P. A. C. No. 370

PUBLIC ACCOUNTS COMMITTEE
(1972-73)

FIFTH LOK SABHA

SEVENTY-SEVENTH REPORT

[Paragraphs relating to Financial Results and Earnings of the Railways included in the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Railways)]

LOK SABHA SECRETARIAT
NEW DELHI

March, 1973/ Phalguna, 1894 (S)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Seventy-Seventh Report of the Committee (Fifth Lok Sabha) on paragraphs relating to Financial Results and Earnings of the Railways included in the Report of the Comptroller and Auditor General of India for the year 1970-71 Union Government (Railways).

2. The Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Railways) was laid on the Table on the 21st March, 1972. The Committee examined the paragraphs relating to Financial Results included in the Report of the Comptroller and Audtior General of India for the year 1970-71 on the 18th September, 1972. Written information in regard to other paragraphs was obtained from the Ministry of Railways (Railway Board).

3. The Committee considered and finalised this Report at their sitting held on the 2nd March, 1973. Minutes of the sittings of the Committee from part II* of the Report.

4. A statement showing the summary of the main conclusions| recommendations of the Committee is appended to the Report (Appendix II). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the examination of the various paragraphs by the Comptroller and Auditor General of India.

6. The Committee would also like to express their thanks to the Chairman and officers of the Railway Board for the cooperation extended by them in giving information to the Committee.

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

NEW DELHI,
March 2, 1973.
Phalguna 11, 1894 (*Saka*).

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

CHAPTER I

FINANCIAL RESULTS

Audit Paragraph

1.1. (a) For the fifth year in succession the working of the Railways resulted in a deficit in 1970-71. Against a surplus of Rs. 9.38. crores anticipated in the Budget Estimates, the year ended with a deficit of Rs. 19.84 crores. The cumulative deficit upto the end of 1970-71 amounts to Rs. 87.33 crores. As in the previous year the Railways had to obtain a loan from General Revenues, of an amount of Rs. 24.92 crores to meet their dividend liability in full.

1.2. The balances in the Revenue Reserve Fund and Development Fund stood at Rs. 4.24 crores and Rs. 1.34 crores respectively at the end of 1970-71. This year also the Railways borrowed an amount of Rs. 21.58 crores for meeting expenditure of developmental nature. The total amount of loans owed by Railways to the General Revenues is Rs. 95.85 crores. In addition, the Railways owe an amount of Rs. 63.32 crores on account of Deferred Dividend on New Lines which is in the nature of a contingent liability.

1.3. As the Revenue Reserve Fund intended to meet the deficits during the lean years was practically exhausted by the end of 1968-69, a loan from General Revenues had to be obtained to meet the deficit from 1969-70 onwards. The balance of Rs. 2.31 crores and Rs. 4.24 crores exhibited in the accounts against Revenue Reserve Fund at the end of 1969-70 and 1970-71 respectively are mainly attributable to the fact that the loans obtained from General Revenues in both these years proved to be some what excessive as the final figures of deficit were lower than the estimates of deficit on the basis of which the loan amounts were determined. The Railways have obtained in 1970-71 a loan of about Rs. 24.92 crores against a deficit in this year of Rs. 19.84 crores only in order to also repay the first instalment of the loan of Rs. 8.86 crores taken from the General Revenues in the previous year (1969-70) which became due.

1.4. Because of the continuing deficits, the Railways have made no contribution to the Development Fund from 1966-67 onwards and have been meeting the expenditure to be incurred from the Development Fund from 1967-68 onwards by obtaining loans from General Revenues. The amounts of loan obtained from General Revenues for this purpose in 1970-71 amounting to Rs. 21.58 crores including the amount of about Rs. 2.5 crores amrelating to the interest which fell due on the loans obtained in the earliest years. As in the case of Revenue Reserve Fund, this Fund has also been exhibiting some closing balance, due to the fact that the loans to the Fund from the General Revenues taken on the basis of estimates of expenditure from the Fund proved somewhat excessive owing to the final figures of expenditure being lower.

1.5. It may be observed that while presenting the Budget it was stated that the Fourth Plan of the Railways had been approved on the understanding that of the total proposed investment of Rs. 1525* crores on Railways during the Fourth Plan period Rs. 940 crores would be found by the Railways themselves (Rs. 525 crores from Railways' contribution to Depreciation Reserve Fund during the plan period, Rs. 265 crores from the anticipated surpluses at the existing freight rates and fares, interest on balances etc. and Rs. 150 crores to be raised by increases in fares and freight rates during the plan period) and only the balance of Rs. 585 crores would have to be met from General Resources. The working results of the first two years of the Fourth Plan, however, show that the Railways had to draw upon the General Revenues for investments other than those debited to Capital and Depreciation Reserve Fund due to the recurrent deficits.

1.6. As regards the position of other reserves, the balances of the Depreciation Reserve Fund were Rs. 77.76 crores at the end of 1966-67 and Rs. 144.47 crores at the end of 1970-71. The Pension Fund had a balance of Rs. 44.09 crores at the end of 1966-67 and Rs. 92.86 crores at the end of 1970-71.

1.7. (b) The deficit in the working of Railways during 1970-71 occurred due to an increase with reference to the Budget Estimates of Rs. 29.26 crores in the Revenue in Expenditure and shortfall in the

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*NOTE.—This figure has since been revised to Rs. 1275 crores including Rs. 525 crores from Railways' Contribution to Depreciation Reserve Fund.

Gross Receipts (Rs. 2.48 crores) which were partly off-set by reduction in the payments to General Revenues (Rs. 2.52 crores).

(In crores of Rupees)

	Particulars	Budget	Actual	Variation
1.	Gross Receipts .	1,009·44	1,006·96	(—)2·48
	Deduct—			
2.	(a) Revenue Expenditure . .	832·96	862·22	(+)29.26
	(b) Payments to General Revenues	167·10	164·58	(—)2·52
3.	Surplus/Deficit . . .	(+)9.38	(—)19·84	(—)29·22

The payments to General Revenues was made up of—

1.	Interest of loan Capital at the average borrowing rate of the Central Government applicable to Commercial Undertakings.	1138·22
2.	Payment in lieu of Passenger fare and assistance to State for financing safety works	18·42
3.	Balance which is treated as contribution	7·94
		164·58

The bulk of the increase in Revenue Expenditure occurred under Staff (Rs. 18.0 crores) and Repairs and Maintenance (Rs. 15.8 crores) c.f. para 3 below.

* * *

[Paragraph I of the Report of Comptroller & Auditor General for the year 1970-71 on Railways].

I. Financial Results

1.8. It is seen that the financial results of the working of the Railways for the year 1970-71 showed a deficit of Rs. 19.84 crores against a surplus of Rs. 9.38 crores anticipated in the Budget. Explaining the reasons for the deficit, the Financial Commissioner for Railways stated during evidence: "We did not anticipate the Pay Commission's recommendations to give interim relief amounting to Rs. 36 crores a year in September, 1970 and that alone cost the Railways an expenditure of Rs. 36 crores. Then there were increases in travelling allowance and daily allowance sanctioned by Government for all Government servants as a class from 1st January, 1971. This could also be not anticipated and it meant an additional expenditure of Rs. 1.25 crores this year and Rs. 13 crores in a full year. Now there was an expenditure of Rs. 1.50 crores on repairing flood damages and some Rs. 1 crore on account of arbitration awards which could not be anticipated. Then there were increases in the price of steel, of coal and of certain other stores which came to about Rs. 5 crores. All these increased the expenditure by Rs. 44.75 crores. But there were certain savings also such as savings in fuel etc. As a result, the expenditure as a whole increased by Rs. 29.26 crores. That is why the surplus of Rs. 9.38 crores was converted into a deficit of Rs. 19.84 crores."

1.9. As regards the position relating to the year 1971-72, the witness added: "The Budget Estimates had anticipated a deficit of about Rs. 6.87 crores. It has been turned into a surplus of Rs. 17.75 crores i.e. an improvement of about Rs. 24-1|2 crores. For this we have to be grateful to the Railway Convention Committee who have reduced the dividend liability of Railways. Additional interim relief given in the middle of the year 1971-72 again worked out to about Rs. 7 crores. There was extra expenditure on account of the emergency and loss of earnings. All this we took in our strides. Our receipts improved by about Rs. 3 to 4 crores and the Railway Convention Committee gave us a relief of about Rs. 21.53 crores."

1.10. Asked whether the relief given by the Railway Convention Committee will be operative retrospectively, the Financial Commissioner for Railways stated: "I cannot anticipate the decision of the Railway Convention Committee. Our expectation is that they will give similar relief for 1969-70 and 1970-71. We have planned and agreed with the Ministry of Finance that relief which we may get for 1969-70 and 1970-71 should be utilised to reduce our indebtedness. The first charge on this relief will be the liquidation of the indebtedness to general revenues."

1.11. The Committee were informed that Railways had taken loans from the General Revenues to the extent of Rs. 30.83 crores for the Revenue Reserve Fund and another Rs. 65.03 crores for the Development Fund by the end of the year 1970-71. Asked as to the plans for repayment of these loans, the Financial Commissioner for Railways stated: "We are doing everything within our capacity. Revenue Reserve Fund, we pay back every year 1|3rd of the loan which we took. Development Fund is a capital fund and they have not laid down any condition therefor. We will repay as soon as we have a surplus."

1.12. In reply to a question the witness added: "The plan was to repay as soon as we get a surplus. One view was that it should be treated as capital and it has been expressed so in several newspaper articles. We do want to repay. As I see, at the end of 1972-73 we will have a total indebtedness of Rs. 98 crores as per our budget. The newspapers are already talking of another interim relief by the Pay Commission. It came in yesterdays newspaper. When we get relief from the Convention Committee for 1970-71 and 1969-70, we will be able to return Rs. 44 crores to general revenues. If things remain as they are, we will be able to have surplus in 1972-73, 1973-74."

1.13. For the fifth year in succession the working of the Railways resulted in a deficit in 1970-71. The cumulative deficit upto the end of 1970-71 amounted to Rs. 87.33 crores. Having exhausted the Revenue Reserve Fund, the Railways had to obtain a loan of Rs. 24.92 crores to meet their dividend liability in full. Further, there being no surplus for appropriation to the Development Fund, loans aggregating Rs. 95.85 crores had to be obtained for meeting expenditure of developmental nature. Thus the Railways have to pay back to General Revenues Rs. 120.77 crores. In addition they owe an amount of Rs. 63.32 crores on account of Deferred Dividend on new lines which is in the nature of a contingent liability. It is indeed a difficult task for the Railways to extricate themselves from this unenviable position. The Committee have been stressing the need to economise the working expenses and to augment revenues. After the Railway Convention Committee finally report on the dividend payable by the Railways, the position should be assessed and suitable measures taken to meet the accumulated liabilities and to build up the Revenue Reserve Fund and Development Fund which have been Virtually exhausted.

II. *Pension Fund*

1.14. The table below gives details of the contribution to the Pension Fund and withdrawals from that Fund from year to year:

Year	Opening Balance	Appropriations to the Fund	Withdrawals
		(In crores of rupees)	
1965-66	13·82	12·50	2·55
1966-67	25·17	14·00	3·77
1967-68	44·09	10·30	5·34
1968-69	52·37	10·30	6·37
1969-70	67·90	10·30	7·69
1970-71	80·02	15·50	8·65
1971-72	92·86	12·00	10·40

1.15. From the above it is seen that the withdrawals from the Fund have been steadily increasing but the contributions have varied from year to year. During the years 1967-68 to 1969-70 the annual contributions remained at the level of 10.30 crores and again in 1971-72 it was brought down to 12 crores. Explaining the reasons for these variations in the annual contributions to the Fund, the Financial Commissioner for Railways stated:

"What happened was that in 1967-68 and 1968-69 a purely short term solution was thought of as the resources were in a bad way. They said that when the Railways were in a better position, they should make a better contribution. In 1970-71 when I became responsible for the Railway finances, I convinced the Minister that we should make up the shortfall and should provide Rs. 15.5 crores. This was accepted by the then Minister of Railways. Next year again we had provided an equal amount but at the time of revised estimates I was overruled. So, partly to make up for the cut in 1971-72 revised estimates we provided 16.61 crores in 1972-73 budget. But I may submit that according to the actuarial calculations the contribution from 1964-65 to 1972-73 should have been Rs. 118.85 crores Now with the contributions made so far including the contribution for 1972-73, the total comes to Rs. 113.50 crores—a shortfall of Rs. 5.0 crores only. Because what has happened is that the Actuary made the calculations and processed the data made available to him in 1964. Since then pension rates have increased because a part of D.A. (Dearness Allowances) has been merged with pay and now counts for pension. Moreover, existing pension amounts have also increased. So we have now arranged with the Controller of Insurance that they should make an actuarial study and they have been collecting data."

1.16. The Committee enquired whether instead of waiting for 5 or 6 years for the actuarial valuation was it not possible to assess the annual contribution on the basis of continuous studies studies of mortality rates etc. In this connection the Financial Commissioner for Railways stated: "It is not the mortality rate that will make much difference in the pension amount. To meet your point....instead of 5 or 6 years, we could perhaps make studies every two or three years on this."

1.17. The Committee were informed that as on 31st March, 1971, 6,01,778 Railway employees out of a total number of 13,73,000 employees were covered by the Pension Scheme. As regards the steps taken by the Ministry to maximise the number of persons coming under the Pension Scheme, the Railway Board have in a written note stated:

"The Pension Scheme was introduced on Railways, as a social security measure, for the first time on 16th November, 1957. The Railway servants who were in service on 1st April, 1957 or had joined Railway service between that date and 16th November, 1957 and were governed by the Contributory Provident Fund system were given an option either to come over to the Pension Scheme or to retain the existing retirement benefits under Contributory Provident Fund Rules. All Railway servants who joined service on or after 16th November, 1957 are governed compulsorily by the Pension Scheme.

The intention was that while the future entrants will be governed compulsorily by the Pension Scheme, the Railway servants in service at the time of the introduction of the Pension Scheme should be given an option to choose between retirement benefits under the new Pension Scheme or under the Contributory Provident Fund system which was already applicable to them. At the time of the introduction of the Pension Scheme on Railways the Railways Administrations were advised to bring to the notice of the staff the pros and cons of the option for pension or provident fund to enable the staff to see objectively the relative merits and demerits of the two systems before exercising the option. To facilitate the prompt circulation of the orders regarding the introduction of the Pension Scheme, the Railways were instructed to publish the contents of these letters along with Annexures in their Gazettes in an extraordinary issue not only in English but also in all regional languages.

Since the initial introduction of Pension Scheme on Railways in 1957, options for pension have been allowed 7 times (*vide* foot note below) to the Railway servants governed by the Contributory Provident Fund system. The latest such option, which has been allowed on 15th July, 1972 and was current upto 21st October, 1972. These options were allowed either as a result of liberalisation in the Pension Rules or on the persistent demand from the organised labour. As and when options have been allowed, wide publicity has been given to the orders in this connection by way of prompt publication in Railways' Gazettes in an extraordinary issue (in English, Hindi and in regional language) to enable maximum number of non-pensionable Railway servants to utilise the opportunity to opt for Pension Scheme."

1.18. The Committee note that the contribution to the 'Pension Fund' of the Railways amounted to Rs. 113.50 crores upto 1972-73 although the requirement as per the actuarial calculations was Rs. 118.85 crores on the basis of the data made available in 1964.

Since 1964, various developments had taken place which had the effect of enhancing the pension liability. A fresh actuarial study is stated to be in progress. In order to avoid marked fluctuations in the appropriations to the Fund, the Committee would suggest that such studies should be undertaken at more frequent intervals in future.

1.19. The pension scheme was introduced on Railways as a social security measure on 16th November, 1957. All Railway servants who joined service on or after that date are governed compulsorily by the pension scheme. Others were given an option upto 21st October, 1972 either to retain the retirement benefits under the Contributory Provident Fund system or to come over to the pension scheme. Out of the 13.73 lakh employees as on 31st March, 1971, only 6.02 lakhs were covered by the pension scheme. As the pension scheme offers better security to the employees and their families, the Committee desire that the date of option may be further extended and that the scheme may be explained to the Railway staff in greater detail so as to convince them of the social benefits available under the liberalised Pension Scheme.

