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AVOIDABLE IMPORT OF HIGH CAPACITY DIESEL POWERED BREAKDOWN CRANES

MINISTRY OF RAILWAYS

PUBLIC ACCOUNTS COMMITTEE 2004-2005

THIRD REPORT

FOURTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

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PUBLIC ACCOUNTS COMMITTEE

(2004-2005)

(FOURTEENTH LOK SABHA)

AVOIDABLE IMPORT OF HIGH CAPACITY DIESEL POWERED BREAKDOWN CRANES

MINISTRY OF RAILWAYS (RAILWAY BOARD)

[Action Taken on 36th *Report of Public Accounts Committee* (13th *Lok Sabha)]*

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

LOK SABHA SECRETARIAT
NEW DELHI

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(2004-2005)

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*Shri A. R. Antulay resigned from the membership of the Committee *w.e.f.* 27 August, 2004.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present this Report on their behalf, do present the Third Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 36th Report (13th Lok Sabha) on "Avoidable import of high capacity diesel powered breakdown cranes".

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 13th October, 2004. Minutes of the sittings form *Part II* of the Report.

3. 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* to the Report.

4. The Committee 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;
27 *October,* 2004
5 *Kartika,* 1926 *(Saka)*

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the Observations/Recommendations contained in their Thirty-Sixth Reort (Thirteenth Lok Sabha) on Paragraph 4.1.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1998 (No. 9 of 1999), Union Government (Railways) relating to "Avoidable Import of High Capacity Diesel Powered Breakdown Cranes."

2. The 36th Report which was persented to Lok Sabha on 24 April, 2002 contained nine Observations/Recommendations. The action taken notes have been received in respect of all the Observations/Recommendations and these have been broadly categorized as follows:

(i) Observations/Recommendations which have been accepted by Government:

Paragraph Nos. 11 and 16

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government:

Paragraph Nos. 9, 10, 14, 15 and 17

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Paragraph Nos. 12 and 13

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

-NIL-

3. The action taken notes furnished by the Ministry of Railways (Railway Board) have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the action taken by the Government on some of their Observations/Recommendations.

Delayed indigenisation of high capacity diesel powered breakdown cranes and huge shortfall against requirement

[Sl. Nos. 4-5, Paragraphs 12-13]

4. In paragraph 12 of their 36th Report, the Committee had noted that based on a global review undertaken by Railway Board in 1994, the requirement of 'A' class Accident Relief Trains (ARTs) equipped with 140 Tonne cranes on Broad Gauge (BG) was worked out at 63. As 24 cranes had already been procured through trade, there

was an additional requirement of 39 140 Tonne Cranes. Considering the urgent and important requirement of these cranes, the Committee had emphasized the need for their realistic assessment keeping in view the existing state-of-the-art technology.

The Committee in Paragraph 13 of the Report were surprised to find that in order to meet the shortfall of 39 140 Tonne cranes, the Railway Board took a decision in 1995 to import cranes instead of exploring the possibility of their indigenous manufacture through organizations *viz*. M/s Jessops & Co., Calcutta and Jamalpur Workshop where manufacturing capabilities were created. Taking note of the fact that M/s Jessops & Co. had already supplied 12 140 Tonne cranes to Railways in the past and their performance was reportedly satisfactory, the Railway Board should have interacted with them for procurement of required cranes. The Committee opined that such a course was all the more necessary when it was *inter alia* decided at the meeting of the Committee of Secretaries held in 1984 that order for further requirement of cranes by the Railways should be placed on M/s jessops if their performance proved satisfactory. The Committee had therefore observed that the Ministry of Railway failed to exploit the existing and proven indigenous expertise and infrastructure possessed by M/s. Jessops & Co., in spite of such a decision taken at the meeting of the Committee of Secretaries.

5. In the action taken note furnished to the Committee in respect of Paragraph 12 of the Report, the Ministry of Railways stated that reviews of Accident Relief Trains on Indian Railways had been done on the basis of requirements projected by the Zonal Railways themselves. According to the Ministry, a 140 Tonne Crane attends to accidents in a beat that may cover different Railways and is not confined to the geographical limits of the Railways, which owns it. The Ministry in the same note added:

> "The requirement of Crane is a dynamic figure. At any point in time this number would depend upon factors such as gauge conversion, importance of section in terms of traffic hauled, number of trains, geographical locations, topography, pattern of traffic, maintenance infrastructure, condition of existing over-aged Steam Cranes, etc.
>
> Even the value of 63 Nos. as worked out in 1994, has undergone a major change with addition of over 8,000 kms of BG track in the intervening years by way of conversion/new lines/doubling.
>
> Even as of today when the requirement is over 80 Cranes, IR has only 40 Diesel Cranes and manufacture 4 to 6 Cranes per annum.
>
> When IR started replacing steam locos with Diesel Locomotives in 1962 they did not assess the total requirement of diesel Loco a figure that keeps going up even today. Likewise, it is submitted that the need for assessing total requirement in 1994 was only of academic value and did not impinge on any of the decisions of Crane manufacture for at least in the next one decades."

6. Intimating the Committee about the basis of assessing the requirement of 80 cranes in the year 2004, the Ministry have further added:

> "The Committee on "Re-organisation and Modernization of the Accident Relief Trains" in its report in 1985 had recommended that the beat of the Accident Relief Train on Broad Gauge should be about 250 to 300 kms. In other words, each Crane can cover a distance of approximately 500 kms. of track in a linear section, 750 kms. of track if placed in a tri-junction etc. from the junction station in which it is positioned.
>
> Indian Railways' Broad Gauge network is spread over 45,000 route kms. With the above guidelines in mind the entire Railway map was scanned and in 1995, the requirement was assessed at 73 Cranes in order that every point on the entire BG track is covered by a Crane within 250 to 300 kms. This was discussed in the Conference of Chief Motive Power Engineers in charge of disaster management and minor adjustments made suitably in the locations. During this meeting, Eastern, NF, NE and SE Railways even pressed for more Cranes than what were provided within the plans. This was further firmed up in a Powerpoint presentation made to the Zonal General Managers.
>
> In 1995, the requirement of 140 Tonne BG Cranes was worked out as 73 Nos. This requirement goes up every year with addition of new lines & gauge conversion. For example, during the 10th Five-Year Plan a total of 3750 kms. of BG track is to be added. We manufacture about 4 to 6 Cranes only every year. Since we have 41 Cranes today in the system, there is a wide gap between demand & supply. The requirement is itself a figure moving far ahead of the 41 and 73 Cranes at a rate solely dependent on the flow of funds for new lines and gauge conversion which is rather uncertain. It is, therefore, submitted any fine tuning of this figure at this point in time would only be academic in nature. Suffice to say that there would be no occasion in the foreseeable future when we have more Cranes than is necessary."

7. In respect of Paragraph 13 of the Report, the Ministry in their action taken note stated that in 1992, M/s Jessops had advised that their U.K. collaborator, had withdrawn their support for supply of materials, spares and services at site. This caused M/s Jessops tremendous hardship both for achieving the required speed certificate and later for servicing of Cranes and supply of spares. According to the Ministry, as per contract with M/s Jessops, delivery of the first Crane was to be made within 18 months from the contract and subsequently one Crane per month, thus completing the supply of all the 12 Cranes within 29 months from the date of the contract, *i.e.* April 1988. Actual supplies of the Cranes were however made between 1988 to 1991, with delay of 43 months. The Ministry added that M/s Jessops stopped responding to the tenders for spares being issued by Railways even on proprietary basis. They had also stopped attending to service calls on the plea that warrantly period was over. A meeting was held in Board's office in May' 1994 wherein the view of Research Designs & Standard Organisation (RDSO) and all the user Railways were obtained in this regard particularly for maintenance and procurement of spares, etc. It was also brought

out in the note consequent to the meeting held in May 1994 that Jessops had conceded that most of these components were not manufactured by them but would be imported from the original manufacturer. Practically, all the Railways using Jessops Cranes decried the poor response being given by M/s Jessop's in supply of spares and other support services. Some of the specific cases highlighting M/s Jessop's poor maintenance support have been brought to the notice of the Committee.

