have failed in safeguarding their financial interest. The Committee trust that the Ministry of Railways atleast now would take appropriate remedial measures in this regard.</p>
97	131	<p>Ministry of Railways (Railway Board) in coordination with Ministry of Civil Aviation and Tourism (Deptt. of Civil Aviation) and Ministry of Finance (Deptt. of Expenditure)</p>	<p>The Committee are surprised to note that presently no guidelines have been issued by Government regarding acquisition of aircraft by various Ministries/Depts and their associate bodies. The Committee are of the view that this matter requires to be looked into seriously with a view to prescribing uniform guidelines and also for making a single authority responsible for monitoring the same.</p>
18	132	<p>Ministry of Railways (Railway Board) in coordination with Ministry of Civil Aviation and Tourism (Deptt. of Civil Aviation) and Ministry of Finance (Deptt. of Expenditure)</p>	<p>The Committee's examination also revealed that presently there are 41 aircraft/helicopters purchased by different Public Sector Undertakings Under various Ministries which were registered with the DGCA. The Committee suggest that in order to have better utilisation of various aircraft by Government/Public Sector undertakings in the exigencies, Government should examine the desirability of forming central pool for the purpose.</p>

1	2	3	4
19	133	Ministry of Railways (Railway Board) in coordination with Ministry of Civil Aviation and Tourism (Deptt. of Civil Aviation and Ministry of Finance (Deptt. of Expenditure))	<p>The facts stated in the foregoing paragraphs arising out of the procurement of the aircraft for meeting the mutual requirements of Railways and IRCON and also its utilisation are revealing. Briefly, these are: non-preparation of detailed justification for acquisition, association of IRCON for its operation and maintenance, extra payments to IRCON due to incorrect computation of capital cost and depreciation charges etc., excessive flying hours guaranteed for the utilisation of the aircraft and unregulated uses of the aircraft etc. Significantly, as against the average annual expenditure of Rs. 51 lakh on hiring of chartered/commercial flights during 1990-93, the total liability that will devolve on the Railways on leasing of aircraft from IRCON in the admission of the Ministry themselves would amount to Rs. 24.58 crore over a period of 10 years (even though according to Audit the amount would be about Rs. 38.77 crore). The Committee are not convinced with the arguments adduced by the Ministry either for justification of the acquisition of the aircraft or about its excessive utilisation for purposes other than for those intimated to Parliament while obtaining the supplementary grant. While expressing their displeasure over the same, the Committee desire that in the light of the facts stated in this Report, Government should look into the matter thoroughly with a view to regulating acquisition of such aircraft by Ministries/Departments or their associated bodies in future and also enforcing stricter financial discipline before undertaking such costly transactions. The Committee would like to be apprised of the precise action taken in the matter.</p>