Revenue Receipts

Audit Paragraph

1.20. The total Revenue receipts of the Railways in the year (1970-71) under report reached a figure of Rs. 1006.96 crores (i.e. Rs. 55.37 crores more than the receipts in the previous year, but Rs. 2.48 crores less than the Budget anticipation). The details are shown below:

(Amount in crores of rupees)

Particulars	Actuals 1969-70	Budget 1970-71	Actuals 1970-71	Variation
Passenger earnings	278·86	293·50	295·49	+1·99
Other coaching earnings	48·07	51·75	62·11	+10·36
Goods earnings	594·28	632·00	618·23	—13·77
Miscellaneous and Sundry earnings—including suspense	30·38	32·19	31·13	—1·06
Total—Receipts	951·59	1,009·44	1,006·96	—2·48

1.21. It was anticipated in the Budget that there would be increase in traffic to the extent of 3 per cent in the case of passengers, 2 per cent in the case of other coaching traffic and 7.6 million tonnes of revenue earning goods traffic (i.e. a total of 183.9 million tonnes of originating revenue earning traffic during 1970-71) and that even at the existing freight and fares an additional revenue of about Rs. 32.5 crores over the earnings of 1969-70 would be realised on this account. In addition, the rationalisation of freight rates, increase in passenger fares and adjustments in parcel rates and luggage rates included in the Budget proposals were expected to yield an additional revenue of Rs. 26 crores (Rs. 22 crores under goods; Rs. 2.25 crores under passenger; and Rs. 1.75 crores under the other coaching earnings). Against the aggregate increase of Rs. 58.5 crores thus expected in the earnings, the actual increase was Rs. 54.62 crores. It will also be observed that the other coaching earnings which comprise mainly of earnings from parcels and luggage traffic has recorded a steep increase of about Rs. 14.04 crores, i.e. over 25 per cent over the earnings of 1969-70.

1.22. When presenting the Budget Estimates of the subsequent year (1971-72) in February, 1971, it was explained that the drop during 1970-71 was mainly in the traffic from steel plants, coal for general purposes and in other goods.

1.23. The volume of passenger traffic during 1970-71 was 2431 million number of originating passengers and 118,120 millions passenger kilometres. The increase in passenger traffic over that in 1969-70 was 4.0 per cent (Passenger originating) and 4.2 per cent (Passenger kilometres). The increase in traffic during 1969-70 compared to 1968-69 was, however, 5.7 per cent and 6.0 per cent respectively.

[Paragraph 2 of the Report of the C. & A.G. on Railways for the year 1970-71.]

I. *Variations between Budget Estimates and Actuals.*

1.24. The table below gives the details of anticipated (original and revised) and actual revenue receipts of the Railways for the year 1970-71:

	Budget	1970-71 Revised Estimate	1970-71 Actuals	Variations in Actuals over Budget Estimates	Variations in Actuals over Revised Estimates
Revenue (Rs. in lakhs)					
Passenger —Upper	35,00	33,96	35,71	+ 71	+ 1,75
—Third	258,50	266,34	259,78	+ 1,28	— 6,56
	293,50	300,30	295,49	+ 1,99	— 4,81
Other coaching	51,75	58,00	62,11	+ 10,36	+ 4,11
Goods	632,00	612,50	618,23	— 13,77	+ 5,73
Sundry	34,50	36,00	33,40	— 1,10	— 2,60
Suspense	—2,75	—2,80	—2,54	+ 21	+ 26
Total—Traffic	1009,00	1004,00	1006,69	— 2,31	+ 2,69
Misc.	44	22	27	— 17	5
Total—Revenue	1009,44	1004,22	1060,96	— 2,48	+ 2,74

1.25. It is seen from the above that the Passenger earnings in 1970-71 were Rs. 1.99 crores more than the Budget Estimates and Rs. 4.81 crores less than the revised estimates, the other coaching earnings were Rs. 10.36 crores more than the Budget and Rs. 4.11 crores more than the Revised Estimates. Further, the other coaching earnings which comprise mainly of earnings from parcels and luggage traffic have recorded a steep increase of about Rs. 14.04 crores over the earnings of 1969-70, which were of the order of Rs. 48.07 crores. The increase in 1970-71 as compared to 1969-70 is over 25 per cent. The Actuals in 1970-71 were Rs. 62.11 crores against Rs. 51.75 crores anticipated in the Budget Estimates and Rs. 58.00 crores anticipated in the Revised Estimates of 1970-71. The goods earnings were Rs. 13.77 crores less than the budget, but Rs. 5.7 crores more than the Revised Estimates.

1.26. As regards the reasons for the phenomenal increase of Rs. 14.04 crores in 1970-71 under other coaching earnings and why it could not be anticipated, the Railway Board have in a note stated:

"The other coaching earnings in 1970-71 was Rs. 62.11 crores as against Rs. 48.07 crores for 1969-70, representing an increase of Rs. 14.04 crores.

The aforesaid increase was chiefly under (a) postal traffic (Rs. 5.41 crores) and (b) parcelis and other miscellaneous traffic (Rs. 6.65 crores). The former was due to revision of rates for the haulage of postal vans and mails with retrospective effect from 1st April, 1966 and adjusted during 1970-71 and the latter was due to increase in rate as well as in the volume of traffic such as parcels, lugguage etc.

In this context, it may be explained that during the past several years, the level of earnings under this stream of traffic did not go up by a sudden upsurge as would be evident from the following figures:

	Crores	
1965-66 Actuals	39·40	
1966-67 Actuals	39·02	
1967-68 Actuals	39·46	
1968-69 .	45·05	(including 2.84 crores due to increase in rates)
1969-70 Actuals . .	48·07	
1970-71 Budget Estimates	51·75	(including 1.75 crores due to increase in rates)
1970-71 Revised Estimates . .	58·00	
1970-71 Actuals	62·11	

It is on the basis of these past trends that the Budget Estimates for 1970-71 were framed (Rs. 51.25 crores)."

1.27. Giving reasons for the variations in the Budget and Revised Estimates *vis-a-vis* the actuals of goods earnings in 1970-71 the Railway Board have stated:

"At the time of finalising the revised estimates for 1970-71 which were presented on the 23rd March, 1971, the preliminary figures of actual earnings as well as the advance figures of tonnage originating were available only upto January, 1971. The latter figures indicated an average of 13.8 million tonnes per month. The average tonnage originating in the subsequent two months came to about 14.5 million tonnes representing a 5.1 per cent increase over the average of the previous 10 months. The increased movements in February and March, 1971 were under Cement, Fertilisers and Iron ore for export, the percentage increase of these three items of traffic during the last two months of the year over the average for the previous ten months being as follows:

Cement	..	12.2 per cent
Fertilisers	..	23.8 per cent
Iron ore for export	..	4.4 per cent

Wide fluctuations in the movement of these commodities could not be reasonably anticipated. It may also be pointed out that the excess of Rs. 5.73 crores in actual earnings compared to the revised estimates of Rs. 612.50 crores constitutes less than one per cent variation which cannot be considered abnormal in a budget of this magnitude."

1.28. During the year 1970-71 the total revenue receipts of Railways were Rs. 1006.96 crores against the Budget Estimate of Rs. 1009.44 crores representing a variation of 0.24 per cent. Significant variations between Budget Estimates and actuals have however, occured in respect of 'goods earnings' and 'other coaching earnings'. The shortfall in goods earnings was to the extent of Rs. 632.00 crores. The Committee have already drawn attention to the persistent tendency to over estimate goods traffic in their 45th Report (Fifth Lok Sabha). The variation was as much as 20 per cent under 'other coaching earnings' between the estimate of Rs. 51.75 crores and the actuals of Rs. 62.11 crores and the explanation given for it is not convincing. Such wide variations do not speak well of the system of estimation adopted by the Railways. The Committee desire that there should be a better study of the trends of movements of traffic to get closer to the realities in estimating revenue. They would like to know the steps taken in this regard.

II. *Impact of revision of freight rates and fares.*

1.29. The budget proposals for 1970-71 contained certain proposals for rationalisation of fares and freight rates. These proposals were expected to yield an additional revenues of Rs. 26 crores during the year 1970-71. The Committee desired to know the increase in earnings during 1970-71 on account of:—

(i) Revision of upper class fares;

(ii) Revision of freight structure including classification;

(iii) Revision of parcel rates.

1.30. In a note the Railway Board have stated:

"No statistics are maintained regarding increase in earnings due to revision of fares and freight rates. Data of only the actual earnings from different classes of passengers and of actual earnings from the carriage of different commodities are statistically available. The feasibility of ascertaining the results due to revision of fares and freight rates by a suitable statistical method is under active consideration of the Railway Board. However, on a rough estimate made on statistical basis, the position is as follows:—

(i) Increase in earnings due to revision of Upper Class Fares	..	4.25 crores
(ii) Increase due to revision of freight structure including classification	..	22.54 crores
(iii) Increase in earnings due to revision of parcel rates	..	4.00 crores

1.31. During evidence the Committee were informed that no separate statistics were compiled to assess the impact of changes made in the fares and freight rates but figures of the increases in revenue as a result of budget proposals were worked out. The Financial Commissioner for Railways stated: "We do not keep the statistics on account of increases in fares separately. Supposing there is a first class ticket issued from Bombay to Delhi and the fare is Rs. 130/-. It is increased to Rs. 135/-. We cannot keep a separate account of the increase by Rs. 5/- per ticket. It will be merged in the total earnings when Rs. 135/- is included." "Every year we feed all these figures into the computer-number of air-condition tickets, I Class tickets and the number of kilometers they travelled. We then total the actual earnings.... Then we work out the average earning per passenger kilometer."

1.32. On being asked whether with these statistics it will be possible for the Railways to find out the real impact of changes in the fare and freight structure, the Financial Commissioner for Railways stated: "It is a reasonably accurate method....If we have to maintain statistics of increased fare for each ticket, it means more staff and more expenditure."

1.33. The Committee pointed out that in order to justify any increase in the fares and freight rates there should be a scientific study of the impact of enhanced fares and freight rates on the passenger and goods traffic respectively. Only that would show how far the traffic can bear the increased cost of transport. In this connection the Financial Commissioner for Railways promised that they will take further steps in this direction. He also informed the Committee that the cost study of the various passenger services had not yet been completed and that necessary data were being collected.

1.34. In a note on the subject submitted to the Committee, the Railway Board have stated:

"The first phase of costing of coaching traffic relating to the evaluation and standardisation of proforma for coaching costing, building up of the relevant data of performance and split-up of expenditure on coaching services between passenger and other coaching traffic is under progress and is expected to be completed early next year after which the second phase of working out the unit costs for mail and express and other passenger trains will be taken up."

1.35. The revision of fares and freight rates effected from 1st April, 1970 was expected to fetch additional revenue of Rs. 26 crores during 1970-71. There is no scientific system on the Railways to evaluate the impact of the budgetary measures. Such a study is, in the opinion of the Committee, essential to know how far the traffic would bear the increased cost of transport. An efficient system of traffic costing needs to be built up early to enable this being done. Under the existing arrangement Budget proposals can only be ad hoc and it will be difficult to forecast the additional yield with any degree of accuracy. In fact a rough estimate shows the increase in earnings during 1970-71 due to revision of fares and freights to be Rs. 30.45 crores against the estimate of Rs. 26 crores. Thus the variation was as high as 17.1 per cent. The Committee hope that steps will be taken to have a realistic assessment of the impact of revision of fares and freight so that the public may not unintentionally be called upon to pay more than what is necessary and what is justified.

III. *Decline in suburban passenger traffic.*

1.36. In terms of volume of traffic, the passenger traffic handled during 1970-71 *vis-a-vis* 1969-70 were as follows:

	1969-70	1970-71	Percentage increased to 1969-70	
	(Millions)		Anticipated	Actuals
Passenger originating	2338·45	2431·14	..	4·00
Passengers kilometres	1133·82	1181·20	3	4·18

1.37. In this connection the Audit have stated:

"The rate of increase of passenger Kms. over previous year during 1970-71 which is roughly about 4 per cent, is however, less than the rate during 1969-70 *viz*. 6 per cent. The average annual rate of growth of number of originating passenger traffic has been of the order of 5 per cent in the Second Plan and 6 per cent during the Third Plan. The growth rate since the end of Third Plan works to annual average of 3.4 per cent in numbers."

1.38. Asked about the reasons for the fall in the rate of growth of passenger traffic in the recent years as compared to Third Plan period, the Financial Commissioner for Railways stated: "We would have been satisfied with a larger increase. We have to consider what happened in 1969-70 and earlier years. In 1968-69, there was a fall. We introduced in June, 1969 an ordinance increasing sharply the penalty for ticketless travellers. There was a spurt immediately in the number of passengers and also in the penalties levied and the number of tickets sold at the counter. The increase was 4.6 per cent. in 1969-70. In 1968-69 there was a fall of 2 per cent. Taking the two years together, it comes to 1.25 per year. Against that this 2 per cent increase in 1970-71 is not bad."

1.39. Subsequently in a written note, the Railway Board have stated:

"The average annual additions in passenger traffic measured in terms of passengers originating and passenger kilometrage during the Third Plan period and the period subsquent to it (upto and including 1971-72) have been examined. This has been done separately for suburban and non-suburban categories of passengers. The growth in traffic has been worked out taking 1969-71 as the base year. The results are presented in......

Annual average additions and the rates of growth of passenger traffic.

Description	Third Plan Period (5 years)			Post-Third Plan period (6 years)		
	Suburban	Non-suburban	Total	Suburban	Non-suburban	Total
1	2	3	4	5	6	7
Passengers Originating:						
(a) Annual average addition (in millions) . .	(+)68·21	(+)29·49	(+)97·70	(+)42·98	(+)32·59	(+)75·57
(b) Annual average growth (in percentage) .	(+)9·97	(+)3·24	(+)6·13	(+)6·28	(+)3·58	(+)4·74

1	2	3	4	5	6	7
(c) Percentage of traffic to total traffic . .	46·60	53·40	100·00	49·69	50·31	100·00
Passenger kilometrage:						
(a) Annual average addition (in millions) . .	(+)1083	(+)2642	(+)3725	(+)1183	(+)3657	(+)4840
(b) Annual average growth (in percentage) .	(+)9·16	(+)4·01	(+)4·80	(+)10·01	(+) 5·55	(+) 6·23
(c) Percentage of traffic to total traffic . .	16·50	83·50	100·00	18·81	81·19	100·00

It will be seen that during the post-Third Plan period the rate of growth of passenger traffic in terms of passengers originating has increased from 3.24 to 3.58 per cent in the case of non-suburban passengers. In terms of passenger kilometres the growth rate has increased from 4.01 per cent to 5.55 per cent.

In the case of suburban traffic, however, the rate of growth in terms of passengers originating had recorded a drop from 9.97 per cent during Third Plan period to 6.28 per cent in the subsequent period. In terms of passenger kilometres, however, there had been a marginal increase in the growth rate of traffic, from 9.16 to 10.01 per cent during the same period. This was due to an increase in the average lead of suburban passengers from 16.8 to 18.1 kilometres."

1.40. The Committee find that in the case of suburban traffic the rate of growth in terms of passengers originating had recorded a drop from 9.97 per cent during Third Plan period to 6.28 per cent in the subsequent period. This phenomenon needs study. It needs no emphasis that the suburban services should be improved.

The Committee note that the proportion of non-suburban traffic to the total passenger traffic has decreased during the post Third Five Year Plan period both in terms of passenger originating and passeger kilometres. The Committee desire that the Railways should take adequate steps to increase the rate of growth of non-suburban traffic so that its proportion to the total passenger traffic is kept up if not enhanced.

IV. *Decline in goods traffic*

1.41. In terms of volume the goods traffic handled during 1970-71 vis-a-vis 1969-70 was as given below:

	1969-70	1970-71 Actuals:	Percentage Increase(+) Decrease(—)
Tonnes Originating (Millions):			
Revenue	173·8	167·9	(—)3·4
Non-Revenue	34·1	28·6	(—) 16·3
Total	207·9	196·5	(—)5·5
Net Tonne Kilometres (Millions):			
Revenue	111,826	110,720	(—) 1·0
Non-Revenue	16,422	16,638	(+) 1·3
Total	128,248	127,358	(—) 0·7

From the above, it is seen that during 1970-71 there was a fall in goods traffic as compared to 1969-70 both in terms of tonnes originating and Net Tonne Kilometres. The Committee are informed by Audit that "the growth of traffic in goods over the years has not been consistent nor the anticipations realised except in one or two years as shown below:

Year	Yearly increase in traffic: Total traffic Actual (In million tonnes)	Revenue earning traffic: Budget Aanticipation	Revenue earning traffic: Actuals
1966-67	(—) 1·4	11	2·0
1967-68	(—) 5·00	8·5	(—) 1 6
1968-69	7·4	6 to 7	8·4
1969-70	3·9	9·0	3·0
1970-71	(—) 11·4	7·6	(—) 5·9

(In the above table the budget anticipation of additional revenue earning traffic have also been given)."