8. The Ministry further stated that due to M/s Jessops' lack of response Indian Railways had to import critical spares for maintenance. These spares were procured through Global Tenders since 1995 and M/s Jessops had not even participated in any of these Global Tenders thus indicating either their inability or apathy to support manufacture or maintenance of these Cranes. According to the Ministry, the Cranes supplied by M/s Jessops against December, 1985 contract were with relieving bogies which required extra preparatory time at the accident spots. Based on Indian Railway's experience and developments overseas, the specifications for new Cranes were reviewed and the revised specifications were called for Cranes. The Cranes without relieving bogies required a complete redesigning of major structural assemblies for which M/s Jessops neither had technology nor collaboration with M/s NEI (presently M/s Cowans Sheldon) with them. The Committee have been informed that in view of the above factors and importance of accident relief cranes, M/s Jessops was not considered in tender for further procurement of Cranes.

9. Clarifying the point as to why further orders were not placed with M/s Jessops as per decision taken in the meeting of Committee of Secretaries, the Ministry explained as under:

> "In 1984, when the decision was taken that, if the performance of Jessops Cranes proved satisfactory, further requirement of Cranes would be met by placement of orders on M/s Jessops, it was expected then that during the currency of ToT Contract, M/s Jessops would gather sufficient know-how for manufacture of 140 Tonne Diesel Hydraulic Breakdown Cranes. Since M/s Jessops did not fulfil this condition further order was not placed on them. Thus it would be seen that M/s Jessops were not in a position to either repair the old design of Cranes or supply spares for these Cranes. In such a situation, when the Railways were decrying and heavily suffering from the poor response of M/s Jessops, it would appear impudent, to again approach the very firm for further supply of Cranes and that too of new upgraded design. It is submitted that it would not have been possible for M/s Jessops to undertake manufacture of new design of Cranes without obtaining the requisite Technology from M/s Cowans Sheldon with whom their collaboration had already ended."

10. Intimating the status of indigenisation at Jamalpur workshop, the Ministry stated:

> "With regard to Jamalpur workshop, it is submitted that Railway Board had all along been in favour of indigenous manufacture of 140 Tonne Cranes at this Workshop. This is evident from the fact that along with the order placed on M/s Gottwald in 1985, the requisite Technology was got transferred to Jamalpur

Workshop. Under this Transfer of Technology Agreement, Jamalpur workshop assembled and turned out three Cranes during 1988-90, which had been received in complete knocked down condition from M/s Gottwald. Thereafter, Jamalpur Workshop started the process of indigenisation of assemblies and components. Since the technology was very complex and the number of Cranes to be manufactured was low, the indigenisation took time. Ultimately,Jamalpur Workshop turned out two Cranes (using the kits supplied by M/s Gottwald) in 1994-95.The last and third Crane using the kits was turned out by Jamalpur Workshop in June 1996. The indigenisation level achieved in these three Cranes was around 46%. During this period, Jamalpur Workshop also created facilities for POH and repair of 140 Tonne Cranes. It may please be noted that though last of the Cranes (using the kits) was turned out By Jamalpur Workshop in June 1996, Railway Board had povided funds to the tune of Rs. 32 Crores as early as in January, 1995 for indigenous manufacture of further 4 Nos. of Cranes. After rolling out the last of these three Cranes in 1996, Jamalpur Workshop started the process of indigenous development of most of the parts. Ultimately, most of the items were successfully developed in India and the first indigenous 140 Tonne Crane with 70% indigenous content was manufactured by Jamalpur. Workshop in 1998-99. After that, three more Cranes were manufactured in 1999-2000.Indigenisation of the balance 30% items is not economically justified due to low volume required by the Indian Railways."

11. Explaining the factors that led to import of 12 cranes, the Ministry in the action taken note stated:

"Railway Board's decision of 1995-96 of importing 12 Cranes was taken against the backdrop of the fact that the requirement of Cranes as voiced by all Zonal Railways was very urgent and it was going to increase due to the rapid gauge conversion work, there was a shortfall of 49 Cranes, production of Cranes at Jamalpur Workshop had not yet stabilised. Further, by importing 12 Cranes Indian Railways was going to get the two designs for indigenous manufacture, incorporating latest technologies and features. It should be noted that there was a net shortfall of 49 nos., as early as in 1995-96 and this figure was going up year after year with additions due to New Lines & gauge conversion. We had imported only 12 Cranes duly establishing infrastructure to manufacture the rest in our Workshops. In case, Indian Railways had not resorted to import of 12 Cranes, the Cranes would not have been readily deployed and most importantly, Indian Railways would have continued manufacture of just one design of Crane at Jamalpur and that too not of the impoved design. In view of above, it is submitted that the Indian Railways' decision of importing 12 Nos. 140 Tonne Cranes of improved design was fully justified."

12. Recognising the emergent requirement of high capacity diesel powered breakdown cranes (140 T cranes) in Indian Railways for accident relief, the Committee in their earlier Report had emphasized the need for a realistic assessment of these cranes. The Committee had noted that there was a shortfall of 39 140 Tonne cranes as per the assessment made by the Railway Board in the year 1994. The Committee's

examination also revealed that since the induction of these 140 Tonne cranes through trade in 1984-85 with an agreement of Transfer of Technology (ToT), indigenous expertise and infrastructure was created at two establishments *viz*. M/s Jessops & Co. Calcutta and Jamalpur Workshop of Railways for manufacture of these cranes. The Committee were, however, concerned to find that the Ministry of Railways instead of exploring the possibility of their indigenous manufacture by the two Units decided to import 12 cranes against the existing shortfall of 39 cranes. On the question of firming up the requirement of cranes, the Committee do appreciate the viewpoint of the Ministry that the requirement of cranes is a progressive figure which goes up every year with addition of new lines and gauge conversion. In justification of their decision to import cranes, the reasons adduced by the Ministry broadly related to urgency of requirement, increasing gap between demand and supply which rose to 49 in 1995-96 and non-availability of requisite indigenous technology at Jamalpur Workshop at that point of time. The Committee have been informed that M/s Jessops & Company was not considered for further procurement of cranes because of its poor track record in delivery, maintenance and product support in respect of cranes supplied to Railways in the past against the contract of 1985. It was also added by the Ministry that with the revised specifications called for cranes in the proposed import order, M/s Jessops was not in a position to manufacture the new design cranes because they neither had the technology nor collaboration with M/s Cowans Sheldon, UK, which was discontinued since 1992. Buttressing their argument further in favour of import of 12 cranes, the Ministry claimed that Indian Railways also got two new designs for indigenous manufacture, incorporating latest technologies and features. The Committee are extremely concerned to note that there has been a persistent shortfall of 140 Tonne cranes against the estimated requirements over the years. As a matter of fact, while there was a shortfall of 49 cranes in 1995-96 against the projected requirement of 73 cranes, the Indian Railways still had a huge shortfall of 40 cranes as against the assessed requirement of 80 cranes in April 2004. Having regard to the prevailing state of affairs, the Committee are inclined to conclude that the Ministry have woefully failed to take appropriate measures to remedy the situation. With the given trend, the Committee apprehend that the growing requirement of cranes for ever expanding Indian Railways would suffer in the long run and may be, at the time of urgently necessity, it would not be possible for Railways to dispatch such cranes promptly.

What is further disquieting to observe is the fact that the Ministry have failed to effectively pursue the envisaged indigenous manufacture of cranes which started way back in 1986 with ToT from foreign vendors. Pertinently, while the Ministry incurred an extra expenditure to the tune of Rs.14 crore with a view to indigenising the manufacture of cranes by M/s Jessops, they failed to safeguard their interest that M/s Jessops would manufacture the cranes for Railways in future with the know-how obtained from M/s Cowans Sheldon, UK and that Railways would not suffer due to termination of collaborative agreement with the company at any stage. In their Action Taken Note, the Ministry have merely stated that since M/s Jessops failed to fulfil the agreement, further orders were not placed with the firm. Expressing their dissatisfaction in the matter where the Company benefited at the

cost of the Exchequer and the Railways was denied the accrued benefits from its own investment, the Committee would like the Ministry to apprise them about the action taken against M/s Jessops for their failure to honour the agreement in terms of the relevant provisions in ToT contract. As regards indigenous production of cranes at Jamalpur workshop, the progress was extremely slow and the indigenisation level achieved till 1996 was only around 46%. The Committee need hardly mention that being a captive unit, the Ministry of Railways could have ensured that the technology obtained from M/s Gottwald, West Germany was absorbed and indigenous manufacture of cranes commenced swiftly by Jamalpur workshop so as to minizime import of cranes.

From the foregoing, it is amply clear that the whole indigenisation programme launched with the objective of fulfilling majority of the requirements of the 140 Tonne cranes was beset with delay and inept handling by the Ministry. The Committee trust that steps would now be taken by the Ministry to ensure that the technology obtained at considerable cost be perfected and absorbed at the designated units so as to reap the maximum benefit from indigenisation and reduce the import to the barest minimum. The Committee recommend that the Ministry should chalk out a definite policy to progressively wipe out the widening gap between demand and supply of 140 Tonne cranes in the best interest of Indian Railways. They would also like to be apprised of the latest availability of 140 Tonne cranes in the system *vis-a-vis* their estimated requirement including steps taken to meet the shortfall, within a period of three months.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee are surprised to note that at the instance of the Ministry of Heavy Industry, an order of 12 cranes was placed on Jessop & Company; Calcutta in December, 1985 instead of M/s NEI, UK. The Committee find that it was also decided in August, 1984, that the order for further requirement of the cranes by the Railways should be placed on Jessop, if their performance proved satisfactory. Total value of the 24 cranes thus ordered worked out to Rs.67.40 crores including the cost of transfer of technology and spares from M/s Gottwald and M/s NEI, UK. The German firm completed the supply in 1986 and Jessop between March, 1988, and November, 1991. These 24 cranes were deployed on Zonal Railways. The Committee have been informed that the performance of those 24 cranes was satisfactory on the Railways after some minor modifications were carried out in the initial stage in suspension system and relieving body.

[Sl. No. 3 Appendix II Para 11 of 36th Report of PAC (13th Lok Sabha)]

Action taken

At the time of floating of Global Tender (GP-102) in 1982, M/s Jessops & Co. had been manufacturing & Supplying altogether different type of Cranes, which find usage in Steel Plants & Ports.

The technology for manufacture of 140 Tonne Diesel Hydraulic Railway Breakdown Cranes was NOT available in the country at that time. This is evident from the fact that when Railway Board floated the Global Tender for procurement of 140 Tonne Cranes, all the nine quotations that were received were from foreign firms only. NOT a singly Indian firm had submitted its quotation. That M/s Jessops & Co., Calcutta, also did NOT submit its offer explains the absence of know-how with them. Moreover, even during the price negotiation process in 1985, M/s Jessops had CANDIDTLY ADMITTED in a letter that they had not manufactured such type of Cranes in the past and therefore, would have to spend some money in developing these Cranes, which in other words meant that this technology had to be evolved by "trials and error" with attendant risks.

When Railway Board, as per rules prevalent at that time, had sought clearance of D.G.T.D. and Department of Heavy Industry for import of 140 Tonne Cranes and the requisite Transfer of Technology from M/s NEI/UK, the Department of Heavy Industry informed Railway Board that M/s Jessops had a collaborative agreement with M/s NEI/UK and that they would be able to undertake manufacture of Cranes for Railway's requirements also. Railway Board then placed the order on

M/s Jessops for supply of 12 Nos. 140 Tonne Diesel Hydraulic Breakdown Cranes. Prior to placement of the order by Railway Board, M/s Jessops did not possess the know-how and the technology for manufacture of 140 Tonne Diesel Hydraulic Breakdown Cranes. This technology was made available by M/s NEI, UK after award of contract by Indian Railways on M/s Jessops and actual supplies of the Cranes were made between 1988 to 1991 with delay of 43 months.

For procurement of Cranes in 1996-97, M/s Jessops was not considered because their response to the contractual service calls for above mentioned 12 Cranes of Railways was very poor, they had stopped responding to tenders for supply of spares for maintenance of Cranes (for which they were contractually committed to supply for life of the Crane) and they neither had technology, nor collaboration (expired prior to 1991) to manufacture Cranes in accordance with the new specifications, which required a complete redesigning of major structural assemblies. Due to the poor response of M/s Jessops, Railway suffered enormous difficulties in efficient utilisation of Cranes supplied by M/s Jessops. Finally, Parel Workshop of Central Railway was entrusted with the task of maintenance and POH of Jessops Cranes, which handled this tortuous job quite commendably after lot of investment of time, effort and money.

[M/o Railways' O.M. No. 2002/BC.PAC/XIII/36 dated 10-04-2003.]

Recommendation

The Committee find that there has been phenomenal increase in the occurrence of major accidents on the Railways. The Committee have no doubt that the creation of Central Disaster/Accident Management Authority can be of great help in such accidents. The Committee would recommend that the question of creation of such an authority should be examined in detail.

[Sl. No. 8 Appendix II Para 16 of 36th Report of PAC (13th Lok Sabha)]

Action taken

Committee's observation has been noted. The Ministry of Railways has already set up a high-power Committee to look into all facets of Disaster Management.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee note that breakdown cranes are a part of Accident Relief Trains (ARTs). With the introduction of heavier freight stock and opening of new BG routes, the need for induction of High Capacity Cranes was felt to meet this requirement. Railway Board had placed an order for 4 Nos. of 120 tonne Cranes on Jamalpur workshop in 1972. As the progress of manufacture of these Cranes by the Jamalpur Workshop was slow, the order placed on this workshop in 1972 was cancelled by the Railway Board in September, 1979. It was also then decided to procure 13 Nos. of 140 T cranes from trade. The Committee are unhappy to find that Jamalpur wokshop failed to manufacture the 4 Nos. of 120 T Cranes till 1979 even after a period of 7 years of the placement of the order in 1972, in spite of the fact that there was urgent need for induction of these Cranes as a part of Accident Relief Trains. The Committee find that Railway Board had constituted a Committee in December, 1982 to consider reorganisation and modernisation of ARTs which was last re-organised in 1963. This Committee submitted its Report in January, 1985 without making any recommendations as to the locations and the number of cranes required for the Indian Railways.

[Sl. No. 1 Appendix II Para 9 of 36th Report of PAC (13th Lok Sabha)]

Action taken

Till 1972, Jamalpur Workshop had been undertaking manufacture of very low capacity Steam Cranes. It was in 1973 that Jamalpur Workshop turned out its first batch of 75 Ton Steam Cranes. The first prototype 10 Ton Diesel Crane was turned out by this Workshop in 1975.

In 1972, Railway Board asked the Research Design & Standard Organisation (R.D.S.O.) to develop a design for 125/130 Tonne Capacity Diesel Breakdown Cranes. However, due to reasons stated in the subsequent para, Jamalpur Workshop did not develop the technology for manufacture of these Cranes. Further, the design details of High Capacity Breakdown Cranes underwent a sea change due to phasing out of steam technology and induction of heavier rolling stock such as BOX/BCX wagons and Diesel/Electric locomotives.

Breakdown Crane design and manufacture involves, *inter-alia*, know-how on:

- Diesel Engine
- Electrics

- Hydraulics
- Pneumatics
- Vehicle Dynamics

This is a specialised area on a life saving equipment on which only few firms in the world have developed expertise over many decades of protracted trial and error. It was, therefore, necessary that we procured the best available technology and to manufacture these cranes in the country to that technology. Further, the technology so brought has to be tailored suit to our Indian condition of track, weather, speeds, rolling stock, electric line clearance etc. It was, therefore, correctly decided to get some cranes built by the manufacturer to these "India specific" requirements and to adopt the technology thereafter for further manufacture.