1.42. The following table gives the figures of actual materialisation of revenue earning traffic in 1970-71 as against the budgeted estimates for that year:

Commodities	Actual in 69-70 (in tonnes) as then available	Actual in 69-70 as finally available	Budgeted estimates 1970-71 (in tonnes)	Actual materialisation 1970-71 (tonnes)	Anticipated increase 1970-71 over 1969-70	Actual increase or decrease in 1970-71 over 1969-70 then available	Actual increase or decrease in 1969-70 as finally available
1. *Coal—*							
a) for Steel Plants .	12·52	12·6	13·42	12·1	0·9	—0·42	—0.5
(b) for washeries .	5·93	6·1	6·83	5·4	0·9	—0·53	—0·7
(c) for other users .	34·73	34·3	36·73	30·4	2·0	—4·33	—3·9
Total . .	53·18	53·0	56·98	47·9	3·8	—5·28	—5·1
2. Raw materials for Steel Plants .	16·56	16·5	17·96	16·1	1·4	—0·46	—0·4
3. Pig Iron & finished products from Steel Plants . . .	6·76	7·1	7·36	6·3	0·6	—0·46	—0·8
4. Iron ore for export .	9·40	9·6	10·20	9·8	0·8	+0·40	+0·2
5. Cement . . .	10·73	10·7	11·23	11·0	0·6	+0·87	+0·3
6. Foodgrains .	15·28	15·1	15·28	15·1		—0·18	..
7. Fertilisers . .	4·23	4·6	4·23	4·7	..	+0·47	+0·1
8. Mineral Oil (P.O.L.)	9·12	8·8	9·62	8·9	0·5	—0·22	+0·1
9. Other Goods .	49·52	48·4	49·52	48·1	..	—1·42	—0·3
Total . . .	174·78	173·8	182·38	167·9	7·6	—6·88	—6·0

1.43. Explaining the reasons for non-materialisation of traffic as anticipated the Railway Board have in a note stated:

> "It will be observed that there has been a significant decrease in movement of coal. As against the anticipated increase of 3.8 million tonnes, there has been a decrease of 5.28 million tonnes. The decrease in both on account of Steel Plants and 'other consumers'.

The decrease of account of Steel Plants has been due to internal difficulties resulting in less production and consequent fall in demand for movement of coal as well as other raw materials and finished products as will be seen from the following figures:

	Anticipated increase (million tonnes)	Actual increase/ Decrease (in million tonnes)
(i) Coal for Steel Plants	0·9	—0·42
(ii) Coal for washeries	0·9	—0·53
(iii) Other raw materials for Steel Plants .	1·4	—0·46
(iv) Pig iron & other finished products from Steel Plants	0·6	—0·46
	3·8	—1·87

Thus, against the anticipated increase of 3.8 million tonnes on account of Steel Plants, there was actually a shortfall of 1.87 million tonnes.

The other significant shortfall has been in movement of coal for 'other consumers', Mineral Oil, Export Iron Ore and other goods.

As against anticipated increase of 2 million tonnes of coal for 'other consumers', there was actually a shortfall of 4.33 million tonnes. This was due to disturbed law and order conditions in the Eastern Region, which led to frequent civil bundhs, strikes and demonstrations organised sometimes by one political faction and at other time by the opposite faction. Even the railway employees were dragged into them and there were frequent lightning strikes and suspension of work on the railways too, particularly on Eastern, South Eastern and N. F. Railways. The carriage and wagon staff of Eastern Railway continued on strike or 'go slow' policy for nearly 2 months viz. August and September, 1970."

1.44. Commenting on the above reasons given by the Ministry of Railway, the Audit have observed:

"The coal traffic moved by the Railway from 1965-66 onwards vis-a-vis-production in given in the table below:

Year	Production Total	Increase over previous year	Rail movement Total	Rail movement Increase over previous year	% of production carried by Rail
	(Million tonnes)				
1	2	3	4	5	6
1965-66	69·5	5·5	66·7	4·0	96
1966-67	70·5	1·0	65·8	—0·9	94
1967-68	71·1	0·6	66·5	0·7	93
1968-69	74·9	3·8	68·6	2·1	91
1969-70	79·5	4·6	71·0	2·4	90
1970-71	75·6	—3·9	64·3	—6·7	85

It will be seen that the coal traffic, not only fell during 1970-71, even during the six years from 1965-66 the percentage of coal production carried by rail progressively went down, the fall being very steep during 1970-71."

1.45. In a further note on the subject, the Railway Board have stated:

"One of the principal reasons for progressive drop in the percentage of rail movement of coal to the total production had been increase in movement of coal to nearby consuming points by means other than rail like, rope-way, local Electricity Board's own wagons, road etc., as may be seen from the following figures:

Year	Movement of coal by means other than rail (In million tonnes)
1965-66	6·19
1966-67	5·85
1967-68	5·87
1968-69	8·93
1969-70	10·09
1970-71	10·90
1971-72	13·20

The movement of coal during 1969-70 had been the highest and the entire demand for consumers was met in full so much so that 249 sponsored rakes representing about 20,000 wagons were cancelled from Bengal/Bihar fields by the collieries and their agents. In 1970-71 while the movement from outlying fields was kept up the same from Bengal/Bihar fields dropped, mainly due to serious hold up of wagons and dislocations to train services in the Eastern Sector on account of various anti-social activities and unsatisfactory law and order position."

1.46. A statement giving details of the production and rail movement of 17 commodities which account for about two thirds of the rail movement is given in Appendix I. It is seen therefrom that in 1970-71 the production of coal increased by 8.69 per cent as compared to 1969-70 but the share of rail movement actually dropped by 2.64 per cent when compared to the figures of rail movement for 1969-70. Such decline in the Railways' share was particularly significant in the case of cement, oil seeds, sugar, raw jute, raw cotton, tea, paper and paper board and cotton manufactured.

1.47. The progress of goods traffic during the five years ending 1970-71 vis-a-vis progress in industrial and agricultural production is shown in the table below:

Year	Index of industrial production (Base : 1960-100)	Index of agricultural production (Base : Crop year ending June 1950-100)	Goods traffic: Tonnes originating (millions)
1966-67	152·6 (100)	131·6 (100)	201·6 (100)
1967-68	151·4 (99·2)	161·1 (122·4)	196·6 (97·5)
1968-69 . .	161·1 (105·6)	159·5 (121·2)	204·0 (101·2)
1969-70 . .	172·5 (113·0)	170·8 (129·8)	207·9 (103·1)
1970-71	180·8 (118·5)	182·2 (138·4)	196·5 (97·5)

1.48. It is seen from the above that while the indices of Industrial and Agricultural production rose by 18.5 per cent and 38.4 per cent respectively, the index of goods traffic fell by 2.5 per cent over the same period.

1.49. Referring to the falling trend in the rail movement of both goods and passenger traffic the Committee enquired about the steps taken by the Railways to maintain their share of traffic movement. The Chairman, Railway Board, deposed during evidence: "This is as a result of the Planning Commission's discussions with both the Ministry of Shipping and Transport and the Railway Ministry. Though in terms of passengers, according to the statistics, both the Railways and the Roads are equal, in terms of passenger kilometers the Railways are still far ahead; similarly in the case of tonne kilometers also, we are far ahead. We are taking most of the passenger traffic for longer distances and major portion of the goods traffic for shorter and longer distances. In fact, we have had inter-Ministerial meetings as per the directive of the Planning Commission that there should be more effective coordination in road and rail transport. They have also suggested that there should not be any unhealthy competition between the Railways and the Roads, but the State Governments are not willing to go by that. They want to issue long inter-State licences for trucks going from one part of the country to another. The Railways are prepared to organise their traffic to suit the customers' needs. We are having containers and freight forwarded schemes. This has shown good results; container traffic has shown an increase from 35 lakhs in 1968-69 to Rs. 144 lakhs in the current year i.e. 1971-72. We have also got a special organisation called the Marketing and Sales Superintendents in the various Zonal Railways. We are watching specially 47 high rated commodities earning about 1/5th of the total revenues and we find that we have consistently increased. High-rated commodities have shown a 3 per cent increase of tonnage and 8 per cent increase in earnings in 1970-71; in 1971-72 there was 6 per cent increase in tonnage and 9 per cent increase in earnings. At the same time we feel that in the larger interests of the country, there should be good coordination in the Transport Sector and there should not be any wastage of resources. We have also emphasised to the Ministry of Shipping and Transport and the State Governments that there are a number of Railway Stations which are not connected by roads. We said that instead of competing with the Railways in moving goods through long distances they should improve the economy of the country by connecting the Railway Stations with their hinterland and the adjoining areas. We took this matter up at the last Transport Development meeting and we hope something will be done. The Planning Commission is also seized of the matter."

150. The Committee have been commenting on the gap between the anticipations and the materialisation in respect of the goods traffic. In 1970-71 the Railways expected an increase of the order of

7.6 million tonnes in goods traffic. However, the goods carried (196.5 million tonnes) showed far from any increase, a decline of 11.4 million tonnes. There has been a significant decrease in the movement of coal by railways. The percentage of Railway movement of coal to the total production which was 96 in 1965-66 went down to 85 in 1970-71. This shows considerable diversion to road and other modes of conveyance. The Committee feel that this aspect deserves serious consideration. The Committee have been stressing the need to improve coal loading on Railways.

1.51. The decline in the Railways share of transport is not confined to coal alone. In the case of oil seeds, sugar, raw cotton, tea, salt and cotton manufactured goods also the Railways have steadily lost ground. In this connection the Committee find that while the indices of industrial and agricultural production rose by 18.5 per cent and 38.4 per cent during 1970-71 from the base year 1960, the Railways goods traffic registered a decline of 2.5 per cent. The Railways cannot afford to be complacent in the fall of this trend. Unless effective measures are taken, the position of Railway finances will go from bad to worse. The increase in freight is no answer to improve the financial position.

1.52. An effective coordination between road and rail transports is necessary so that unhealthy competition between these two vital sectors of economy resulting in wastage of national resources is not allowed. The Planning Commission is stated to be already seized of this matter. The Committee desire that in the formulation of Plans this aspect may be constantly borne in mind to allow of no distortion.

Revenue Expenditure

Audit Paragraph

1.53. The Revenue Expenditure during 1970-71 amounted to Rs. 862.22 crores and was more than the Budget Estimates by Rs. 29.26 crores and Rs. 57.19 crores more than the actual expenditure in the previous year. The bulk of the increase occurred under "Staff" (Rs. 18.01 crores) and "Repairs and Maintenance" (Rs. 15.83 crores) mainly on account of payment of Interim Relief sanctioned by the Central Government with effect from 1st March, 1970, after the presentation of the Budget (Rs. 19.96 crores under "Staff" and Rs. 14.17 crores under "Repairs and Maintenance") partly off-set by other factors detailed later in the para. There was a saving of Rs. 3.76 crores under the grant "Fuel".

(In crores of Rupees)

Particulars	Budget	Actuals	Variation
A.—Working Expenses—			
(i) Staff Administration including Staff Welfare and Operating staff	248·72	266·73	+18·01
(ii) Repairs and Maintenance	232·70	248·53	+15·83
(iii) Fuel	150·69	146·93	—3·76
(iv) Miscellaneous Expenses including Operation other than Staff and Fuel, Payments to Worked lines and Suspense	69·05	70·30	+1·25
(v) Appropriation to Depreciation Reserve Fund	100·00	100·00	..
(vi) Appropriation to Pension Fund	14·85	14·85	..
B.—Miscellaneous, Expenditure such as cost of Railway Board and its attached offices, Surveys, audit and Subsidy paid to Branch Line Companies	7·95	8.07	+0.12
C.—Open Line Works—Revenue	9·00	6·81	(—)2·19
Total Revenue Expenditure.	832.96	862.22	+29.26

1.54. (A) Apart from payment of Interim Relief to Staff, the reasons for increase under staff expenditure were, expenditure on Travelling Allowance on account of enhancement in the rates of Daily Allowance with effect from 1st January, 1971 (Rs. 0.79 crore), provision of leave reserve (Rs. 0.16 crore) on medical stores (Rs. 0.31 crore) and aggregate of minor variations (Rs. 0.88 crore). These increases were partly off-set by savings on account of non-operation of certain posts (Rs. 3.44 crores) and less expenditure on staff training (Rs. 0.64 crore).

1.55. (B) Besides the expenditure on Interim Relief, the increase in expenditure under 'Repairs and Maintenance' was on account of heavier expenditure on repairs to service and residential buildings, bridges etc. (Rs. 1.52 crores), expenditure on restoration of flood damages to Railways assets and repairs to breaches etc. (Rs. 1.50 crores), increase in price of materials (Rs. 0.84 crore), more expenditure on electrical, signal and telecommunication services (Rs. 0.73 crore), on payment of travelling allowance on account of enhancement in the rates of daily allowance (Rs. 0.37 crore), expenditure in connection with Ardh Kumbh Mela (Rs. 0.34 crore) and aggregate of minor variations (0.50 crore). These increases were partly off-set by less expenditure on Periodical Overhauls and other 'Shop and Shed Repairs' to 'Rolling Stock' (Rs. 2.43 crores), flunctuations in adjustment of debits through Stock Adjustment Account (Rs. 1.09 crores) and non-operation of certain posts (Rs. 0.62 crore).

* * * *

1.56. (D) The increase under Miscellaneous Expenditure was chiefly on account of increase in the amount of compensation payable for goods lost, damaged etc. The increase on this account was Rs. 2.81 crores. The expenditure on compensation payments has been steadily rising over the years. It was Rs. 10.30 crores in 1968-69, Rs. 11.80 crores in 1969-70 and Rs. 13.11 crores in 1970-71. The other reasons for increase in "Miscellaneous Expenditure" were payment of 'Interim Relief' to staff (Rs. 0.74 crore), more expenditure on stationery, stores, clothing etc. (Rs. 0.19 crore), more payments of gratuity (Rs. 0.28 crore), increase expenditure on Catering on account of stores purchased (Rs. 0.21 crore) off-set by savings on account of fluctuations in adjustment of debits through 'Stock Adjustment Account' (Rs. 2.33 crores), less adjustment under contribution to Provident Fund (Rs. 0.23 crore), reduced expenditure under 'Civil Defence and Security patrolling' (Rs. 0.34 crore) and aggregate of small variations (Rs. 0.08 crore).

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[Paragraph 3 of the Report of the Comptroller and Auditor General of India for the year 1970-71 on Railways]

I. *Expenditure on Staff*

1.57. The details of number and cost of staff (excluding casual labour) of Indian Railways for the years 1968-69 to 1970-71 are as given below:—

Year	No. of of Staff	Cost (in thousands)
		Rs.
1968-69	13,53,919	393,27,62
1969-70	13,58,936	420,52,96
1970-71	13,73,320	460,63,12

1.58. It is seen that the increase in the number of staff during 1969-70 over 1968-69 was only 5017 but the increase during 1970-71 over 1969-70 was of the order of 14,384. The Committee desired to know the reasons for the increase in the staff. In a note, the Railway Board have stated:—

"The reasons for the increase in staff are the following:

(i) With emphasis on modernisation *e.g.* Electrification Dieselisation etc. and with the introduction of improved technological and scientific methods of railway operations in track, equipment and signalling, the rate of increase in higher paid technical and operational staff is bound to be high. The Administrative Reforms Commission also have made some observations supporting this view.

(ii) There has been a substantial increase in activity in development of new equipment and consultancy, indigenous production of spares, taking over of inspection work and building up of our own Research, Designs & Standards Organisation. Most of such work in the past used to be done abroad by foreign organisation, to whom foreign exchange was paid for the services.

(iii) There has been substantial increase in departmental production of bridge girders, points and crossings, signalling equipment etc.

(iv) A number of Construction Projects and Doubling projects have been taken. A large number of surveys were also sanctioned for deciding on projects to be taken up in the future.

(v) After the formation of the South Central Railway zone in 1966, some additional posts have had to be sanctioned for the new zone.

(vi) The setting up of M.T.P. organisation in Calcutta and Bombay has been responsible for some increase.

The increase in the number of staff on the Railways has been marginal. It has been lower than the increase in the volume of work because a ban on creation of new posts and filling up of vacancies in Class III and IV has been in operation over these years. Additional posts have been created for developmental activities and maintenance of new assets only. It was only in 1969-70 that there was a partial lifting of the ban in that filling up of 53 per cent of the vacancies in respect of clerical staff arising in the year was permitted. In 1970-71 also, 60 per cent of such vacancies were permitted to be filled."

1.59. The Committee enquired whether any assessment had been made about the number of staff rendered surplus on Indian Railways on account of—

(i) computerisation.

(ii) Dieselisation & Electrification of traction.

(iii) Other attempts at modernisation such as introduction of Route Relay Interlocking, Centralised Traffic Control, Automatic Block etc.