As stated above, Breakdown Crane design is evolved over years of trials and modifications and can not be perfected in the first or second attempt. Failure of Breakdown Cranes at an accident site has such a negative impact that is beyond explanation. It was, therefore, necessary and prudent that we got the technology alongwith few Cranes made to this technology as adopted to India, perfect this technology for future manufacture in India for meeting requirement of balance Cranes. The fact that even these Cranes made by the world leaders in their first attempt, needed modification at a later stage further vindicates the Ministry's stance to import the technology alongwih certain prototypes, and to adopt the technology after suitable field trials.

The terms of reference for the Committee, constituted in 1982, pertained to Re-organisation and Modernisation of Accident Relief Trains. The Committee was not asked to go into the issue of pin-pointing the locations of ARTs and number of Cranes, because that was not in the Committee's brief. The Committee addressed the policy issues, such as, composition of ARTs, capacity of Cranes, beat of ARTs, equipment requirements, and other changes necessary for smooth operation in the wake of introduction of heavier freight stock on the Railways. The exact requirement of ART is a dynamic value that keeps going up with changes in gauge, new lines and technology. The exact requirement was also NOT considered relevant since the number of Cranes procured is a small fraction of over hundred cranes that existed in the country at that time.

(M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003).

Recommendation

The Committee observe that in March, 1982, the Railway Board had invited tender for procurement of 12 Nos. of 140 T cranes with transfer of technology. Railway Board after discussion with the Ministry of Finance approved on March 3, 1984, placement of orders on two firms *viz.* M/s Gottwald, West Germany and M/s NEI, UK for supply of 12 Cranes each. The Committee are unhappy to note that the authorities failed o approach M/s Jessops & Company in order to examine whether the company was in a position to meet the requirement particularly when M/s Jessops & Company had subsisting collaboration with M/s NEI, UK, for manufacture of the Cranes.

[Sl. No. 2, Appendix II, Para 10 of 36th Report of PAC (13th Lok Sabha)]

Action taken

At the time of floating of Global Tender (GP-102) in 1982, M/s Jessops & Co. had been manufacturing & supplying altogether different types of Cranes, which find usage in Steel Plants & Ports.

The technology for manufacture of 140 Tonne Diesel Hydraulic Railway Breakdown Cranes was NOT available in the country at that time. This is evident from the fact that when Railway Board floated the Global Tender for procurement of 140 Tonne Cranes, all the nine quotations that were received were from foreign firms only. NOT A single Indian firm had submitted its quotation. That M/s Jessops & Co., Calcutta, also did NOT submit its offer explains the absence of know-how with them. Moreover, even during the price negotiation process in 1985, M/s Jessops had CANDIDTLY ADMITTED in a letter that they had not manufactured such type of Cranes in the past and therefore, would have to spend some money in developing these Cranes, which in other words meant that this technology had to be evolved by "trials and error" with attendant risks.

When Railway Board, as per rules prevalent at that time, had sought clearance of D.G.T.D. and Department of Heavy Industries for import of 140 Tonne Cranes and the requisite Transfer of Technology from M/s NEI, UK, the Department of Heavy Industries informed Railway Board that M/s Jessops had a collaborative agreement with M/s NEI, UK and that they would be able to undertake manufacture of Cranes for Railway's requirements also. Railway Board then placed the order on M/s Jessops for supply of 12 Nos. 140 Tonne Diesel Hydraulic Breakdown Cranes. Prior to placement of the order by Railway Board, M/s Jessops did not possess the know-how and the technology for manufacture of 140 Tonne Diesel Hydraulic Breakdown Cranes. This technology was made available by M/s NEI, UK after award of contract by Indian Railways on M/s Jessops and actual supplies of the Cranes were made between 1988 to 1991 with delay of 43 months.

For procurement of Cranes in 1996-97, M/s Jessops was not considered because their response to the contractual service calls for above-mentioned 12 Cranes of Railways was very poor, they had stopped responding to tenders for supply of spares for maintenance of Cranes (for which they were contractually committed to supply for life of the Crane) and they neither had technology, nor collaboration (expired prior to 1991) to manufacture Cranes in accordance with the new specifications, which required a complete redesigning of major structural assemblies. Due to the poor response of M/s Jessops, Railway suffered enormous difficulties in efficient utilisation of Cranes supplied by M/s Jessops. Finally, Parel Workshop of Central Railway was entrusted with the task of maintenance and POH of Jessops Cranes, which handled this tortuous job quite commendably after lot of investment of time, effort and money.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

Recommendation

The High Level Study Team after visiting Germany and U.K. recommended that Indian Railways should continue to manufacture cranes to Gottwald design and continue Transfer of Technology for another three years and that immediate shortage of 140 T crane should be got over by purchase from M/s Gottwald in order to supplement production of Jamalpur for newly opened BG routes. The study team also recommended that future strategy should be to procure the technology of telescopic boom multi-tasking cranes of smaller capacity 120 Tonnes. The Committee observe that these smaller cranes could be selectively deployed in addition to 140 T fixed boom cranes. Surprisingly, the Railway do not favour the induction of telescopic boom cranes as according to them, these cranes suffer from a number of disadvantages. The Committee have no doubt that since both the indigenous and foreign tested sources for the supply of 140 T cranes were available, there was absolutely no need to depute the High Level Study Team to visit West Germany and U.K.

[Sl. No. 6, Appendix II, Para 14 of 36th Report of PAC (13th Lok Sabha)]

Action taken

The Study Team had been deputed abroad to study the technological upgradation in last decade in Breakdown Cranes & benefits derived by advanced railway systems, innovations in respect of attending accidents in electrified territories & tunnels and spot examination of manufacturing and other facilities of Crane manufacturers with a view to suggesting future strategy for Indian Railways for acquiring Railway Accident Relief Cranes.

2. The Study Team observed that a number of improvements had taken place in the crane technology in the last decade. The following improvements were listed:

(i) Elimination of relieving bogies resulting in reduced set up time.

(ii) Based on the experience of the previous Cranes in order to enable unrestricted working under electrified territory, it was suggested that the Cranes shall be either without 'A' frame or with modified design of 'A' frame.

(iii) Telescopic swing type outriggers with jack stacking support modules, which reduces the amount of wood packing thereby reducing set up time.

(iv) Fast crane operation at accident site.

(v) Telescopic boom

(vi) Multi-tasking features such as utilization of Cranes for track laying, bridge laying work, tackling of tunnel accidents, etc.

3. Items (i) to (iv) above were incorporated in the specification of the new 140 Tonne Crane. It was not found technically feasible/cost effective to incorporate Items (v) & (vi). The reasons are given below under the heading (120 Tonne Telescopic Boom Cranes).

120 Tonne Telescopic Boom Cranes

4. The Study Team had recommended the 120 Tonne Telescopic Boom Cranes as these were claimed to have the following advantages:

- Ability to operate in electrified territories without dismantling OHE.
- Multi-tasking feature for track and bridge work.
- Tackling the restoration inside tunnels.

5. After an in-depth study of the offers received against the Global Tender floated by the Railway Board in 1996, the following intrinsic limitations of this type of Crane came to light:—

- Higher cost.
- Capacity extremely limited while working under OHE.
- Essentially suitable for track laying and not for heavy breakdown.
- Hydraulic Re-railing Equipment can perform most of the jobs of telescopic boom cranes more efficiently and economically.
- Absorption of this technology would have been time-consuming.
- These Cranes would have been more difficult to maintain. Being maintenance intenstive, operation and maintenance of these Cranes would have been costly.

6. In view of limitation of 120 Tonne Telescopic Boom Crane and the Railway's resource position, it was decided not to go ahead with the import and induction of this technology.

7. The Study Team which went to Germany and UK in November 95, judged the gap between the facilities available at Jamalpur workship and those at the works of M/s Gottwald and M/s Cowans Boyd. The Study Team also observed the manufacturing capability of above-mentioned manufacturers by visiting their design offices as well as workshops. A feedback was also taken by the Study Team after visiting the premises of user Railways. The major improvements brought out by the Study Team, which has a bearing in

- reducing set-up time in an emergency
- working on electrified territory without switching off OHE on adjoining line so as to allow relief trains
- multi-tasking
- design for higher speeds, etc.

are so important and path-breaking that it is submitted that the visit of the Study Team had amply justified itself.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

Recommendation

The Committee note that in January, 1996, the Railway Board issued a limited tender to M/s Gottwald and M/s Cowans Sheldon (erstwhile M/s NEI, UK). The competent authority approved the procurement of 16 cranes on 29 September, 1996. In January 1997/March 1998, the Railway Board placed two orders for 12 more 140 T cranes at Rs.132.30 crores. The Committee find that while placing these two orders, the lowest technically suitable offer of another German firm (M/s Kirow) was ignored. According to Audit, this resulted in an extra expenditure of Rs.60 crores. The Committee have been informed that even the Tender Committee had admitted that the offer of M/s Kirow was much lower than that of M/s Gottwald and M/s Cowans Sheldon. The Railways have not yet confirmed the actual loss suffered by them by ignoring the offer of M/s Kirow. The Committee also deprecate the lack of seriousness on the part of Railway Board to affect all possible savings in the matter of procurement of costly machinery.

[Sl. No. 7, Appendix II, Para 15 of 36th Report of PAC (13th Lok Sabha)]

Action Taken

The offer of M/s Kirow against the limited tender was not opened being unsolicited offer. As such the rate quoted by M/s Kirow is not known. It is also not possible to state whether quoted rate was lowest and the offer was technically suitable. No offer from M/s Kirow, therefore, was available to the tender committee for consideration. However, tender committee, based on a letter dated 15.2.96 from M/s Kirow mentioned that package price indicated by the firm in their letter was only marginally lower than the prices at which ordering had been recommended by the tender committee on M/s Gottwald and M/s Cowans Sheldon. It is mentioned that Kirow's package price, as indicated in their letter, was DM 24,525,000 compared to Gottwald/Cowans Sheldon's ordered price of DM 24,600,000. Even assuming that package price indicated in M/s Kirow's letter dated 15.02.96 was the same as in their offer (which was not opened), the price differential was not substantial being only DM 75,000 (Rs.16.5 lakh and NOT Rs.60 crores as observed) for 8 cranes between the new type of crane offered by Kirow and the ordered cranes on Gottwald and Cowans Sheldon. It is further stated that M/s Kirow had offered to supply Crane (without Match Truck) to Konkan Railway in June '94 at unit FOB rate of DM 2.89 million (Rs.5.90 crore) as against Gottwald/Cowans Sheldon's comparable price of DM 2.95 million (without Match Truck) after 2 years *i.e.* in August '96. It is, therefore, submitted that the procurement was made in all seriousness, taking total life cycle costs, cost of carrying spares, suitability of crane technology, at competitive prevailing rates and no extra expenditure was incurred.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

Recommendation

The foregoing paragraphs reveal lack of concerted and purposive approach on the part of the Railways in the matter of procurement of costly machinery. Not only the existing and tested indigenous sources were ignored in such procurement but huge avoidable extra expenditure was also incurred. The Committee believe that Railways would learn appropriate lessons from such costly lapses and take necessary steps to avoid recurrence of such lapses. The Committee would also like to be apprised of the concrete remedial steps taken in this regard.

[Sl. No. 9, Appendix II, Para 17 of 36th Report of PAC (13th Lok Sabha)]

Action taken

After perusal of the Railway Board's reply to Recommendation No. 13, the Hon'ble Committee will agree that:

- The requirement of Cranes was urgent.
- M/s Jessops had given very poor response in the past and since they did not have the capability to repair or arrange spares for the Cranes earlier supplied by them, manufacture of Cranes as per the new upgraded specifications would not have been possible for them.
- Production of Cranes at Jamalpur workshop had not yet stabilised and the production rate was not commensurate with the urgent requirement.
- The Workshop was busy at that time in indigenous development of various equipments and was also interacting with a large number of Indian equipment manufacturers.
- Along with the import of just 12 Nos. of Cranes, Indian Railways was going to get the requisite technology for indigenous manufacture of two new upgraded designs of 140 Tonne Cranes transferred to Jamalpur and Parel Workshops on free-of-cost basis.

In view of above, it is once again submitted that the decision to import 12 Cranes did not indicate lack of concerted approach on the part of Railways and nor could the import of these life saving equipment in an environment of snowballing addition to broad gauge track be termed as a huge avoidable expenditure.

For undertaking manufacture of Gottwald design of Cranes, Jamalpur Workshop has now fully assimilated the technology. And insofar as manufacture of Cowans Sheldon design of Cranes is concerned, unlike in the past when the technology was available with M/s Jessops, an organisation outside the purview of Indian Railways, this time the new advanced technology is available with us, the Parel Workshop of Indian Railways.

The Committee's observation would, however, be kept in mind and utmost care will be taken in every future case of technology imports, apart from endeavouring to avoid such imports altogether.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee note that in 1994, a global review of ARTs was done by Railway Board in consultation with Zonal Railways and requirement of 'A' class ARTs equipped with 140 T cranes on BG worked out at 63. This requirement figure was worked out on the basis of review of global basis rather than any territorial perspective. As 24 cranes had already been procured or were under manufacture, 39 Nos. 140 Tonne Cranes were additionally required. The Committee feel that at no stage the authorities worked out their requirement for these cranes realistically. The Committee would emphasis the need for adopting realistic methods for working out such urgent and important requirement keeping in view the existing state-of-the-art technology.

[Sl. No. 4, Appendix II, Para 12 of 36th Report of PAC (13th Lok Sabha)]

Action taken

Reviews of Accident Relief Trains on Indian Railways have been done on the basis of requirements projected by the Zonal Railways themselves. A 140 Tonne Crane attends to accidents in a beat that may cover different Railways and is not confined to the geographical limits of the Railway, which owns it. As explained earlier —

- The requirement of Crane is a dynamic figure. At any point in time, this number would depend upon factors such as, gauge conversion, importance of section in terms of traffic hauled, number of trains, geographical locations, topography, pattern of traffic, maintenance infrastructure, condition of existing over-aged Steam Cranes, etc.

- Even the value of 63 Nos. as worked out in 1994 has undergone a major change with addition of over 8,000 kms. of BG track in the intervening years by way of conversion/new lines/doubling.

- Even as of today, when the requirement is over 80 Cranes, IR has only 40 Diesel Cranes and manufacture 4 to 6 Cranes per annum.

When IR started replacing steam locos with Diesel Locomotives in 1962 they did not assess the total requirement of diesel Loco; a figure that keeps going up even today. Likewise, it is submitted that the need for assessing total requirement in 1994 was only of academic value and did not impinge on any of the decisions of Crane manufacture for at least in the next one decade.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

Query of Audit

In their follow up action on Public Accounts Committee's recommendations that realistic methods need to be adopted for working out requirement of important and urgent items (cranes in this case) keeping in view the existing state-of-the-art technology, Ministry of Railways states that against their present requirement for 80 cranes, Indian Railways have only 40 diesel cranes.

In their reply, Ministry of Railways has, however, not spelt out for Public Accounts Committee's kind information the basis on which the requirement has been worked out at 80 cranes and whether the basis adopted is realistic.

Railway's Reply to the Query of Audit

The Committee on "Re-organisation and Modernization of the Accident Relief Trains" in its report in 1985 had recommended that the beat of the Accident Relief Train on Broad Gauge should be about 250 to 300 kms. In other words, each Crane can cover a distance of approximately 500 kms. of track in a linear section, 750 kms. of track if placed in a tri-junction, etc., from the junction station in which it is positioned.