The Railway Board have in a note stated:

"No precise assessment of the number rendered surplus on account of each of the above items has been possible. The absorption of surplus staff is a continuous process, those who are likely to be rendered surplus being straightaway sent for conversion training where necessary and being absorbed in alternative jobs. In accordance with orders issued from time to time by Railway Board and discussion in conferences of General Managers and Heads of Departments of the Railways with the Railway Board, Railway Administrations had set up Manpower Committees who while planning staff requirements were to ensure that possible surpluses are located in time and trained for manning alternative jobs."

1.60. To a question whether the surplus staff had been absorbed against new posts created and if not, was there any surplus staff as on 31st March, 1970 and 1971, the Railway Board replied: "Surplus staff have been absorbed against existing vacancies as well as new posts created on Justification."

1.61. The output of work as measured by the number of open line staff on Zonal Railways per million train kilometres and per million gross tonne kilometres is shown below:

	No. of Staff per million	
	Train Kms.	Gross tonne Kms.
1969-70	2,766	3·42
1970-71	2,833	3·47

From the above it is seen that there has been deterioration in 1970-71 as compared to 1969-70 in so far as the out put of work by the staff is concerned.

1.62. During 1970-71 the expenditure on staff was Rs. 460.63 crores which accounted for 53.4 per cent of the total revenue expenditure of the Railways. The total staff strength was 13.73 lakhs as against 13.58 lakhs during 1969-70. With computerisation, dieselisation, and electrification of traction and other attempts at modernisation it is reasonable to expect the staff overheads to come down progressively. However, the actual position appears to be contrary to this expectation. It is strange that no precise assessment of staff rendered surplus on account of the progressive modernisation has been done as yet and what is stranger is that additional recruitments are justified on grounds of modernisation without assessing and absorbing the surplus staff after suitably training them for alternative jobs. An interesting fact is that the output of work as measured by the number of open line staff on Zonal Railways per million train Kms. and per million gross tonne Kms. shows deterioration during 1970-71, the figures being 2766 and 3.42 during 1969-70 and 2833 and 3.47 respectively during 1970-71. In view of all this, the Committee would urge that staff requirements in the context of increasing modernisation should be realistically assessed and suitable yardsticks prescribed for evaluating the performance of staff after studying the position of other foreign Railway systems. The percentage of expenditure on staff should be progressively brought down from the present high level of 53.4 per cent.

(ii) *Compensation Claims*

1.63. The Audit para states that during 1970-71, the increase under Miscellaneous Expenditure was chiefly on account of increase in the amount of compensation payable for goods lost, damaged etc. The increase on this account during 1970-71 was of the order of Rs. 2.81 crores.

1.64. The following table gives the expenditure on compensation and the number of claims settled during the last three years:

	1968-69	1969-70	1970-71
Total number of cases settled by payment	4,10,394	4,01,667	3,85,733
Net amount paid as compensation (i.e. after adjusting the amount realised from sale proceeds in thousands of Rs.) . . .	9,36,33	10,51,99	11,33,74
Percentage of sum paid to Gross earnings .	1·47%	1·57%	1·66%
Claims paid on account of theft and pilferage	2,26,525	2,21,968	2,12,665
Value (in thousands of Rs.) . . .	4,41,28	4,95,64	5,35,12
Percentage of sum paid to Gross earnings .	0·05%	0·52%	0·53%
Claims paid on account of damage by wet: No.	35,021	39,045	48,313
Value (in thousands of Rs.) . . .	1,12,44	1,28,68	1,51,10
Percentage of sums paid to Gross earnings	0·12%	0·13%	0·15%

[Figures as per statement No. XII- A & B (for 1970-71 and XIV- A & B for 1968-69 and 1969-70) of Railway Board's Annual Report and not as per Accounts].

1.65. From the above the following facts emerge:

(a) The net amount paid as compensation is steadily increasing from year to year. From Rs. 9.36 crores paid in 1968-69, it has gone upto Rs. 10.51 crores in 1969-70 and in 1970-71 it has reached the figure of Rs. 11.83 crores.

(b) The expenditure on compensation as a percentage to gross earnings has risen from 1.47 in 1968-69 to 1.66 in 1970-71.

(c) Of the various types of claims arising, the claims on account of theft and pilferage have been increasing from year to year. Similarly the amount paid on account of damage by wet has also been increasing.

7.66. The Committee desired to know the reasons for the increase from year to year to the total expenditure on compensation claims.

The Financial Commissioner for Railways stated: "This was really the compensation paid and does not really represent the claims arising during the year. I must confess that there was previously delay in the disposal of the compensation claims. One of the reasons for the traffic going to Roads is because the road conveyers pay compensation promptly. The criticism was that not only do we not give the full amount, but there is also delay. It was therefore said that they had less faith in the Railways. So, we held a number of meetings for settling the claims quickly. We also increased the powers of the claims Officers to settle claims, previously they were required to consult the Finance and Account Officer every time but we said that up to Rs. 2000 prior consultation not necessary. This limit was increased in February 1971 to Rs. 5000/-. We have been making a big drive.

I may also say that the increase in the amount of compensation paid is partly due to the fact that the prices of various commodities have increased. Whereas, on the one hand, we have made an effort at quicker settlement of compensation claims, we have also made efforts for putting an end to the causes from which the compensation claims arise. There have been a series of meetings held between the Railways and the various State Governments at the highest level—between the Chief Minister and the Minister of Railways, and every month there is a meeting of the Home Secretary, the I.G. of Police, the Dy. I.G. Railway Police as well as the Chief Commercial Superintendent to discuss various problems and the steps taken to reduce thefts and pilferages. As a result, we have noticed a downward trend" "1972-73 should show a downward trend. We have also made less provision this year."

1.67. The Committee enquired whether any commodity-wise study of the compensation paid had been made and if so what was the percentage of claims to freight earnings in respect of commodities like coal, cotton price goods including textiles, sugar and jaggery, cement, Iron & Steel, Tea and Jute during the three years ending 1971-72. In a note on the subject the Railway Board have stated:

"Commodity-wise study of the compensation paid by Indian Railways is made regularly. The percentage of compensation paid in relation to the freight earnings in respect of the commodities mentioned by P.A.C., namely, coal, cotton piece, goods including textiles, sugar and jaggery, cement, Iron & Steel, Tea and Jute during the three years of 1969-70, 1970-71 and 1971-72 works out as under:—

Commodity	Percentage of claim amount paid to freight earnings		
	1969-70	1970-71	1971-72
Coal	0·68	0·80	0·46
Cotton piece goods including textiles .	20·46	20·60	22·48
Sugar & Jaggery	10·07	9·88	7·57
Cement	0·47	0·49	0·41
Iron & Steel	0·58	0·74	1·01
Tea	12·64	12·50	10·10
Jute	0·85	0·72	0·90"

1.68. The percentage of claims paid to freight earnings in respect of Tea, Sugar and Jaggary and cotton piece goods including textiles during the years 1966-67 to 1972-73 are given below:

Year	Tea	Sugar & Jaggery	Cotton piece goods including texiles
1966-67	5·97	3·4	11·8
1967-68	9·76	8·5	12·55
1968-69	14·29	12·8	15·5
1969-70	12·64	10·07	20·46
1970-71	12·50	9·88	20·60
1971-72	10·10	7·57	22.48

1.69. From the above it is seen that the percentage of compensation paid to earnings during 1970-71 was almost double the percentages in 1966-67 inspite of rise in freight rates. Further while in respect of commodities like coal, cement and jute the percentages of claims are coming down, there is an overall increase in the amount of compensation paid as compared to freight earnings.

1.70. The table below furnished by the Railway Board gives information regarding the strength of Railway Protection Force on all Railways and expenditure thereon *vis-a-vis* the amount of compensation claims paid on account of pilferage and thefts during three years ending 1971-72:

Year	Strength of R.P.F.	Cost of R.P.F.	Compensation paid on account of pilferage	Compensation paid on account of loss & theft of complete packages	Total of Cols. 4 & 5
1	2	3	4	5	6
1969-70 . . .	55,793	114,008	48,731	36,109	84,840
1970-71	56,848	126,431	53,511	37,925	91,436
*1971-72	*	*	56,716	38,669	95,385

1.71. It is seen from the above that inspite of increase in the number of R.P.F. staff during 1970-71 as compared to 1969-70, the amount of compensation paid on account of pilferage and theft has increased in 1970-71 as compared to the preceding year.

1.72. The payment of huge compensation claims is another item which constantly erodes the Railway finances. The amount of compensation claims paid went up from Rs. 10.30 crores in 1968-69 to Rs. 13.11 crores in 1970-71. The percentage of the sum paid to gross earnings rose from 1.47 per cent to 1.66 per cent despite increase in freight rates. The claims arising out of loss, thefts and pilferages account for more than three-fourth of the total amount paid. The commodities that are more vulnerable to loss or damage or theft and pilferage are sugar and jaggery, tea and cotton piece goods including textiles. The percentage of claims to the freight earnings on these commodities ranged from 7.57 to 22.48...Cotton piece goods are the worst casuality inasmuch as the percentage steeply rose from 11.8 in 1966-67 to 22.48 in 1971-72 which admits of no justification whatsoever. While the Committee would call for an all-out drive to reduce, if not altogether eliminate the compensation claims on all the commodities, they would like a special watch to be kept on the sensitive goods. The Committee had pointed out in their 11th Report that the percentage of compensation claims was as low as 0.06 in Japanese National Railways and 0.26 in German Federal Railways. It is,

*Information regarding the cost and strength of R.P.F. for the year 1971-72 is not readily available.

therefore, not something which is impossible to nearly eliminate compensation claims on the Indian Railway provided there is determination and vigilance.

1.73. It does little credit to the Railway Protection Force that the thefts and pilferage are on the increase notwithstanding sizeable addition to the force over the years. The strength of the Protection Force stood at 56,848 during 1970-71 and expenditure on them was of the order of Rs. 12.64 crores. With this strength it should be possible to check the acts of the anti-social elements among the Railways own staff and the public. The Committee hope that the functioning of the Railway Protection Force would be toned up so that it serves as an effective instrument for safer transit of goods and parcels.

CHAPTER II

EARNINGS

Classification of salt for the purpose of carriage

Audit Paragraph

2.1. Salt, whether intended for human consumption or for use as raw material in industry (mainly for the manufacture of caustic soda and sodash) is included in the same classification for the purpose of levy of freight charges. Considering the increasing application of salt for industrial purposes, the Ministry of Railways introduced with effect from 1st November, 1969 two separate sets of rates for salt moving by wagon loads in a new scale of rates designated as 'R' scale, the lower rate being made applicable only to salt meant for human consumption programmed for priority movement by the Salt Commissioner. It was anticipated that the increase in revenue would be to the extent of Rs. 85 lakhs owing to the revised rates. Following representations from the small scale sector, salt producers, industrial users of salt and individual manufacturers of salt, it was observed by the Ministry of Railways that 'non-programmed' salt also included salt for human consumption especially that produced by small scale sector. Because of this and in view of the doubtful legality of different freight rates being levied on the basis of difference in priority for movement, the distinction between salt for human consumption and salt for industrial uses was abolished with effect from 1st April, 1970. The reduction in earnings on this account was estimated at Rs. 28 lakhs per annum.

2.2. Some examples of levy of higher freight rates on some other items transported for industrial|commercial uses when compared to freight rates applicable for transport of the same item for other essential uses are:

(i) Superior kerosene oil which is used for domestic purposes and as aviation turbine fuel;

(ii) Dia ammonium phosphate which is used both for manurial purposes and as a chemical raw material.

2.3. The Ministry of Railways explained (December, 1971) that the Government were anxious to introduce the differential rate for salt used by industrial consumers but the mechanics of implimenting it was still under consideration, as some practical and legal difficulties are involved.

[Paragraph 51 of the Report of C.&A.G. for 1970-71 on Railways.]

2.4. The Committee were informed by Audit as follows:—

"The classification for salt has been a low one primarily on the ground that it is a commodity of common use in human consumption. Considering however, that the use of salt as raw material for industries, mainly caustic soda and soda ash had been progressively increasing, and in view of the fact that owing to its low classification even the cost of its haulage was not being fully met, the Ministry of Railways (Railway Board) examined in November, 1968 the question whether the rates of salt, especially for industrial use could not be stepped up by suitably revising the classification. The basic object, therefore, was to regulate the freight rates for salt depending upon its end use."

2.5. The Committee desired to know the reasons for introducing a separate scale of rates from 1st November, 1969. The Railway Board have in a written note explained: "The separate scale of rates for salt introduced with effect from 1st November, 1969 was not applicable to salt intended for use by industrial consumers alone. What was done was to introduce a higher rate for non-programmed salt as distunct from salt programmed for movement by the Salt Commissioner; the former included salt for industrial consumers as well as salt for human consumption. The considerations that led to the introduction of differential rate for salt on the basis of programmed and non-programmed movement are explained in the following paragraphs.

Until 1st November, 1969, there was only one rate for salt, N.O.C., whether intended for human consumption or for use as an industrial raw material. At the time of the general revision of the railway freight structure in 1958, the fact that though salt was used mainly for domestic consumption, it was being increasingly used in chemical industries, was considered but it was decided that there was no case for more than one classification. During 1968-69, salt was one of the commodities for which upward revision in classification was considered. At that time it was felt that salt, when used as an industrial raw material, could bear a higher freight rate than salt meant for human consumption. It was considered that if the Salt Commissioner who draws up programme in consultation with the Railways for movement of salt to various States to meet their minimum requirements of this commodity for human consumption could issue certificates to cover all movements of salt meant for human consumption, the two categories of salt *viz.* that meant for human consumption and that meant for industrial usage could be distinguished from each other. However, consultation with the Ministry of Industrial Development showed that small scale producers of salt were not under the control of the Salt Department and, therefore, the Salt Department would not be able to issue certificates for movement of salt for edible purposes produced by the small scale sector. Since there was no other method available for distinguishing one salt from the other it was decided that the purpose in view could be generally served if "programmed salt", which is meant entirely for human consumption is charged at a lower rate than "non-programmed" salt which is meant both for human consumption and for industrial use.

Accordingly, with effect from 1st November 1969, "Programmed" salt was placed in Class 35-R while "Non-programmed" salt was placed in Class 37-5-R (The earlier single classification was 35 A (Special)"

2.6. In another note, the Railway Board have stated:—"The rate classification of a commodity is fixed after taking into consideration a variety of factors such as its cost, its social and economic value and its transportation characteristics. It was considered in the case of salt intended for industrial use that a higher rate classification was justified but no convenient method was available to distinguish such salt from salt meant for human consumption. The higher classification was, therefore, introduced on an experimental basis."

2.7. As regards the reasons why the distinction between salt for human consumption and salt for industrial use was abolished in 1970, the Railway Board have in a note stated: "The differential classification introduced in the case of salt had to be withdrawn because it failed to distinguish clearly between salt meant for human consumption and salt meant for industrial use.

Representations were received to the effect that while salt meant for human consumption was moving at a lower rate if programmed by the Salt Commissioner, the same commodity meant for the same end use had to pay a higher rate if non-programmed. This was a valid objection and the differentiation violated the spirit of Section 28 of the Indian Railways Act which forbids discrimination."

2.8. The Committee pointed out that as mentioned in the Audit para differential rates were being levied on superior kerosene oil and Dia-ammonium phosphate. Asked how the levy of differential rates on these commodities did not offend the provisions of Section 28 of Indian Railways Act, whereas the differential classification of salt contravened the provisions of the Section, the Railway Board have stated: "In the case of kerosene oil, differential rating is based on clearly identifiable end uses. Kerosene oil booked as aviation fuel is declared as eviation turbine fuel and is sent to certain specific consignees from a limited number of points. It is also superior to kerosene oil for mere domestic use.

Dia-ammonium phosphate is classified in two categories in the Goods Tariff, *viz.* dia-ammonium phosphate for chemical manures and that meant for other uses, *i.e.* not otherwise specifically classified. It is possible to identify the end use of the commodity, because when it moves for manurial purposes, it is booked by certain nominated consigners mentioned in the Goods Tariff such as Fertiliser factories or F.C.I. in the case of imported DAP etc. to dealers registered by the Government or to non-registered dealers under a special certificate issued by the nominated Civil Officer of the State. When not so booked, dia-ammonium phosphate is treated as for non-manurial purposes and a higher freight is levied. This distinction is practicable because of the limited number of despatching points and the limited number of receiving points and association of the local civil Government authorities in the end use.

In the case of salt, on the contrary, two rates covered the same and use; part of the salt meant for human consumption was charged a lower rate, being programmed, and part of it, which was not programmed, had to bear a higher rate."

2.9. In regard to the proposal to introduce in future differential rate for salt by industrial consumers, the Railway Board have stated: "If it were practicable to identify the end use of salt, it would be possible to levy a differential freight also. The problem that is confronting us is how to distinguish the end use because the number of producers is innumerable and the small-scale producer is not licensed. In the case of non-programmed salt, there is also no rational scheme of distribution at the receiving end, nor any regulation or control by the State Government, and therefore, no effective safeguard against mis-use. We are, however, exploring ways and means of effectively distinguishing between salt meant for industrial use and that meant for human consumption; should we succeed in this effort, we will introduce a dual classification."