Indian Railways' Broad Gauge network is spread over 45,000 route kms. With the above guidelines in mind, the entire Railway map was scanned and in 1995, the requirement was assessed at 73 Cranes in order that every point on the entire BG track is covered by a Crane within 250 to 300 kms. This was discussed in the conference of Chief Motive Power Engineers in charge of disaster management and minor adjustments made suitably in the locations. During this meeting, Eastern, NF, NE and SE Railways even pressed for more Cranes than what were provided within the plans. This was further firmed up in a Powerpoint presentation made to the Zonal General Managers.

In 1995, the requirement of 140 Tonne BG Cranes was worked out as 73 Nos. This requirement goes up every year with addition of new lines and gauge conversion. For example, during the 10th Five-year Plan a total of 3750 kms. of BG track is to be added. We manufacture about 4 to 6 Cranes only every year. Since we have 41 Cranes today in the system, there is a wide gap between demand and supply. The requirement is itself a figure moving far ahead of the 41 and 73 Cranes at a rate solely dependent on the flow of funds for new lines and gauge conversion, which is rather uncertain. It is therefore, submitted any fine tuning of this figure at this point in time would only be academic in nature. Suffice to say that there would be no occasion in the foreseeable future when we have more Cranes than is necessary.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

Recommendation

The Committee are surprised to find that in order to meet the shortfall of 39 140 T cranes, the Railway Board failed to approach M/s. Jessops and Co., Calcutta, nor did they place any order on Jamalpur Workshop for manufacture of 140 T cranes in spite of the fact that Jamalpur Workshop had infrastructure for manufacture of 4 Nos. of 140 T cranes per year. Instead, in October, 1995, the Railway Board deputed a high level

Study Team to Germany and U.K. to study the Accident Relief Trains being used and to visit the Works of M/s Gottwald, Cowans Sheldon and Kirow. The Committee have no doubt that the authorities should have interacted with Jessop and Co., Calcutta and Jamalpur Workshop so as to utilise the indigenous know-how and manufacturing capabilities created in these organisations particularly when M/s. Jessop and Co., had already supplied 12 140 T cranes to Railways and their performance had been quite satisfactory. Such a course was all the more necessary when it was *inter alia* decided at the meeting of the Committee of Secretaries held in 1984 that order for further requirement of cranes by the Railways should be placed on M/s Jessop if their performance proved satisfactory. The Committee note that the Railways failed to exploit the existing and proven indigenous expertise and infrastructure possessed by M/s. Jessop & Co., inspite of such a decision taken at the Committee of Secretaries.

[Sl. No. 5 Appendix II Para 13 of 36th Report of PAC (13th Lok Sabha)]

Action Taken

In 1992, M/s Jessops had advised that their U.K. collaborator, NEI, had withdrawn their support for supply of materials, spares and services at site. This caused M/s. Jessops tremendous hardship both for achieving the required speed certificate and later for servicing of Cranes and supply of spares.

As per contract with M/s Jessops, delivery of the first Crane was to be made within 18 months from the contract and subsequently one Crane per month, thus completing the supply of all the 12 Cranes within 29 months from the date of the contract, i.e. April 88. Actual supplies of the Cranes were however made between 1988 to 1991, with delay of 43 months.

M/s. Jessops STOPPED responding to the tenders for spares being issued by Railways even on proprietary basis. They had also stopped attending to service calls on the plea that warranty period was over. A meeting was held in Board's office in May 94 wherein the view of RDSO and all the user Railways were obtained in this regard particularly for maintenance and procurement of spares, etc. It was also brought out in the note consequent to the meeting held in May 94 that Jessops had conceded that most of these components were not manufactured by them but would be imported from the original manufacturer. Practically, all the Railways using Jessops Cranes decried the poor response being given by M/s. Jessops in supply of spares and other support services. Some of the specific cases are as under:—

(a) SLI system of Gooty Crane, which gave problem, was attended to by M/s. Jessop's service engineer thrice but could not be rectified. The complaint made on 16.07.1992 was not attended to for almost 2 years despite repeated requests from Southern Railway.

(b) A minor derailment of Kankaria Crane in March, 1995, resulted in development of cracks on the transverse member of one of the bogies of the Crane. Despite requests from Western Railway, M/s Jessops did not agree to

participate in any discussion to help in evolving a repair procedure. Ultimately Railway Board had to intervene in the matter.

(c) South Central Railway reported to M/s Jessops in August, 1994 about the failure of ENERPAC pump on Vijaywada Crane. When the same was not repaired till June, 1995, South Central Railway requested Railway Board for intervention.

It is also pertinent to mention here that due to M/s Jessop's lack of response Indian Railways had to import critical spares for maintenance. These spares were procured through Global Tenders since 1995 and M/s Jessops had NOT EVEN participated in any of these Global Tenders thus indicating either their inability or apathy to support manufacture or maintenance of these Cranes.

The Cranes supplied by M/s Jessops against December, 1985 contract were with relieving bogies which required extra preparatory time at the accident spots. Based on Indian Railway's experience and developments overseas, the specifications for new Cranes were reviewed and the revised specifications called for Cranes with:

(i) Without relieving bogies with a view to reducing initial setting up time at the accident site.

(ii) Jib is longer by 1 meter thereby increasing the area of coverage without loss of lifting capacity.

(iii) Crane is either with modified A-frame or without A-frame for better flexibility of operation.

(iv) Bogie design permits changing of broken springs without running out bogies to reduce the repair time.

(v) Safe Load Indicator (Electronic control for safety of operation) is upgraded using solid state electronic components.

(vi) Hydraulic Motors and Pumps are with higher speed of operation at accident site.

The Cranes without relieving bogies required a complete redesigning of major structural assemblies for which M/s Jossops neither had technology nor collaboration with M/s NEI (presently M/s Cowans Sheldon) with them.

In view of the above factors and importance of accident relief cranes, M/s Jessops was not considered in tender for further procurement of Cranes.

As a result of Railway's uni-gauge policy and construction of more BG lines there was a further increase in the requirement of these Cranes. Keeping in view the urgency, it was decided to buy 8 Nos. of 140 T Cranes from established and proven suppliers whose Cranes have been working on the Indian Railway system for the last 6-7 years and which can be deployed immediately. For the other 4 Nos. it was decided to induct a new design of 120 T Cranes through a Global Tender.

It is significant that in the above-mentioned Global Tender for 4 Nos. of 120 Tonne Telescopic Boom Cranes also M/s Jessops DID NOT participate, although M/s Cowans Sheldon (the then M/s NEI) did quote.

In 1984, when the decision was taken that, if the performance of Jessops Cranes proved satisfactory, further requirement of Cranes would be met by placement of orders on M/s Jessops, it was expected then that during the currency of ToT Contract, M/s Jessops would gather sufficient know-how for manufacture of 140 Tonne Diesel Hydraulic Breakdown Cranes. Since M/s Jessops did not fulfil this condition, further order was not placed on them.

Thus, it would be seen that M/s Jessops were not in a position to either repair the old design of Cranes or supply spares for these Cranes. In such a situation, when the Railways were decrying and heavily suffering from the poor response of M/s Jessops, it would appear imprudent, to again approach the very firm for further supply of Cranes, and that too of new upgraded design. It is submitted that it would NOT have been possible for M/s Jessops to undertake manufacture of new design of Cranes without obtaining the requisite Technology from M/s Cowans Sheldon with whom their collaboration had already ended.

In the present order placed by Indian Railways, the ToT is available with the Parel Workshop of Central Railway. Since this Workshop has undergone the trauma of overhauling these Cranes without the support from M/s Jessops and learnt the basics of the technology the hard way, with marginal inputs the existing facility has been upgraded for undertaking manufacture of new design of Cranes. The new facility will also be useful for further improving the productivity of heavy repairs and Periodical Overhauling (POH) of Cranes.