2.10. Audit intimated the following to the Committee: "In the case of salt also there are few bulk consumers of salt manufacturing caustic soda and it could be possible to isolate the salt traffic moving to them and charge a higher rate. It is mentioned that at one stage while considering the proposal for abolition of differential rate in Jan., 1970, it was observed by the Board that 'while the movement of salt, in general, may be numerous, industrial salt generally moves to certain recognised centres and it should be possible to keep some check'. Greater alertness on the part of Commercial and Marketing Officers would, however, be required."

2.11. The Committee understand that considering the progressive increase in the use of salt as raw material for industries and in view of the fact that owing to a low freight rate for the movement of salt even the cost of its haulage was not fully met, the question whether the rates of salt especially for industrial use could not be stepped up, was examined by the Ministry of Railways (Railway Board) in November, 1968. Accordingly, two separate sets of rates for salt moving in wagon-loads, the lower rate being made applicable only to salt meant for human consumption programmed for priority movement by the Salt Commissioner, were introduced w.e.f. 1st November, 1969. Following representations from trade to the effect that while salt meant for human consumption was moving at a lower rate if programmed by the Salt Commissioner, that meant for the same end user had to pay a higher rate if non-programmed, which violated the spirit of Section 28 of the Indian Railways Act, the differential rates were withdrawn w.e.f. 1st April, 1970, resulting in reduction of earnings estimated at Rs. 28 lakhs per annum. The Committee feel that once the need for a higher rate for the movement of salt meant for industrial use is recognised, the initial difficulty in distinguishing between the salt meant for industrial use and that meant for human consumption should not unduly delay its implementation. Admittedly while the movement of salt in general may be numerous, industrial salt generally moves to certain recognised centres and it should be possible to keep some check with greater alertness on the part of commercial and marketing officers. The Committee therefore see no reason why non-programmed salt could not be distinguished as that meant for human consumption and that for industrial use on the basis of the declaration by the consignors subject to check and deterrent penalty for mis-declaration. They would urge that the higher rate for the movement of salt meant for industrial use should be introduced forthwith in the interest of augmentation of railway revenue.

Central, Eastern, Northern, Southern, South Central, South Eastern and Western Railway—Container Services.

Audit Paragraph

2.12. A review of the performance of a few of the container services on the Railways, brought out the following position:

Madras—Bangalore

A 5-tonne container service introduced on this section as bi-weekly basis from January, 1969 runs as daily service from June, 1969. The service was intended to retrieve traffic moving by road. Five firms from Madras and seven firms from Bangalore were expected to join the service. They offered traffic in cigarettes, cigarette shells, battery, matches, tyres, biscuits, jams, electric motors, switch gear, hydrogenated oils were below the tariff rates, the reduction ranging from 23 to 40 per cent. The service was expected to give a return of 17.1 per cent per annum on a proposed capital investment of Rs. 7.79 lakhs based on an estimation of earnings and recurring working expenses at Rs. 5.19 lakhs and Rs. 3.86 lakhs respectively. The Railway actually invested a sum of Rs. 6.03 lakhs on procurement of additional equipment in the form of containers, flats and road units etc. Of the twelve firms who had initially agreed to patronize the service, only three from Madras and three from Bangalore actually participated. However nine other firms, four from Madras and five from Bangalore joined the service later on. The traffic carried during one year from July, 1969 to June, 1970 was 5,185 tonnes, as against 10,330 tonnes anticipated in the project Report. The freight earned and the working expenses for the year were Rs. 2.97 lakhs and Rs. 3.49 lakhs respectively, resulting in a net loss of Rs. 52 thousand. It was stated by the Railway Board that during July, 1970—June, 1971 there was a marginal loss of only Rs. 1 thousand.

New Delhi—Howrah

2.13. A 5-tonne container service was introduced on this section in March, 1969, with a capital investment of Rs. 12.29 lakhs to handle an estimated traffic of 7,320 tonnes (including 2,928 tonnes already moving by rail in conventional wagons and 4,176 tonnes expected to be retrieved from road traffic and 216 tonnes of new traffic) from New Delhi and 5,037 tonnes (including 216 tonnes already moving by rail in conventional wagons and 4,821 tonnes expected to be retrieved from road traffic) from Howrah end. It was expected that seven firms from New Delhi and nine firms from Howrah would participate in the service. However, the actual results for the years 1969-70 and 1970-71 showed that the performance had not come up to the expectations. Against an estimated traffic of 7,320 tonnes from the New Delhi end, the actual traffic carried was 2,654 tonnes in 1969-70 and 3,151 tonnes in 1970-71. As regards the traffic emanating from the Howrah end, while the anticipations were to the extent of 5,037 tonnes, the actual traffic moved was 2,449 tonnes in 1969-70 and 4,068 tones in 1970-71. The low offering in traffic was explained by the Administration as due to some of the firms having backed out and others offering less traffic, and also due to disturbed conditions in West Bengal.

2.14. The percentage return on capital during 1969-70 was found to be only 8.1 per cent as against 44.3 per cent anticipated. Taking a note of this wide variation, the Railway Administrations concerned made a realistic appraisal of traffic in March, 1970 and reduced the original estimates of traffic by 58 per cent in the case of traffic emanating from New Delhi and 24 per cent in the case of traffic originating from Howrah. (The monthly estimates of traffic were reduced from 199 to 84 containers in the case of New Delhi end, and from 150 containers to 114 containers in the case of Howrah end). The corresponding reduction in capital investment as intimated by the Ministry of Railways in February, 1972 was only 19.5 per cent. A sample analysis made by the Administration also showed that there was delay in the movement of containers inasmuch as only 8.5 per cent of the flats were observing the target turn round of 9 days.

New Delhi—Kanpur—

2.15. A bi-weekly 1-tonne container service was introduced on this section in May, 1968, with a view to retrieve road borne traffic in certain commodities. One firm from Delhi and four from Kanpur agreed to avail of the service. The party from Delhi offered traffic in hydrogenated oil, while the others from Kanpur offered traffic in tinned fruits and juices, medicines and phenyl, rayon yarn and biscuits. The rates quoted for hydrogenated oil and tinned fruits and juices were lower than the normal tariff rates inasmuch as wagon load rates had been allowed without enforcing the minimum weight conditions applicable to such rates. The rate quoted for hydrogenated oil did not also cover fully the haulage cost of road portion.

2.16. The project Report of the service envisaged a return of 9.8 per cent per annum on a proposed capital investment of Rs. 1.55 lakhs. The annual earnings and recurring working expenses had been estimated at Rs. 88 thousand and Rs. 73 thousand respectively. The Railway actually invested a sum of Rs. 1.86 lakhs on procurement of additional equipment. The actual traffic offered during one year from May, 1968 to April, 1969 was 648 tonnes with freight earnings of Rs. 32 thousand against the anticipated traffic of 1,685 tonnes with freight earnings of Rs. 88 thousand.

2.17. Against freight earnings of Rs. 32 thousand, the recurring expenses for the year worked out to Rs. 41 thousand resulting in a net loss of Rs. 9 thousand. The service was ultimately discontinued with effect from 8th August, 1969. In regard to further utilisation of the equipment rendered surplus as a result of the discontinuance of the service, it was stated by the Ministry in January, 1972 that 30 units of 1 tonne containers were being used for movement of parcel traffic between Delhi and Ambala Cantt. and the other equipments were being transferred to Central Railway.

2.18. The particulars of other services introduced on the Railways are indicated in the Annexure III to this Report.

2.19. The Ministry of Railways stated (December, 1971) that the container service being a new scheme, it would be necessary to wait for some more time to assess the usefulness and profitability of the service. They further said that the first three years of the service should normally be treated as a development period, as the service was expected to get stabilized only after sufficient patronage with the users came to be established."

[Paragraph 52 of the Report of C.&A.G. for 1970-71 on Railways]

2.20. The Railways have introduced container services between specified stations in order to retrieve traffic moving by road and ensure immunity from damage, loss etc. in transit. The container service provides to the trade facility of safe transport of goods transport from the premises of consigner to the premises of the consignee. It eliminates the need for elaborate packing. The specially manufactured containers, which are water and pilfer proof, are cerried on specially desigened road units to the premises of the consignors who load the containers to their full capacity and lock them. The containers are then carried back on the road units to the booking Railway station where these are transferred mechanically to specially designed wagons called flats for onward movement to the destination station, where on arrival these are again carried on road unit to the premises of the consignees. These containers are moved by nominated express goods trains. The Railways quote all inclusive rates covering both the road and rail transportation.

2.21. The first container service was introduced between Bombay and Ahmedabad in January, 1966 with 4.5 tonne containers. Later 5 tonne containers were provided.

2.22. The container services were introduced on ten routes but the service between Delhi and Kanpur was discontinued from August, 1969 after incurring a loss of Rs. 9 thousand. The table below gives details of the actual returns on capital investments for the various services operating at present:

Name of service	Date of introduction	Total capital investment on Rail & Road units (in lakhs)	Anticipated epercentage return	Return Period	Return Percentage
1. Bombay-Ahmedabad	15-1-66	9·13	94	1966 1967 Jan. Feb. 68 1970-71	7·19 9·61 18·66 26·8*
2. Bombay-New Delhi	20-11-67	22·20	81·5	1969 1970-71	33·2 41·7*
3. Bombay-Secunderabad	23-5-69	12·20	32·79	July, 69 to June, 70 July, 70 to June, 71	11·2 11·14*
4. Madras-Bangalore	14-1-69	6·03	17·1	July, 69 to June, 70 July, 70 to June, 71	(—)8·6 (—)5·3@
5. Howrah-New Delhi	15-3-69	12·29	44·3	1969-70 1970-71	8.1 24·2*
6. Bombay-Madras	16-4-69	13·95	40·88	July, 69 to June, 70	25·7
7. Bombay-Bangalore	11-11-69	14·82	23·51	1970-71	(—)1.41@
8. Calcutta-Madras	3-11-70	14·62	40·2	Financial results awaited.	
9. Calcutta-Bombay	16-4-71	N.A.	N.A.	do.	

*As per financial results received duly vetted by the FA & CAOs of the concerned Railways, being processed in Board's Office.

@Under vetting by FA & CAO, Southern Railway.

2.23. From the above it is seen that the performance of the container services has not been upto the expectations. In the case of services between Madras-Bangalore and Bombay-Bangalore the Railways have been incurring losses instead of making any profit as anticipated. In other cases also the return is much below the expectations. Asked about the reasons for the short-fall in the anticipated returns, the Railway Board have in a note stated:

"1. Following were the reasons for shortfall in anticipated returns:

(i) Increase in capital investment and working expenses over Project Report estimates on account of the following reasons:

(a) Sundays, and, in some cases, Saturdays also being observed as non-working days by users. In case of Saturdays these were formerly working days for most of the firms but are now increasingly becoming non-working days particularly for major firms. For future services both these days are therefore being treated as non-working days.

(b) Cost of containers|flats|road units being more than envisaged at project report stage on account of time lag between preparation of project reports and procurement of equipments for the services.

(c) As per advice given by the Research Designs and Standards Organisation of the Railways, the life of containers is now being assumed as 10 years against a life of 40 years envisaged in project reports.

(d) Cost of crane operations not having been taken into account at project report stage. This is being done for new services.

(ii) Escalation of working expenses on account of rise in prices and wages.

It is not always possible to increase container rates to off-set increase in working expenses, as container rates have to be competitive with road transport rates, which are kept low by road operators on routes where container services are operating. Besides in the initial years the railways have to foster and nurse this traffic and jacking up of rates for these services is therefore not desirable.

(iii) Dropping out of some of the firms initially prospected due to time lag between preparation of the Project Reports and the date of introduction of these services.

(iv) Since most of the traffic prospected for these services was road borne, there was intense competition and undercutting of rates by road transport operators. This was particularly the case on Madras-Bangalore and Bombay-Bangalore services. Railways could not, in many cases, further reduce their rates as these would not have been remunerative.

(v) Disturbed law and order conditions, particularly in the Eastern region of the country, and spate of illegal and wild cat strikes by railway staff in 1969-70 and 1970-71 upset the railway operations as well as depressed industrial activity in the country.

2. It will, however, be seen that the services have shown a progressive improvement.

3. Two services have shown a minus return namely, Bombay-Bangalore and Madras-Bangalore services. With regard to the former service (Bombay-Bangalore) the goods earnings in 1971-72 registered a 60 per cent increase over those of 1970-71 and the service is expected, therefore, to show a plus return when the accounts for 71-72 are finalised. With regard to Madras-Bangalore service, gross earnings for the 12 months period from July '71 to June '72 were Rs. 5.3 lakhs, which represented an increase of 44 per cent over gross earnings for the preceding 12 months period and were more than the annual gross earnings of Rs. 5.19 lakhs anticipated in the Project Report. The actual returns obtained in 1971-72 can be known only when audited figures of working expenses are available.

4. It has already been pointed out by the Ministry of Railways (January '72) that the aggregate gross earnings for all the container services now in operation on Indian Railways have shown a very rapid pace of increase over the last six years since the first container service, between Bombay and Ahmedabad was introduced in 1966. In 1971-72 the actual gross earnings exceeded the earnings anticipated as per project reports. In 1971-72, the total capital investment on cantainer servcies was about 1.28 crores of rupees and the gross earnings for all the container services put together were about Rs. 1.44 crores. One

composite unit comprising of one flat and six containers with a capital investment of about Rs. 0.61 lakhs netted gross earnings of about Rs. 1.25 lakhs during this year. These are, in the opinion of this Ministry, very satisfactory results.

As has already been pointed out by the Ministry of Railways, these services take time to stabilise, having to face intense competition from road transport operators. Therefore, their profitability should be judged from three to five years after commissioning of these services.

Containers and flats are often transferred from one service to another according to fluctuations in pattern of atraffic. Since the number of containers and flats transferred from one service to another fluctuates from time to time it is not always possible to quantity the resultant reduction/increase in capital investment and working expenses. The financial reviews do not, always therefore, reflect the correct picture for these two aspects. The Ministry of Railways, therefore, feel that the profitability of the container services should be judged for the Indian Railways as a whole rather than separately for each container service, allowing for a gestation period of three to five years and for the factors responsible for increase in the capital cost and working expenses as mentioned in para 1(i) and (ii) above. This aspect is being examined."

2.24. As regards the measures taken to improve the profitability of each service, the Railway Board have stated: "The measures taken to improve profitability of these services are:—

(a) continuous contact with industry and trade to attract new traffic,

(b) regular watch on the operation of these services with regard to transit time, terminal detentions etc.,

(c) keeping in touch with the prevailing road transport rates, and modifying container rates as and when necessary."

2.25. The Committee desired to know to what extent the traffic moved by the container services during the year 1970-71 and 1971-72 was new traffic retrieved from road. The Railway Board have in a written note stated: "Financial reviews for 1970-71 are so far available only in respect of Bombay-Ahmedabad, Bombay-New Delhi, Bombay-Secundarabad, Calcutta-New Delhi, Bombay-Bangalore and Madras-Bangalore services.

In the last two cases the reviews are still under vetting by FA &

FCAO, Southern Railway. Financial reviews for 1971-72 are not yet available for any service.

According to these reviews the percentage of freshly captured traffic (i.e. traffic other than that diverted from conventional railway wagons to the container services) is as under:—

S. No.	Name of Service	Tonnage for 1970-71		Percentage of freshly captured traffic to total	
		Tonnage	Gross earnings (in lakhs of rupees)	On the basis of tonnage	On the basis of gross earnings.
1.	Bombay-Ahmedabad	9106	6·29	67·5	75·3*
2.	Bombay-New Delhi	30486	39·01	79·7	81·7*
3.	Bombay-Secunderabad (figures for July, 70 to June, 70)	10078	8·84	75·6	86·6
4.	Bombay-Bangalore	6363	7·87	(The entire traffic is freshly captured).	
5.	Madras-Bangalore (Figures for July, 70 to June, 71)	6241	3·68	Do.	
6.	Howrah-New Delhi	7295	11·11	Do.	

It will, therefore, be seen that a major portion of the traffic being moved by container service is freshly captured.

In this context it may, however, be pointed out that apportionment of total traffic between freshly captured traffic and traffic diverted from rail is an approximate estimate and cannot be accurately made for the following reasons:—

"(a) due to frequent variations in production, marketing pattern it cannot be said as to how much of the traffic moving by containers would have moved in conventional wagons but for the container services,

(b) reliable data of production, sales, rail and road despatches of firms using container services are not available, in many cases. It is not, therefore, possible to know accurately as to what proportion of their despatches are being sent by each individual firm by rail, in conventional wagons and in containers and by road."