In a nutshell, Indian Railways took the right decision of not approaching M/s Jessops, which in the past had given not only poor response to the Railways, but also failed to repair the Cranes supplied by it, and to provide spares for the same. On the other hand, Parel Workshop, to which the technology has now been transferred, is a workshop of the Indian Railways, with the required infrastructure fully capable of undertaking repair/POH of Cranes for years.

With regard to Jamalpur workshop, it is submitted that Railway Board had all along been in favour of indigenous manufacture of 140 Tonne Cranes at this Workshop. This is evident from the fact that along with the order placed on M/s Gottwald in 1985, the requisite Technology was got transferred to Jamalpur Workshop. Under this Transfer of Technology Agreement, Jamalpur workshop assembled and turned out three Cranes during 1988-90, which had been received in complete knocked down condition from M/s Gottwald. Thereafter, Jamalpur Workshop started the process of indigenisation of assemblies and components. Since the technology was very complex and the number of Cranes to be manufactured was low, the indigenisation took time. Ultimately, Jamalpur Workshop turned out two Cranes (using the kits supplied by M/s Gottwald) in 1994-95. The last and third Crane using the kits was turned out by Jamalpur Workshop in June, 1996. The indigenisation level achieved in these three Cranes was around 46%. During this period, Jamalpur Workshop also created facilities

for POH and repair of 140 Tonne Cranes. It may please be noted that though last of the Cranes (using the kits) was turned out by Jamalpur Workshop in June, 1996, Railway Board had provided funds to the tune of Rs. 32 crores as early as in January, 1995 for indigenous manufacture of further 4 Nos. of Cranes.

After rolling out the last of these three Cranes in 1996, Jamalpur Workshop started the process of indigenous development of most of the parts. Ultimately, most of the items were successfully developed in India, and the first indigenous 140 Tonne Crane, with 70% indigenous content, was manufactured by the Jamalpur Workshop in 1998-99. After that, three more Cranes were manufactured in 1999-2000. Indigenisation of the balance 30% items is not economically justified due to low volume required by the Indian Railways.

Railway Board's decision of 1995-96 of importing 12 Cranes was taken against the backdrop of the fact that the requirement of Cranes as voiced by all Zonal Railways was very urgent and it was going to increase due to the rapid gauge conversion work, there was a shortfall of 49 Cranes, production of Cranes at Jamalpur Workshop had not yet stabilised. Further, by importing 12 Cranes Indian Railways was going to get the two designs for indigenous manufacture, incorporating latest technologies and features.

It should be noted that there was a net shortfall of 49 Nos., as early as in 1995-96 and this figure was going up year after year with additions due to New Lines and gauge conversion. We had imported only 12 Cranes duly establishing infrastructure to manufacture the rest in our Workshops.

In case, Indian Railways had not resorted to import of 12 Cranes, the Cranes would not have been readily deployed and most importantly, Indian Railways would have continued manufacture of just one design of Crane at Jamalpur and that too not of the improved design.

In view of above, it is submitted that the Indian Railways' decision of importing 12 Nos. 140 Tonne Cranes of improved design was fully justified.

[M/o Railways' O.M.No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

Query of Audit

In reply to Public Accounts Committee's conclusion that Ministry of Railways failed to exploit the existing indigenous sources *viz*. M/s Jessops & Co. and Jamalpur Workshop for procurement of cranes before deputing a Study Team abroad and placing orders on foreign firms. Ministry of Railways states that:

- An order for 12 cranes was placed on M/s Jessops at the instance of Ministry of Heavy Industries. Prior to placement of order, M/s Jessops had no technical know-how to manufacture the type of crane in question. They had, however, been manufacturing other types of cranes used in Steel Plants and Ports. when the contract was awarded to them, they were provided necessary technical know-how by M/s NEI, UK with whom they had a subsisting collaborative agreement. But company's performance in delivery

schedules and post delivery maintenance of cranes in the previous supplies was not satisfactory. The company also did not have the know-how necessary for the upgraded design of cranes proposed to be procured. In view of this, M/s Jessops were not considered for any orders for the proposed procurement (1995-96).

- An order for 12 cranes was placed on M/s Gottwald, West Germany in November 1984 with Transfer of Technology in Workshop Jamalpur to indigenise the manufacture of this type of crane. Till June 1996 the indigenisation level achieved by the Workshop was only 46 per cent.

- Against the backdrop of the above and the shortage of 49 cranes reported from Zonal Railways, Ministry of Railways had to resort to import of cranes.

The reply is not tenable because:

Ministry of Railways incurred an expenditure of Rs. 43.38 crore (excluding cost of spares) of 12 cranes from M/s Jessops against an expenditure of Rs. 29.21 crore on procurement for the same number of cranes of similar type from M/s Gottwald, West Germany. The extra cost of Rs. 14 crore was incurred with a view to indigenising the manufacture of cranes by M/s Jessops. Despite this heavy extra expenditure (Rs. 14 crore) Ministry of Railways failed to safeguard Railways' interests that M/s Jessops would manufacture the cranes for Railways in future with the know-how obtained from M/s NEI, UK and that Railways would not suffer due to termination of collaborative agrrement with M/s NEI, UK at any stage. Ministry of Railways has also not spelt out whether they interacted direct or through Ministry of Heavy Industries and Ministry of Finance to ascertain from M/s Jessops their capability to manufacture the cranes of the proposed upgraded design so as to benefit from the know-how indigenised by them at Railways' cost.

As regards indegenous production of cranes in Workshops Jamalpur, a 10 year TOT agreement with M/s Gottwald was valid up to March 1996. During this period, the workshop could absorb about 46 per cent of indigenous content. The pace of work also was so slow that an order of 4 cranes placed on workshop in January 1995, by Railway Board could be completed only in March 2000. Being a captive unit, the Ministry of Railways could have ensured that the technology was absorbed and indigenous manufacture of cranes commenced quickly by Jamalpur Workshop so as to avoid or minimize import of cranes.

Reply to the Query of Audit

M/s Jessops

At the time of floating of Limited Tender LT-38, M/s Jessops was not approached because the new specifications called for Cranes without relieving bogies, which required a complete redesigning of major structural assemblies for which M/s Jessops neither had technology nor on-going collaboration with M/s NEI further,

(a) M/s Jessops had itself conceded that most of the components were not manufactured by it but were outsourced from original manufacturer through import.

(b) M/s Jessops had stopped attending to service calls of the Railways.

(c) M/s Jessops had also discontinued providing spares for maintenance.

(d) M/s Jessops had not participated in any of the Global Tenders floated by Indian Railways for procurement of spares, which indicated their inability or apathy to support manufacture or maintenance of these Cranes.

In view of above, it would have been impossible for M/s Jessops to undertake manufacture of new design of cranes without obtaining the requisite technology from M/s NEI with whom their collaboration had already ended.

Since the technology for the new design of Cranes had to be got transferred, Indian Railways took the right decision of getting Gottwald design technology transferred to Jamalpur Workshop and Cowans design technology transfered to Parel Workshop, which had available with it the required infrasturucture and had been undertaking repair/POH of Cranes for years.

Moreover, it may please be noted that Indian Railways have been in the forefront of encouraging indigenous manufacturers such as BHEL, SAIL, etc. However, in a critical equipment such as Crane which has important bearing on speedy restoration of through traffice at the time of accidents, reliable performance of equipment on a sustained basis with nil probability of failure on line far outweighs other considerations.

Procurement of Cranes needs to be seen against this backdrop.

Jamalpur Workshop

It may please be noted that 46% indigenisation level achieved at Jamalpur Workshop was against those 3 Cranes, which were manufactured, using the kits. These kits for 3 Cranes formed part of the 1985-86 Supply Order of 12 Cranes placed on M/s Gottwald. Naturally, only those items, which did not form part of the kits, wer indigenised. The indigenisation level achieved in the first indigenous Crane manufactured by Jamalpur Workshop in 1998-99 was as high as 70%.