2.26. In reply to a question as to how far the objectives with which the container services were introduced, have been achieved, the Railway Board have in a note stated:

*The percentage of freshly captured traffic to total traffic is on the basis of gross earnings it calculated excluding road earnings.

"The principal objectives of the container services are—

(a) to provide door to door service and greater customer satisfaction;

(b) to reduce loss and damages incidental to handling; and

(c) to retrieve traffic lost to road, and to attract new traffic.

These objectives have been achieved."

2.27. The container services were introduced on Railways with a view to augmenting revenue by capturing high rated traffic diverted to road. The financial results of the services indicate that the actual return on the capital invested is far below expectations. In fact two services viz. Madras-Bangalore and Bombay-Bangalore are operating in losses. Besides increase in cost of acquisition of assets over estimates, two other factors are stated to have materially altered the financial results. That the life of the containers was assumed as 40 years instead of 10 years and that the Project Report did not take into account the cost of crane operations would show how far the initial anticipations on the basis of which the services were sanctioned were faulty. A realistic reappraisal of the services is, therefore, needed to find out how many of these which were initially found justified have proved to be not so, taking into account these factors. The Committee would like to be informed of the result of review and the action taken in pursuance thereof.

2.28. The Committee do not think that it is desirable to work out the profitability of the container services as a whole, rather than separately for each service. It is necessary to ascertain the individual profitability in order to decide on the continuance or otherwise of the service. As each service is in addition to the existing facility, it cannot be continued even if Railways were to incur losses. In this connection the Committee find that the container service between New Delhi and Kanpur which was introduced in May, 1968 had to be discontinued in August, 1969 on the ground that it was not remunerative.

2.29. The Committee need hardly stress that the container services should be able to subserve the objective of attracting additional traffic at competitive rates without incurring losses. Close-Watch should therefore, be kept on the traffic moved from week to week, month to month so as to take timely remedial measures. The financial results of the services should also be worked out promptly in future.

Northern, North Eastern and Western Railways—Short realisation of freight due to non-weighment of timber wagons.

Audit Paragraph

2.30. The rules for computing chargeable weight of timber wagon loads, provided *inter alia* as under:—

Timber wagon loads should be weighed on a wagon weighbridge at the forwarding station, if one is provided there. If there is no weighbridge at the starting station, the wagon may be weighed at a convenient weighbridge station en route, which should, as far as possible, be the first weighbridge station. In case there is no weighbridge en route, the wagon may be weighed at destination, if a weighbridge is available there.

At weighbridge stations where the wagons are required to be weighed, the station masters should ensure that such weighment is done and that the wagons are not pushed on, without weighment.

When facilities for weighment of timber are not available, logs may be measured and the cubical contents so arrived at, converted into weight on the prescribed basis.

In case weighment particulars are not available for any reason or it is not possible to ascertain the weight of the consignment by any other method such as measurement, charges should be retained on the sender's weight or the prescribed minimum weight whichever is higher.

2.31. A review of the position of Northern, North Eastern and Western Railways showed that timber consignments were not being weighed in all the cases, and in the absence of actual particulars of weighment or measurement, the consignments were charged on the basis of sender's weight or the minimum chargeable weight. In the few cases where consignments happened to be subsequently weighed, the actual weight was generally found to be in excess of the invoiced weight, and undercharges were recovered accordingly. The omission on the part of the Railway Administration to conduct weighment or measurement in respect of entire timber traffic moved, results in short recovery of freight charges. Computed on the basis of undercharges detected in cases where wagons were weighed, the loss of revenue in respect of timber wagns not weighed or measured, has been estimated as under:—

Railways	No. of stations for which the position was reviewed	Periods for which the position was reviewed	Amount of under-charges estimated
Northern	6	January, 1969 to June, 1970	Rs. 6·39 lakhs
Norther Eastern	16	October, 1969 to June, 1970	Rs. 3·35 lakhs
Western	5	Different spells for different stations varying between January, 1966 to June, 1971	Rs 1·94 lakhs

2.32. It may be mentioned that the minimum weight condition for timber was enhanced with effect from 15th July, 1971 for the reasons that actual loadability was found to be more as a result of test weighments conducted on different railways and considerable loss was being incurred as the wagons were not always weighed.

[Paragraph 53 of the Report of C. & A.G. for 1970-71 on Railways.]

2.33. The Committee were informed by Audit that "Out of 3699 wagons marked for weighment en route and received at 6 stations (Narwana, Rohtak, Jind City, Bahadurgarh, Panipat and Karnal) of Northern Railway during the period January, 1969 to June, 1970, only 499 wagons had actually been weighed *en route*, and all of them had been found to be overloaded. In the case of traffic booked from 16 stations (Murtiha, Mihirpurwa, Nishangara, Bichia, Katranianghat, Rehta Siding Station, Paulaha, Bellraion, Sonaripur, Mailani Kaurialaghat, Tikunia, Gauri Phanta, Dingania, Dudwa, Chandan Chowki) of North Eastern Railway during the period from October, 1969 to June, 1970, the results of weighment in respect of the wagons weighed, showed that the actual weight of consignments booked, exceeded the invoiced weight by 19 to 40 per cent. On Western Railway the position was studied with reference to 5 stations (Ukai Songhad, Navapur, Indore (BG), Pratapnagar and Palanpur) for varying periods between January, 1966 and June, 1971. In regard to the first two stations, namely, Ukai Songhad and Navapur the actual chargeable weight was assessed on the basis of measurements recorded in Forest passes. As regards the other 3 stations the excess weight was determined with reference to weighments recorded at the weighbridge stations en route, vide details below:—

Stations	No. of wagons weighed	No. of wagons found containing excess weight
Indore (BG)	202	149
Pratapnagar	475	432
Palanpur	34 consignments	22 consignments

2.34. In a note the Railway Board have stated: "The rules provide that timber wagons should be weighed at the forwarding station and if there is no weighbridge, the wagons may be weighed at a convenient weighbridge station en-route which should as far as possible, be the first weighbridge station."

2.35. The Committee enquired whether all the cases of non-weighment referred to in the Audit para were investigated individually in order to ensure that these were not due to negligence of the staff at the weighbridge stations. The Railway Board have in a note stated:

"All the cases could not be examined individually as their number ran into thousands.

However, sample checks have been made which reveal that the main reasons for non-weighment was operational difficulties in yards which made it difficult to sort out and place on the weighbridge line, wagons requiring weighment."

2.36. In regard to the provision of weighbridges, the Railway Board have stated:

"It is neither necessary nor feasible to provide weighbridges at all timber loading stations. Weighbridges are provided at loading stations only if the traffic is heavy and weighment at a weighbridge en-route or at destination is not feasible."

2.37. The Railway Board have further intimated:

"A comprehensive review of the need for providing additional weighbridges for timber traffic has recently been completed by 7 of the 9 Zonal Railways and it transpires that the weighbridges already provided are adequate to meet the requirements. The remaining two Railways have not yet completed the review."

2.38. To a question as to why, at stations to or from which traffic is wagon loads is not heavy, chargeable weight cannot be computed by measurement of logs as provided in the Tariff, the Railway Board have replied:

"Chargeable weight can be computed on the basis of measurement in those cases where the logs are big and more or less uniform in size. For small logs and "ballies" and logs of uneven size and girth measurement is a cumbersome and time consuming process and, therefore, not practicable."

2.39. The Committee desired to know whether, in view of the fact that it was not practicable in the course of Railway operation to detain or detach wagons for weighment purposes or to calculate weight by measurement the Railway Board had contemplated revision of the relevant rules or to prescribe any alternative procedure. In a written note furnished to the Committee the Railway Board have intimated:

"With a view to ensuring that there is no loss of revenue on account of non-weighment of timber wagons particularly in cases in which it is not possible to weigh them at weighbridge stations due to operational reasons or to ascertain the weight of logs by measurement, the minimum weight condition for timber has been enhanced with effect from 15th July, 1971, as detailed below:

	Prior to 15-7-71 Qtls.	From 15-7-71	
		Covered wagons Qtls.	Open wagons Qtls.
Logs & Ballies			
B.G.	150	185	175
M.G.	110	135	125
N.G.	65	75	65
Sawn Timber		In covered or opened wagons Qtls.	
B.G.	185	215	
M.G.	125	140	
N.G.	65	85	

The question of further raising the minimum weight condition or alternatively introducing wagon rates or rates based on floor areas of wagons is being examined with a view to eliminating weighment while guarding against loss of revenue."

2.40. The Committee cannot but express their concern over the considerable leakage of revenue in timber traffic. The rules provide for either weighment or calculation of weight by measurement of the logs. The failure to do so in six stations of Northern Railway alone amounted to undercharges estimated at Rs. 6.39 lakhs during the period January, 1969 to June, 1970, according to Audit. It has been explained that in all cases weighment is not possible due to operational difficulties and measurement is also not practicable. In the absence of weighment or measurement, charges should be retained on the sender's weight or the prescribed minimum weight, whichever is higher. Admittedly, loadability of the wagons was more than the minimum weight prescribed. Although the minimum weight condition for timber was enhanced with effect from 15th July, 1971, the Railway Board have intimated that the question of further raising the minimum weight condition or alternatively introducing wagon rates or rates based on floor areas of wagons is being examined with a view to eliminating weighment while guarding against loss of revenue. As, there is considerable scope for augmenting revenue, this question should be expeditiously examined with the sense of urgency that it deserves and suitable measures taken to obviate short-collections. Action taken in this regard may be reported to the Committee within three months.

Western Railway—Undercharges in recovery of freight

Audit Paragraph

2.41. According to I.R.C.A. Coaching Tariff, chillies green, onions, potatoes, garlic etc., when booked at owner's risk, are to be charged at scale 4 rate with effect from 1st April, 1970. However, a test check of the records of 15 stations for periods ranging from April, 1970 to March, 1971 showed that these commodities had been charged as vegetables at scale 5 rate. This resulted in undercharges to the extent of Rs. 54 thousand out of which Rs. 9 thousand are stated to have since been recovered, leaving a balance of Rs. 45 thousand still to be recovered.

2.42. The minimum weight condition for wagon load traffic in respect of sulphur was increased from 150 and 110 quintals per B.G. and M.G. wagon respectively to the carrying capacity of the wagon used, with effect from 1st February, 1970. A test check of the records of one station for the period from 1st February, 1970 to 24th July, 1970 showed that the chargeable weight had not been computed correctly, resulting in undercharges to the extent of Rs. 77 thousand out of which Rs. 3 thousand have since been recovered, leaving a balance of Rs. 74 thousand still to be recovered.

2.43. A test check of the records of one station for the period from June, 1966 to October, 1967 showed that freight charges in respect of petroleum coke traffic had been invoiced on the basis of carrying capacity of the B.G. wagons used, instead of carrying capacity plus 2 tonnes, as required under the extent instructions. This resulted in undercharges to the extent of Rs. 21 thousand out of which no recovery has been effected so far.

[Paragraph 55 of the Report of C. & A.G. for 1970-71 on Railways.]

2.44. The Committee enquired whether the changes in Tariff were not satisfactorily explained to the staff and whether the implementation of such changes was not watched by the inspection officials as a result of which undercharges mentioned in the Audit para remained undetected. In reply the Railway Board have in a written note stated: "Despite the fact that changes in Tariff are fully explained to the staff and supervisory officials carry frequent inspections, lapses on the part of the station staff in charging the correct freight do occur occasionally. Some of the resultant undercharges are detected by the Accounts Office in the course of the prescribed test checks conducted by them and the necessary recoveries made; this happened in the present case also."

2.45. Asked about the action taken against the defaulting staff involved in the cases referred to in the para, the Railway Board have intimated: "Regarding undercharges on sulphur, chillies, onions, potatoes and garlic, staff responsible are being suitably taken up. Regarding petroleum coke, the Western Railway employees responsible for incorrect levy of freight at the time of delivery had retired on 2nd October, 1967."

2.46. The present position in regard to recovery of the under-charges mentioned in the Audit para is stated to be under:

S.No.	Commodities	Under-charges detected by Audit	Under-charges realised	Under charges still due to be recovered
		Rs.	Rs.	Rs.
1.	Chillies green, onions, potatoes, garlic, ginger green, yams, etc.	53,856·75	13,267·50	40,589·25
2.	Sulphur	76,657·00	20,985·00	55,672·00
3.	Petroleum coke	21,351·00	21,351·00	Nil
	Total	1,51,864·75	55,603·50	96,261·25

2.47. In reply to another question the Railway Board have stated that the position at other stations was being reviewed.

2.48. As regards the steps proposed to be taken to avoid recurrence of such cases in future, the Railway Board have stated: "Railway Administrations have been directed to ensure that at all important goods booking stations, Inspectors carry out test checks every month to see that the staff are levying correct freight charges. They have further been advised to carry out intensive checks when changes in rates, weight conditions etc. are notified."

2.49. The Committee are concerned to learn that a test check of the records of certain stations in Western Railway for some months revealed mistakes in either application of rates or computation of weight resulting in under-charges to the extent of Rs. 1.52 lakhs. The results of the review of the position at the other stations of the Western Railway and in other zonal railways may be intimated to the Committee.

2.50. The Committee have reasons to believe that the mistakes have been fairly widespread. The checks by the Accounts Department and the supervisory officials of the Commercial Department have not been evidently effective enough. The Committee would like to know whether the responsibility of the supervisory officials and the Accounts Department for not detecting the mistakes was examined and if so the action taken in pursuance thereof may be intimated.

South Central Railway—Short realisation of earnings

Audit Paragraph

2.51. There is regular booking of electrical appliances at a siding provided for a factory manufacturing such appliances near Lingampalli station. The consignors were allowed the benefit of full wagon for loading these appliances, even though the weight of the articles loaded in each wagon was far below the minimum of 110 quintals prescribed for a wagon load of electrical appliances. Freight charges were levied by the Railway Administration at the smalls rate on actual weight subject to a minimum of 45 quintals applicable to bulky articles, but the wagons were exclusively utilised for these consignments only upto the destination stations. If the consignments had been treated as smalls, other goods could have been loaded in these wagons to the extent space was available. The resultant under-utilization of wagons was pointed out in September, 1970. The Railway Administration decided in September, 1971 to charge these consignments on the basis of minimum weight of 110 quintals prescribed for electrical appliances when carried in wagon loads. The earlier practice of charging these consignments as small resulted in short realization of earnings to the extent of Rs. 4.14 lakhs during the year 1968-69 to 1970-71.

(Paragraph 56 of the Report of C.&A.G. for 1970-71 on Railways)

2.52. The Committee enquired why could not the minimum weight condition of 110 quintals be made applicable to the cases where the consignors were allowed the benefit of full wagon. In a written note, the Railway Board explained:

"Most of the consignments in question were bulky in nature. Rule 164(1) of the IRCA Goods Tariff No. 33, Part I, which deals with bulky goods is reproduced below:—

"164(1): Bulky articles fully occupying a wagon: When goods tendered for conveyance are of such a description that owing to their bulk, measurement or other cause, it is found impossible to load each areas guage wagon to the extent of 60 quintals and each metre gauge wagon to the extent of 40 quintals and each narrow gauge wagon to the extent of 35 quintals, such goods will be subject to a charge as for 60 quintals, 40 quintals and

35 quintals respectively for wagons at the "smalls" rate right through to destination irrespective of whether a break-of-gauge is involved or not, except in cases in which a special minimum is quoted in this Tariff or otherwise notified when such minimum will apply. If charges at the wagonload rates for the prescribed minimum weight for the wagonload are less than the charges at the "smalls" rate, charges at wagonload rate will apply."

Prior to 15-4-1972 the above minimum weights stood at 45, 30 and 30 quintals respectively. As bulk of the consignments loaded, fully occupied the wagons, the wagons were sent through to destination and freight charges were levied on actual weight for a minimum weight of 45 quintals as provided for in the above rule. In a few cases some space was left in the wagons but further loading could not be done as that would have damaged the components already loaded, which were of a very delicate nature.

It may also be explained that 110 quintals is neither the minimum weight prescribed for making wagons available to a consignor nor a minimum weight for charge. It is only a condition for giving the benefit of the wagon load scale of rate as distinct from the scale of rate applicable to smalls consignments. Consignments offered in full wagon loads are charged at lower rates as compared to consignments offered in small lots i.e. as "smalls" Depending upon the loadability of commodities, different weight conditions have been prescribed for different commodities for moving up a wagon load. 110 quintals is one such weight condition applicable to electrical appliances. It implies that if a party offers a weight of 110 quitals or more, it gets the benefit of the wagon load rate and if the weight offered is less than 110 quintals, the rate applicable to "smalls" is charged. However, freight charges on bulky articles are leviable on actual weight subject to the minimum prescribed in Rule 164(1) reproduced above."

2.53. The Audit paragraph states that the under-utilisation of wagons was pointed out by Audit in September, 1970 but the Railway Administration decided in September, 1971 to revise the rates. Asked why could not orders for rectification of mistakes be issued soon after instead of only in September, 1971, the Railway Board stated:

"In the first place it may be stated that the decision to charge every wagon for a minimum of 110 quintals was taken by the Railway in June, 1971 and not in September, 1971. The issue raised by the Audit was of a complicated nature.

The point raised by the Audit was in conflict with Rule 164(1) of the Goods Tariff. The Railway had, therefore, to examine the matter in all its aspects before deciding to charge every wagon for a minimum of 110 quintals. However, as the consignments were of bulky nature already covered by Rule 164(1), this decision of the Railway was not correct and resulted in over-charges. The matter is being examined separately with a view to issue suitable instructions to the Railways."

2.54. In reply to another question the Committee were informed that freight charges were now being recovered in accordance with the decision taken in September, 1971.

2.55. This is a case of gross under utilisation of wagons and consequent substantial short-realisation of revenue. Even though the weight of the articles loaded in each wagon was for below the minimum of 110 quintals prescribed for a wagon load of electrical appliances, freight charges were levied by the South-Central Railway Administration at the 'smalls' rate on actual weight subject to a minimum of 45 quintals applicable to bulky articles when the wagons were exclusively utilised for these consignments only. The short-realisation of revenue was to the extent of Rs. 4.14 lakhs during the years 1968-69 to 1970-71. Although the South-Central Railway Administration decided in September, 1971 to charge these consignments on the basis of minimum weight of 110 quintals, the Railway Board have stated that this decision is not correct in view of the provisions of Rule 64(1) of the IRCA Goods Tariff governing transport of bulky articles fully occupying a wagon. In the opinion of the Committee no lacuna in the rule should be allowed to operate to the detriment of revenue especially at a time when the Railways are in a desperate need to augment revenue. They would, therefore, call for a comprehensive review of the position with a view amending the rule suitably to safeguard the interest of Railways. The action taken in this regard may be reported to the Committee within six months.

Western Railway—Undercharges in freight on refined groundnut oil

Audit Paragraph

2.56. The extent rules provided that refined groundnut oil should be charged at class 100-C in smalls and 75-B (sepcial) in wagon loads from 8th October, 1969, at class 105 in smalls and 87.5 in wagon loads from 1st April, 1970, and at class 105 in small and 85 in wagon loads from 7th November, 1970. However, a test check of the records of 8 stations for varying periods between October, 1969 and January

1971 showed that the commodity had been wrongly charged as groundnut oil, not otherwise classified, under the main head "Oils-Division-D" at class 75-C in smalls and 65-B in wagon loads (class 80 in small and 65 in wagon loads from 1st April, 1970). This resulted in undercharges to the extent of Rs. 1.60 lakhs out of which Rs. 94 thousand are stated to have since been recovered, but Rs. 66 thousand are still to be recovered. The Railway Administration stated in November, 1971 that failure on the part of the staff concerned would be taken up and the records of other stations reviewed to find out whether similar undercharges have taken place there.

2.57. A further review of the records of six other stations conducted by Accounts and Audit revealed undercharges of Rs. 50 thousand.

[Paragpraph 57 of the Report of C. & A.G. for 1970-71 on Railways].

2.58. The Committee desired to know the reasons leading to undercharges in the case of refined groundnut oil at a number of stations on the Western Railway and the steps taken to avoid recurrence of such cases. In a note, the Railway Board have stated:

"There are two main reasons for these undercharges:—

(i) The description given in the forwarding notes by the consignors was not clear and the staff charge the consignments as for groundnut oil not otherwise classified instead of charging them at the rates applicable to groundnut oil refined, and

(ii) errors on the part of the station staff.

The attention of the staff has been drawn to lapse and the need for levy of correct charges has been emphasized. Supervisory staff have also been advised to carry out frequent checks."

2.59. The Committee were informed that out of the undercharges amounting to Rs. 116 thousands, a sum of about Rs. 5,000 had been cleared, leaving a balance of Rs. 111 thousands still to be cleared. It was further stated that the review of the records of other stations was in progress.

2.60. As regards the action taken against defaulting staff both at stations and in the Accounts Office the Railway Board intimated: "Three Station Masters, 4 Goods Clerks and 4 Assistant Goods Clerks, have been punished. One Good Clerk has been warned. Action against the other staff is its progress."

2.61. In reply to a question as to the steps taken to ensure that similar irregularities did not occur on other Zonal Railways, the Railway Board have stated:

"Other Zonal Railways have been asked to conduct review of the station records to ensure that similar irregularities have not occurred at stations on their Railways and to take action to realise the undercharges, if any, detected. The result of the review will be available only when the work is completed.

Furthermore, Railway Administration have been directed to ensure that at all important goods booking stations, inspectors carry out test checks every month to see that the staff are levying correct freight charges. They have further been directed to carry out intensive checks when changes in rates, weight conditions etc. are notified."

2.62. This is yet another case of short collection of freight charges to the extent of Rs. 2.10 lakhs in Western Railway that went undetected by the supervisory officials and during internal check by Accounts Department. That there is a need to tighten up supervisory checks and Internal Audit by the Accounts Department is clearly indicated. The Committee would like to know the action taken for the failure of the Accounts Department in the matter.

2.63. The Committee would await the results of the review of the position at other stations of Western Railway and in other Zonal Railways.

Eastern Railway—Misappropriation of railway cash

Audit Paragraph

2.64. On receipt of a report from the Station Master, Farakka in October, 1970, that a fraud was suspected in the goods accounts of the station, detailed investigations were conducted by the Accounts and Commercial Inspectors and again by a Fact Finding Enquiry Committee consisting of officers of the Accounts and Commercial Departments of the railway. The report submitted by the Fact Finding Enquiry Committee concluded that an Assistant Goods Clerk of Farakka Station had defrauded the railway to the extent of Rs. 59,112 during the period January, 1969 to September, 1970 out of which Rs. 9,100 were made good by him in October, 1970, leaving a balance of Rs. 50,012. The Report also brought out temporary mis-appropriations amounting to Rs. 93,806 which were being made good within 1 to 110 days of the realisation of the cash.

2.65. The modus operandi of the fraud was by keeping freight and other dues against which payment was made to the station by a certain party in credit notes, out of account or as outstanding and setting off these credit notes against transactions which had to be (and were in fact) settled in cash; non-accountal or short accountal of freight earnings in other cases or non-accountal of cash received in other cases by showing them as dues outstanding.

2.66. The Fact Finding Enquiry Committee held that the fraud could have been detected at a very initial stage, if the Accounts and Commercial Inspectors, while on their periodical visits to the station, had performed their duties well. They also observed that if the credit notes had been linked up with the particulars of transactions for which these had been tendered, the fraud could have been detected in the course of internal check conducted by the Traffic Accounts Office.

2.67. The Assistant Goods Clerk and the Station Master concerned have since been placed under suspension. The question of disciplinary action against other staff responsible for lapses on their part, is being examined by the Administration. The case has also been reported to the Police.

[Paragraph 64 of the Report of C. & A.G. for 1970-71 on Railways]

2.68. The investigation of this case was undertaken on a report in October, 1970 from the Station Master, Farakka though the irregularity had been committed by the Assistant Goods Clerk from January 1969. The Committee enquired how the fraud, though spread over a period of over one year and 8 months, could not be detected in the course of normal prescribed checks by the Inspectorial staff during their periodical visits to the station and by the Traffic Accounts staff at the time of internal check. In a written note furnished to the Committee, the Railway Board have stated:

"The modus operandi of the fraud was that the amounts of credit notes received from the Farrakka Barrage Project in payment of their dues (towards Shunting Charges of Engines, Goods Freight, etc.) were set off either wholly or partly against the transactions of other parties from whom dues were realised in liquid cash. Correspondingly, the transactions of Farrakka Barrage Project were kept either out of account or shown as outstanding and the liquid cash to that extent was misappropriated.

The rules prescribe periodical inspections of station records by Commercial Inspectors. Accounts Inspectors are also required to carry out necessary checks over the transactions relating to certain dates and periods only. In the case under consideration, irregular maintenance or non-maintenance of certain important station records by the station staff inspite of repeated reports by the Inspectors was found to be the main reason for non-detection of the fraud in time.

Nevertheless, the inspectors who had worked during the material period have been held responsible for their perfunctory checks and other lapses. As a result, appropriate disciplinary action has been and is being taken.

As per rules of internal check prescribed for observance in the Traffic Accounts Office, Credit Notes received in payment of Railway dues are required to be linked with the relevant entries in the Station Returns. There has been a failure in internal check in this regard."

2.69. Asked whether the delay in detection of the fraud was due to connivance of the other staff or due to any short-coming in the procedure of check followed at the station or in the Accounts Office, the Railway Board have stated:

"As per Assistant Officer's enquiry report, the Station Master, Farraka was found responsible for conniving with the Assistant Goods Clerk who committed to fraud over a period from as early as 1969 but the matter was reported by the Station Master only in October, 1970.

There was short-coming in the proper observance of the extent procedure of internal check in the Traffic Accounts Office.

The Inspectors of Station Accounts who inspected the station during the material period could not link up properly the amounts of Credit Notes with the corresponding records due to irregular maintenance or non-maintenance of certain important station records by the station staff.

More detailed instructions have been given to the Accounts Staff and Inspectors to guard against the possibility of such frauds in future."

2.70. The Committee desired to know the checks prescribed at present for detecting irregularities of the type committed in the present case and how far they were effective. In this connection, the Railway Board have stated:

"The checks prescribed for detecting irregularities of the type under discussion are three fold *viz*:—

(i) checks in the Traffic Accounts Office to see that the amount of each individual credit note tallies with the amount shown in the relevant entry in the corresponding Station Return;

(ii) Periodical Inspections of Station Records by Commercial Inspectors; and

(iii) Periodical Inspections of Station Records by Inspectors of Station Accounts.

The checks referred to in item (i) above are effective to the extent of enabling detection of discrepancies, if any, in the actual amounts of the Credit Notes and those in the returns. The checks indicated in items (ii) and (iii) however, relate to transactions for a few items on the dates of inspection and in some cases, relating to a few selected dates. If the irregularity committed falls within the items and dates covered by the inspection, it should be possible to detect the same.

It is considered that the checks prescribed under the rules are adequate. However, further detailed instructions at the Zonal railway level have been issued for the guidance of the concerned staff.

Rules provide that in the course of internal check in Traffic Accounts Office, credit notes received in payment of Railways dues should be linked with the relevant entries in the Station Returns. Action is being taken to pin-point responsibility on the staff for failure to observe these rules."

2.71. As regards the action taken against the staff found responsible, the Railway Board have intimated as under:

"The action taken against the staff found responsible is detailed below:—

1. *Commercial Staff.*

2 Outstanding Inspectors have been severely warned; 1 T.I. (C) who worked upto February, 1970 has been warned and action against the other T.I (C) is being processed.

2. *Accounts Inspectors.*

The competent authority had passed orders for stoppage of increments for 6 months non-cumulative on one of the T.I.A. and censure on another Inspector of Accounts. Disciplinary action against the other T.I.As. is still being processed.

3. *Traffic Accounts Offiice Staff.*

Necessary action is being taken to fix responsibility for their failure to exercise proper checks on the related Credit Notes."

2.72. In regard of the findings of the Special Police Establishment to whom the case has been referred for investigation, the Railway Board have informed:

> "Since reporting of the case to the SPE, Calcutta for launching criminal prosecution against the Assistant Goods Clerk concerned, neither the progress of their investigation, nor the findings have yet been intimated to the Railway Administration. The matter is being pursued with the Police Authorities vigorously."

2.73. The Committee are distressed to learn that despite inbuilt checks and counter-checks, fraud and misappropriations involving Rs. 1.53 lakhs of goods earnings and spread over a period of over one year and 8 months did not come to light till a report was made by the Station Master, who was himself found to be conniving with the delinquent official. The Committee particularly take a serious view of the failure of internal check in the Traffic Accounts Office and regret that the responsibility therefor has not been fixed even after a lapse of 2 years. They would urge that suitable action should be taken for the failure without further loss of time to act as effective deterrent against any such laxity in future.

2.74. The Committee need hardly stress that severe disciplinary action against the culprits—Assistant Goods Clerk and the Station Master—should be taken without delay. The Committee note that the case has been reported to the SPE, Calcutta for launching criminal prosecution against the Assistant Goods Clerk and that neither

progress of their investigation nor the findings have yet been intimated to the Railway Administration. The matter requires to be expedited. The Committee may be apprised of the outcome of the case and action taken to recover the balance amount of Rs. 0.5 lakh.

NEW DELHI;
March 2, 1973
Phalguna 11, 1894 (*S*).

ERA SEZHIYAN,
Chairman.
Public Accounts Committee.

APPENDIX I

(*See* Para 1.47)

Statement giving details of the production and rail movement of 17 commodities.

Commodities		1966-67	1970-71	Percentage Variation
1. Coal	Prod.	70,536	76,669	+8·69
	Rail Movement	65,993	64,249	
		(93·6)	(83·6)	(—) 2·64
	N.T. Kms.	40,340,917	43,163,185	+7·0
2. Iron Ore	Prod.	19,776	22,228	+12·40
	Rail Movement	18,105	21,275	+17·51
		(91·6)	(95·7)	
	N.T. Kms.	5,403,166	7,465,108	+38·16
3. Manganese Ore	Prod.	1,584	1,456	(—) 8·08
	Rail Movement	1,364	1,478	+8·36
		(81·1)	(101·5)	
	N.T. Kms.	750,546	610,681	(—)18·64
4. Other Ores	Prod.	1,387	2,206	+59·05
	Rail Movement	1,005	1,335	+2·84
		(72·5)	(60·5)	
	N.T. Kms.	594,420	857,107	+44·19
5. Iron & Steel	Prod.	7,486	7,265	(—) 2·95
	Rail Movement	7,653	7,752	+1·29
		(102·2)	(106·7)	
	N.T. Kms.*	9,309,693	9,409,870	+1·08
6. Cement	Prod.	11,057	13,956	+26·22
	Rail Movement	8,892	11,018	+23·91
		(80·4)	(78.9)	
	N.T. Kms.	4,188,825	6,990,482	+66·88
7. Food grains (excluding Import content)	Prod.	74,231	107,811	+25·24
	Rail Movement	8,592	13,314	+54·96
		(11·6)	(12·3)	
	N.T. Kms.*	13,044,244	14,504,666	+11·20
8. Oil Seeds	Prod.	6,425	9,188	+43·00
	Rail Movement	1,292	1,044	(—) 19·20
		(20·1)	(11·4)	
	N.T. kms.	1,198,150	1,075,670	(—) 10·26
9. Sugar Cane	Prod.	92,826	124,100	+33·69
	Rail Movement	1,972	2,780	+40·97
		(2·12)	(2·24)	
	N.T. kms.	106,455	139,524	+31·06
10. Sugar	Prod.	2,147	3,756	+74·94
	Rail Movement	1,575	1,258	(—) 20·13
		(73·4)	(33·5)	
	N.T. kms.	1,122,630	935,402	(—) 16·68

*Relates to total traffic, including imports.

Commodities		1966-67	1970-71	Percentage variation
11. Raw Jute	Prod.	964	884	(—) 8·30
	Rail Movement	761 (78·9)	687 (77·7)	(—) 9·72
	N.T. kms.	462,648	490,971	+ 6·12
12. Raw cotton	Prod.	895	820	(—) 8·38
	Rail Movement	474 (53·0)	376 (45·9)	(—) 20·68
	N.T. kms.*	521,176	490,162	(—) 5·95
13. Tea	Prod.	375	405	+ 8·00
	Rail Movement	291 (77·6)	245 (60·5)	(—) 16·81
	N.T. kms.	508,690	339,288	(—) 33·30
14. Salt	Prod.	4,520	5,592	+ 23·72
	Rail Movement	2,348 (51·9)	2,521 (45·1)	+ 7·37
	N.T. kms.	2,365,337	3,194,080	+ 35·04
15. Paper & Paper Board	Prod.	602	757	+ 25·7
	Rail Movement	734 (121·9)	889 (117·4)	+ 21·1
	N.T. kms.*	900,734	1,031,061	+ 14·47
16. Jute manufactured	Prod.	1,120	954	(—) 14·82
	Rail Movement	267 (23·8)	366 (38·4)	+ 37·08
	N.T. kms.	275,886	485,205	+ 75·87
17. Cotton manufactured	Prod.	1,142	1,380	+ 20·84
	Rail Movement	266 (23·3)	190 (13·8)	(—) 28·57
	N.T. kms.	413,665	266,248	(—) 35·64

NOTE :—(1) Production and rail movement figures are in 000 tonnes.