Moreover, it may please be noted that there is a difference between assimilation and indigenisation of technology. The technology had been assimilated to the extent of 100% but only 70% of the items were manufactured indigenously. Rest of the items were imported. World over, manufacturers of all major complex items of engineering don't manufacture all the items themselves. They manufacture some of the items themselves and source the remaining items from various vendors, who have already perfected the technology and manufacture these items in such large scale that economics of their manufacture naturally work out favourable for them. They sell these items either to other global crane manufacturers or users of other industries. Till 1998-99, 30% of the total items could not be manufactured in India, because the number of cranes to be manufactured in India was low and therefore, there was little incentive for the Indian Manufacturers to attempt indigenisation of these complex items. In many items, even if an Indian manufacturer had succeeded in indigenising them, the ultimate cost would have been higher than the landed price of imported ones.

Till June 1996, Jamalpur Workshop was busy manufacturing the Cranes received in kit form. During the period from June 1996 to 1998-99 when the first indigenous Crane was trurned out, Jamalpur Workshop concentrated on increasing the indigenous level. Now, Jamalpur Workshop has started manufacturing 5-6 Cranes per annum.

It may be noted that by importing 12 Cranes against 1997-98 tender, Indian Railways also got two new designs for indigenous manufacture, incorporating latest technologies and features.

[M/o Railways' O.M. No. 2002/BC/PAC/XIII/36 dated 10-04-2003.]

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

-NIL-

NEW DELHI;
27 *October,* 2004
5 *Kartika,* 1926 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

PART II

MINUTES OF THE FIFTH SITTING OF PUBLIC ACCOUNTS COMMITTEE (2004-2005) HELD ON 13TH OCTOBER, 2004

The Committee sat from 1600 hrs. to 1745 hrs. in Room No. 53, Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ramesh Bais
3. Shri Khagen Das
4. Dr. M. Jagannath
5. Dr. R. Senthil
6. Shri Brij Bhushan Sharan Singh
7. Dr. Ram Lakhan Singh

Rajya Sabha

8. Shri Prasanta Chatterjee
9. Shri R.K. Dhawan
10. Dr. K. Malaisamy
11. Shri C. Ramachandraiah
12. Shri Jairam Ramesh
13. Prof. R.B.S. Varma

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri S.K. Sharma — *Joint Secretary*
3. Shri Ashok Sarin — *Director*
4. Shri N.S. Hooda — *Under Secretary*
5. Smt. Anita B. Panda — *Under Secretary*

Representatives of the office of the Comptroller and Auditor General of India

1. Ms. Anusua Basu	—	ADAI (RC)
2. Dr. A.K. Banerjee	—	Director General of Audit (Central Revenue)

Representatives of the Ministry of Social Justice & Empowerment

1. Smt. Sarita Prasad	—	Secretary
2. Shri P. Narayana Murthy	—	Joint Secretary
3. Shri M. Sahoo	—	Joint Secretary & Financial Adviser

Representatives of the Ministry of Urban Employment & Poverty Alleviation

1. Smt. Chitra Chopra	—	Secretary
2. Shri M.N. Mathur	—	Economic Adviser
3. Dr. P.S. Rana	—	CMD, HUDCO
4. Shri U.S. Pant	—	Chief Controller of Accounts

Representative of the Ministry of Rural Development (Department of Drinking Water Supply)

Smt. Lalitha Kumar	—	Joint Secretary

2. *** *** *** ***

3. Before, evidence, the Committee took up for consideration and adoption the following draft reports:

(i) Action taken on the recommendations contained in the 36th Report of PAC (13th Lok Sabha) relating to **"Avoidable import of high capacity diesel powered break-down cranes".**

(ii) *** *** *** ***

4. The Committee adopted these draft Reports without any modifications/amendments. The Committee authorized the Chairman to finalise the draft Report in the light of changes suggested by Audit through factual verification, if any, or otherwise and to present the same to Parliament.

5. *** *** *** ***

6. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

APPENDIX

OBSERVATIONS AND RECOMMENDATIONS

Para No.	Ministry	Observations/Recommendations
12.	Railways (Railway Board)	Recognising the emergent requirement of high capacity diesel powered breakdown cranes (140 T cranes) in Indian Railways for accident relief, the Committee in their earlier Report had emphasized the need for a realistic assessment of these cranes. The Committee had noted that there was a shortfall of 39 140 Tonne cranes as per the assessment made by the Railway Board in the year 1994. The Committee's examination also revealed that since the induction of these 140 Tonne cranes through trade in 1984-85 with an agreement of Transfer of Technology (TOT), indigenous expertise and infrastructure was created at two establishments *viz*. M/s Jessops & Co. Calcutta and Jamalpur Workshop of Railways for manufacture of these cranes. The Committee were, however, concerned to find that the Ministry of Railways instead of exploring the possibility of their indigenous manufacture by the two Units decided to import 12 cranes against the existing shortfall of 39 cranes. On the question of firming up the requirement of cranes, the Committee do appreciate the viewpoint of the Ministry that the requirement of cranes is a progressive figure which goes up every year with addition of new lines and guage conversion. In justification of their decision to import cranes, the reasons adduced by the Ministry broadly related to urgency of requirement, increasing gap between demand and supply which rose to 49 in 1995-96 and non-availability of requisite indigenous technology at Jamalpur Workshop at that point of time. The Committee have been informed that M/s Jessops & Company was not considered for further procurement of cranes because of its poor track record in delivery, maintenance and product support in respect of cranes supplied to Railways in the past against the contract of 1985. It was also

Para No.	Ministry	Observations/Recommendations
		added by the Ministry that with the revised specifications called for cranes in the proposed import order, M/s Jessops was not in a position to manufacture the new design cranes because they neither had the technology nor collaboration with M/s Cowans Sheldon, UK, which was discontinued since 1992. Buttressing their argument further in favour of import of 12 cranes, the Ministry claimed that Indian Railways also got two new designs for indigenous manufacture, incorporating latest technologies and features. The Committee are extremely concerned to note that there has been a persistent shortfall of 140 Tonne cranes against the estimated requirements over the years. As a matter of fact, while there was a shortfall of 49 cranes in 1995-96 against the projected requirement of 73 cranes, the Indian Railways still had a huge shortfall of 40 cranes as against the assessed requirement of 80 cranes in April 2004. Having regard to the prevailing state of affairs, the Committee are inclined to conclude that the Ministry have woefully failed to take appropriate measures to remedy the situation. With the given trend, the Committee apprehend that the growing requirement of cranes for ever expanding Indian Railways would suffer in the long run and may be at the time of urgent necessity, it would not be possible for Railways to dispatch suchm cranes promptly. What is further disquieting to observe is the fact that the Ministry have failed to effectively pursue the envisaged indigenous manufacture of cranes which started way back in 1986 with TOT from foreign vendors. Pertinently, while the Ministry incurred an extra expenditure to the tune of Rs. 14 crore with a view to indigenising the manufacture of cranes by M/s Jessops, they failed to safeguard their interest that M/s Jessops would manufacture the cranes for Railways in future with the know-how obtained from M/s Cowans Sheldon, UK and that Railways would not suffer due to termination of collaborative agreement with the company at any state. In their Action Taken Note, the Ministry have merely stated

Para No.	Ministry	Observations/Recommendations
		that since M/s Jessops failed to fulfil the agreement, further orders were not placed with the firm. Expressing their dissatisfaction in the matter where the Company benefited at the cost of the Exchequer and the Railways was denied the accrued benefits from its own investment, the Committee would like the Ministry to apprise them about the action taken against M/s Jessops for their failure to honour the agreement in terms of the relevent provisions in TOT contract. As regards indigenous production of cranes at Jamalpur workshop, the progress was extremely slow and the indigenisation level achieved till 1996 was only around 46% . The Committee need hardly mention that being a captive unit, the Ministry of Railways could have ensured that the technology obtained from M/s Gottwald, West Germany was absorbed and indigenous manufacture of cranes commenced swiftly by Jamalpur workshop so as to minimize import of cranes.

MGIPMRND—2734LS—23-11-2004