(2) N.T. kms. (net tonne kms) figures are in 000s.

(3) Figures in brackets are percentage of rail movement to total production.

*Relates to total traffic, including imports.

APPENDIX II

Summary of main conclusions/recommendations

Sl. No.	Para No.	Ministry concerned	Recommendation
1	2	3	4
1.	1.13	Railways	For the fifth year in succession the working of the Railways resulted in a deficit in 1970-71. The Cumulative deficit upto the end of 1970-71 amounted to Rs. 87.33 crores. Having exhausted the Revenue Reserve Fund, the Railways had to obtain a loan of Rs. 24.92 crores to meet their dividend liability in full. Further, there being no surplus for appropriation to the Development Fund, loans aggregating Rs. 95.85 crores had to be obtained for meeting expenditure of developmental nature. Thus the Railways have to pay back to General Revenues Rs. 120.77 crores. In addition they owe an amount of Rs. 63.32 crores on account of Deferred Dividend on new lines which is in the nature of a contingent liability. It is indeed a difficult task for the Railways to extricate themselves from this unenviable position. The Committee have been stressing the need to economise the working expenses and to augment revenues. After the Railway Convention Committee finally report on the dividend payable by the Railways, the position should be assessed and suitable measures taken to meet the accumulated liabilities and to build up the Revenue Reserve Fund and Development Fund which have been virtually exhausted.

1	2	3	4
2	1.18	Railways	The Committee note that the contribution to the 'Pension Fund' of the Railways amounted to Rs. 113.50 crores upto 1972-73 although the requirement as per the actuarial calculations was Rs. 118.85 crores on the basis of the data made available in 1964. Since 1964, various developments had taken place which had the effect of enhancing the pension liability. A fresh actuarial study is stated to be in progress. In order to avoid marked fluctuations in the appropriations to the Fund, the Committee would suggest that such studies should be undertaken at more frequent intervals in future.
			The pension scheme was introduced on Railways as a social security measure on 16th November, 1957. All Railway servants who joined service on or after that date are governed compulsorily by the pension scheme. Others were given an option upto 21st October, 1972 either to retain the retirement benefits under the Contributory Provident Fund system or to come over to the pension scheme. Out of the 13.73 lakh employees as on 31st March, 1971, only 6.02 lakhs were covered by the pension scheme. As the pension scheme offers better security to the employees and their families, the Committee desire that the date of option may be further extended and that the scheme may be explained to the Railway staff in greater detail so as to convince them of the social benefits available under the liberalised Pension Scheme.

3	1.28	-do-	During the year 1970-71 the total revenue receipts of Railways were Rs. 1006.96 crores against the Budget Estimate of Rs. 1009.44 crores representing a variation of 0.24 per cent. Significant variations between Budget Estimates and actuals have however, occurred in respect of 'goods earnings' and 'other coaching earnings'. The shortfall in goods earnings was to the extent of Rs. 632.00 crores. The Committee have already drawn attention to the persistent tendency to over estimate goods traffic in their 45th Report (Fifth Lok Sabha). The variation was as much as 20 per cent under 'other coaching earnings' between the estimate of Rs. 51.75 crores and the actuals of Rs. 62.11 crores and the explanation given for it is not convincing. Such wide variations do not speak well of the system of estimation adopted by the Railways. The Committee desire that there should be a better study of the trends of movements of traffic to get closer to the realities in estimating revenue. They would like to know the steps taken in this regard.
4	1.35	-do-	The revision of fares and freight rates effected from 1st April, 1970 was expected to fetch additional revenue of Rs. 26 crores during 1970-71. There is no scientific system on the Railways to evaluate the impact of the budgetary measures. Such a study is, in the opinion of the Committee, essential to know how far the traffic would bear the increased cost of transport. An efficient system of traffic costing needs to be built up early to enable this being done. Under the existing arrangement Budget proposals can only be *ad hoc* and it will be difficult to forecast the additional yield with any degree of accuracy. In fact a rough estimate shows the increase in

1	2	3	4
			earning during 1970-71 due to revision of fares and freights to be Rs. 30.79 crores against the estimate of Rs. 26 crores. Thus the variation was as high as 18.4 per cent. The Committee hope that steps will be taken to have a realistic assessment of the impact of revision of fares and freight so that the public may not unintentionally be called upon to pay more than what is necessary and what is justified.
5	1.40	Railways	The Committee find that in the case of suburban traffic the rate of growth in terms of passengers originating had recorded a drop from 9.97 per cent during Third Plan period to 6.28 per cent in the subsequent period. This phenomenon needs study. It needs no emphasis that the suburban services should be improved.
			The Committee note that the proportion of non-suburban traffic to the total passenger traffic has decreased during the post Third Five Year Plan period both in terms of passenger originating and passenger kilometres. The Committee desire that the Railways should take adequate steps to increase the rate of growth of non-suburban traffic so that its proportion to the total passenger traffic is kept up if not enhanced.
6	1.50	-do-	The Committee have been commenting on the gap between the anticipations and the materialisation in respect of the goods traffic. In 1970-71 the Railways expected an increase of the order of 7.6 million tonnes in goods traffic. However, the goods carried (196.5 million

			tonnes) showed far from any increase, a decline of 11.4 million tonnes. There has been a significant decrease in the movement of coal by railways. The percentage of Railway movement of coal to the total production which was 96 in 1965-66 went down to 85 in 1970-71. This shows considerable diversion to road and other modes of conveyance. The Committee feel that this aspect deserves serious consideration. The Committee have been stressing the need to improve coal loading on Railways.
7	1.51	-do-	The decline in the Railways share of transport is not confined to coal alone. In the case of oil seeds, sugar, raw cotton, tea, salt and cotton manufactured goods also the Railways have steadily lost ground. In this connection the Committee find that while the indices of industrial and agricultural production rose by 18.5 per cent and 38.4 per cent during 1970-71 from the base year 1960, the Railways goods traffic registered a decline of 2.5 per cent. The Railways cannot afford to be complacent in the fall of this trend. Unless effective measures are taken, the position of Railway finances will go from bad to worse. The increase in freight is no answer to improve the financial position.
8	1.52	-do-	An effective coordination between road and rail transports is necessary so that unhealthy competition between these two vital sectors of economy resulting in wastage of national resources is not allowed. The Planning Commission is stated to be already seized of this matter. The Committee desire that in the formulation of Plans this aspect may be constantly borne in mind to allow of no distortion.

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9.	1.62	Railways	During 1970-71 the expenditure on staff was Rs. 460.63 crores which accounted for 53.4 per cent of the total revenue expenditure of the Railways. The total staff strength was 13.73 lakhs as against 13.58 lakhs during 1969-70. With computerisation, dieselisation, and electrification of traction and other attempts at modernisation it is reasonable to expect the staff overheads to come down progressively. However, the actual position appears to be contrary to this expectation. It is strange that no precise assessment of staff rendered surplus on account of the progressive modernisation has been done as yet and what is stranger is that additional recruitments are justified on grounds of modernisation without assessing and absorbing the surplus staff after suitably training them for alternative jobs. An interesting fact is that the output of work as measured by the number of open line staff on Zonal Railways per million train Kms. and per million gross tonne Kms. shows deterioration during 1970-71, the figures being 2766 and 3.42 during 1969-70 and 2833 and 3.47 respectively during 1970-71. In view of all this, the Committee would urge that staff requirements in the context of increasing modernisation should be realistically assessed and suitable yardsticks prescribed for evaluating the performance of staff after studying the position of other foreign Railway systems. The percentage of expenditure on staff should be progressively brought down from the present high level of 53.4 per cent.

10	1.72	-do-	The payment of huge compensation claims is another item which constantly erodes the Railway finances. The amount of compensation claims paid went up from Rs. 9.36 crores in 1968-69 to Rs. 11.33 crores in 1970-71. The percentage of the sum paid to gross earnings rose from 1.47 per cent to 1.66 per cent despite increase in freight rates. The claims arising out of loss, thefts and pilferages account for more than three-fourth of the total amount paid. The commodities that are more vulnerable to loss or damage or theft and pilferage are sugar and jaggery, tea and cotton piece goods including textiles. The percentage of claims to the freight earnings on these commodities ranged from 7.57 to 22.48. Cotton piece goods are the worst casualty inasmuch as the percentage steeply rose from 11.8 in 1966-67 to 22.48 in 1971-72 which admits of no justification whatsoever. While the Committee would call for an all-out drive to reduce, if not altogether eliminate the compensation claims on all the commodities, they would like a special watch to be kept on the sensitive goods. The Committee had pointed out in their 11th Report that the percentage of compensation claims was as low as 0.06 in Japanese National Railways and 0.26 in German Federal Railways. In is, therefore, not something which is impossible to nearly eliminate compensation claims on the Indian Railway provided there is determination and vigilance.
11	1.73	-do-	It does little credit to the Railway Protection Force that the thefts and pilferage are on the increase notwithstanding sizeable addition to the force over the years. The strength of the Protection Force stood at

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			56,848 during 1970-71 and expenditure on them was of the order of Rs. 12.64 crores. With this strength it should be possible to check the acts of the anti social elements among the Railways own staff and the public. The Committee hope that the functioning of the Railway Protection Force would be toned up so that it serves as an effective instrument for safer transit of goods and parcels.
12.	2.11	Railways	The Committee understand that considering the progressive increase in the use of salt as raw material for industries and in view of the fact that owing to a low freight rate for the movement of salt even the cost of its haulage was not fully met, the question whether the rates of salt especially for industrial use could not be stepped up, was examined by the Ministry of Railways (Railway Board) in November, 1968. Accordingly, two separate sets of rates for salt moving in wagon-loads, the lower rate being made applicable only to salt meant for human consumption programmed for priority movement by the Salt Commissioner, were introduced w.e.f. 1st November, 1969. Following representations from trade to the effect that while salt meant for human consumption was moving at a lower rate if programmed by the Salt Commissioner, that meant for the same end use had to pay a higher rate if non-programmed, which violated the spirit of Section 28 of the Indian Railways Act, the defferential rates were withdrawn w.e.f. 1st April, 1970, resulting in reduction of earnings estimated at Rs. 28 lakhs per annum. The Committee feel that once the need for a higher rate for the movement of salt meant

			for industrial use is recognised, the initial difficulty in distinguishing between the salt meant for industrial use and that meant for human consumption should not unduly delay its implementation. Admittedly, while the movement of salt in general may be numerous, industrial salt generally moves to certain recognised centres and it should be possible to keep some check with greater alertness on the part of commercial and marketing officers. The Committee therefore see no reason why non-programmed salt could not be distinguished as that meant for human consumption and that for industrial use on the basis of the declaration by the consignors subject to check and deterrent penalty for mis-declaration. They would urge that the higher rate for the movement of salt meant for industrial use should be introduced forthwith in the interest of augmentation of railway revenue.
13.	2.27	-do-	The container services were introduced on Railways with a view to augmenting revenue by capturing high rated traffic diverted to road. The financial results of the services indicate that the actual return on the capital invested is far below expectations. In fact two services *viz.* Madras-Bangalore and Bombay-Bangalore are operating in losses. Besides increase in cost of acquisition of assets over estimates, two other factors are stated to have materially altered the financial results. That the life of the containers was assumed as 40 years instead of 10 years and that the Project Report did not take into account the cost of crane operations would show how far the initial anticipations on the basis of which the services were sanctioned were faulty. A realistic reappraisal of the services is, therefore,

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			needed to find out how many of these which were initially found justified have proved to be not so, taking into account these factors. The Committee would like to be informed of the result of review and the action taken in pursuance thereof.
14	2.28	Railways	The Committee do not think that it is desirable to work out the profitability of the container services as a whole, rather than separately for each service. It is necessary to ascertain the individual profitability in order to decide on the continuance or otherwise of the service. As each service is in addition to the existing facility, it cannot be continued even if Railways were to incur losses. In this connection the Committee find that the container service between New Delhi and Kanpur which was introduced in May, 1968 had to be discontinued in August, 1969 on the ground that it was not remunerative.
15	2.29	-do-	The Committee need hardly stress that the container services should be able to subserve the objective of attracting additional traffic at competitive rates without incurring losses. Close-watch should, therefore, be kept on the traffic moved from week to week, month to month so as to take timely remedial measures. The financial results of the services should also be worked out promptly in future.
16	2.40	-do-	The Committee cannot but express their concern over the considerable leakage of revenue in timber traffic. The rules provide for

			either weighment or calculation of weight by measurement of the logs. The failure to do so in six stations of Northern Railway alone amounted to undercharges estimated at Rs. 6.39 lakhs during the period January, 1969 to June, 1970, according to Audit. It has been explained that in all cases weighment is not possible due to operational difficulties and measurement is also not practicable. In the absence of weighment or measurement, charges should be retained on the sender's weight or the prescribed minimum weight, whichever is higher. Admittedly loadability of the wagons was more than the minimum weight prescribed. Although the minimum weight condition for timber was enhanced w.e.f. 15th July, 1971, the Railway Board have intimated that the question of further raising the minimum weight condition or alternatively introducing wagon rates or rates based on floor areas of wagons is being examined with a view to eliminating weighment while guarding against loss of revenue. As, there is considerable scope for augmenting revenue, this question should be expeditiously examined with the sense of urgency that it deserves and suitable measures taken to obviate short-collections. Action taken in this regard may be reported to the Committee within three months.
17	2.49	do	The Committee are concerned to learn that a test check of the records of certain stations in Western Railway for some months revealed mistakes in either application of rates or computation of weight resulting in under-charges to the extent of Rs. 1.52 lakhs. The results of the review of the position at the other stations

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			of the Western Railway and in other zonal railways may be intimated to the Committee.
18	2.50	Railway	The Committee have reasons to believe that the mistakes have been fairly widespread. The checks by the Accounts Department and the supervisory officials of the Commercial Department have not been evidently effective enough. The Committee would like to know whether the responsibility of the supervisory officials and the Accounts Department for not detecting the mistakes was examined and if so the action taken in pursuance thereof may be intimated.
19	2.55	-do-	This is a case of gross underutilisation of wagons and consequent substantial short-realisation of revenue. Even though the weight of the articles loaded in each wagon was far below the minimum of 110 quintals prescribed for a wagon load of electrical appliances, freight charges were levied by the South-Central Railway Administration at the 'smalls' rate on actual weight subject to a minimum of 45 quintals applicable to bulky articles when the wagons were exclusively utilised for these consignments only. The short-realisation of revenue was to the extent of Rs. 4.14 lakhs during the years 1968-69 to 1970-71. Although the South-Central Railway Administration decided in September, 1971 to charge these consignments on the basis of minimum weight of 110 quintals, the Railway Board have stated that this decision is not correct in view of the provisions of Rule 164(1) of the IRCA Goods Tariff governing transport of bulky

			articles fully occupying a wagon. In the opinion of the Committee no lacuna in the rule should be allowed to operate to the detriment of revenue especially at a time when the Railways are in a desperate need to augment revenue. They would, therefore, call for a comprehensive review of the position with a view to amending the rule suitably to safeguard the interest of Railways. The action taken in this regard may be reported to the Committee within six months.
20	2.62	-do-	This is yet another case of short collection of freight charges to the extent of Rs. 2.10 lakhs in Western Railway that went undetected by the supervisory officials and during internal check by Accounts Department. That there is a need to tighten up supervisory checks and Internal Audit by the Accounts Department is clearly indicated. The Committee would like to know the action taken for the failure of the Accounts Department in the matter.
21	2.63	-do-	The Committee would await the results of the review of the position at other stations of Western Railway and in other Zonal Railways.
22	2.73	-do-	The Committee are distressed to learn that despite inbuilt checks and counter-checks, fraud and misappropriations involving Rs. 1.53 lakhs of goods earnings and spread over a period of over one year and 8 months did not come to light till a report was made by the Station Master, who was himself found to be conniving with the delinquent official. The Committee particularly take a serious view of the

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			failure of internal check in the Traffic Accounts Office and regret that the responsibility therefor has not been fixed even after a lapse of 2 years. They would urge that suitable action should be taken for the failure without further loss of time to act as effective deterrent against any such laxity in future.
23	2.74	Railway	The Committee need hardly stress that severe disciplinary action against the culprits—Assistant Goods Clerk and the Station Master—should be taken without delay. The Committee note that the case has been reported to the SPE, Calcutta for launching criminal prosecution against the Assistant Goods Clerk and that neither progress of their investigation nor the findings have yet been intimated to the Railway Administration. The matter requires to be expedited. The Committee may be apprised of the outcome of the case and action taken to recover the balance amount of Rs. 0.5 lakhs.

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