P. A. C. No. 372

PUBLIC ACCOUNTS COMMITTEE (1972-73)

(FIFTH LOK SABHA)

SEVENTY-NINTH REPORT

[Paragraphs relating to Railway Operation, Expenditure etc., included in the Report of the Comptroller and Auditor General of India for the year 1970-71— Union Government (Railway)]

L'OK SABHA SECRETARIAT
NEW DELHI

March, 1973/Phalguna, 1894 (Saka)

Price : *Rs.* 3.35

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Agency No.
	ANDHRA PRADESH	
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8
2.	G.R.Lakshmipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94
	ASSAM	
3.	Western Book Depot, Pan Bazar, Gauhati.	7
	BIHAR	
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37
	GUJARAT	
5.	Vijay Stores, Station Road, Anand.	35
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63
	HARYANA	
7.	M/s .Prabhu Book Service, Nai Subzimandi, Gurgaon, (Haryana).	14
	MADHYA PRADESH	
8.	Modern Book House, Shiv Vilas Place, Indore City.	13
	MAHARASHTRA	
9.	M/s. Sunderdas Gianchand 601, Girgaum Road, Near Princess Street, Bombay-2.	6
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22
11.	The International Book Service, Deccan Gymkhana, Poona-4.	26
12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
14.	Deccan Book Stall, Ferguson College, Road, Poona-4.	65
15.	M/s. Usha Book Depot 585/A, Chira Bazar, Khan House, Girigaum Road, Bombay-2. B.R.	5
	MYSORE	
16.	M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1.	16
	RAJASTHAN	
17.	Information Centre, Government of Rajasthan, Tripoli, Jaipur City.	38
	UTTAR PRADESH	
18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
19.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
	WEST BENGAL	
20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
22.	Firma K.L. Mukhopadhyay 6/1A, Banchharam Akrur Lane, Calcutta-12.	82
23.	M/s. Mukherji Book House, 8-B,DuffLane,Calcutta-6.	4

CONTENTS

CORRIGENDA TO 79TH REPORT OF P.A.C. (FIFTH LOK SABHA) PRESENTED TO LOK SABHA ON 3.4.1973.

-.-

Page	Para	Line	For	Read
1	1.2	1	Railway	Railways
36	3.38	9	lacunae	lacuna
48	4.7	11	losses	losses
61	5.34	20	recurrance	recurrence
69	5.49	7	minor	minor
79	5.66	4	line	lime
99	6.54	1	1067-68	1967-68

Minutes of the sittings of Public Accounts Committee held on:

19-9-72
20-9-72
21-9-72
21-3-73

*Note printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

3670 LS—1.

CONTENTS

*Note printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

PUBLIC ACCOUNTS COMMITTEE
(1972-73)

CHAIRMAN

Shri Era Sezhiyan

MEMBERS

2. Shri Bhagwat Jha Azad
3. Shri R. V. Bade
4. Shrimati Mukul Banerji
5. Shri Jyotirmoy Bosu
6. Shri K. G. Deshmukh
7. Shri Tayyab Hussain
8. Shri Debandra Nath Mahata
9. Shri Mohammad Yusuf
10. Shri B. S. Murthy
11. Shri S. A. Muruganantham
12. Shri Ramsahai Pandey
13. Shri H. M. Patel
14. Shrimati Savitri Shyam
15. Shri Ram Chandra Vikal
16. Shri M. Anandam
17. Shri Golap Barbora
18. Shri Bipinpal Das
19. Shri P. S. Patil
20. Shri Kalyan Roy
21. Shri Swaisingh Sisodia
22. Shri Shyam Lal Yadav

SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Seventy-Ninth Report of the Committee (Fifth Lok Sabha) on paragraphs relating to Railways operation, Expenditure etc. 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 Railways operation, Expenditure etc. included in the Report of the Comptroller and Auditor General of India for the year 1970-71 on the 19th to 21st September, 1972. Written information in regard to these paragraphs was also obtained from the Ministry of Railways (Railway Board).

3. The Committee considered and finalised this Report at their sitting held on the 21st 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 V). 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.

NEW DELHI;
March 21, 1973.
Phalguna 30, 1894 (*Saka*).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

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

CHAPTER I

COST OF OPERATION OF TRAINS

Audit Paragraph

1.1. The Administrative Reforms Commission's Study Team on Railways, observed that the cost of operating a train kilometre is the surest index of economic working *vide* para 23 of Annexure XVII/19 of their Report on Railways (November, 1968). The cost of operating a train kilometre for passenger and goods trains in respect of all the Railways for BG, MG and NG during the years 1967-68 to 1970-71 as extracted from the statement No. 15 to the Annual Statistical Supplements to the Reports by the Railway Board on Indian Railways are given in Appendix I & II to this Report. The cost is increasing year after year.

1.2. The Ministry of Railway (Railway Board) stated (December 1971), "The increase in cost per train kilometre on most of the Railways closely approximates to the combined escalation factor in respect of cost of staff, fuel, stores, etc., as between 1967-68 and 1970-71 which is of the order of 21 per cent. Where the cost per train kilometre is substantially higher than this percentage, a special investigation is called for".

[Paragraph 10 of the Report of the C.&A.G. for the year 1970-71 on Railways].

1.3. While explaining the reasons for the increase in the cost per train kilometre on all Railways, the Railway Board have stated: "The steady increase in cost per train km. on all Railways is broadly explained by the fact that there has been an increase in the cost of staff, stores, fuel etc. the composite escalation factor for 1965-66 to 1970-71 being 41 per cent." The combined escalation factor for the period from 1967-68 to 1970-71 has been estimated by the Railway Board at 21 per cent.

1.4. The tables below indicate the percentage increase or decrease in 1970-71 over 1967-68 in the cost of operating a passenger train kilometre and a goods train kilometre on the different railways:

Percentage Increase or Decrease in 1970-71 over 1967-68 in the cost of operating a passenger train kilometre

	B.G.	M.G.	N.G
Central	20	(—)23.6	33
Eastern	20	..	14
Northern	34	25	(—)20
North Eastern	..	19	..
Northeast Frontier	(—)	11	59·9
Southern	19	12	(—)0·7
South Central	12	27	13·5
South Eastern	6	..	13
Western	34	17·5	11

Percentage increase or decrease in 1970-71 over 1967-68 in the cost of operating a Goods Train kilometre

	B.G.	M.G.	N.G.
Central	3	71	46
Eastern	23	..	4
Northern	2	13	
North Eastern	..	12	..
Northeast Frontier	54	28	166
Southern	9	18	(—)0·7
South Central	31	39	36
South Eastern	27	..	11
Western	20	14	28

1.5. From the above it is seen that the percentage of increase in the cost of operating a train kilometre varies from Railway to Railway and all the increases in percentages do not exceed 21 per cent which has been indicated as an escalation factor. In some cases the percentage of increase in 1970-71 over 1967-68 is only marginal and in fact in some cases the cost of operating a train kilometre has actually gone down in 1970-71 as compared to 1967-68.

1.6. The Committee enquired if the combined escalation factor (of rise in cost of stores, staff etc.) was the main cause for increase in the cost of operating a train kilometre how could the Railway Board explain the decrease or negligible increase on certain Railways. In a written note, the Railway Board have stated: "It may

be pointed out that the cost per train kilometre is not an accurate index of the efficiency of Railways' performance, since train kilometres do not take into account the loads of trains, traffic density, average speeds, type of traction, etc.

For statistical purposes, a 'train' is defined as 'an engine, tender and brake-van with one or more vehicles attached'. The composition of a train may thus vary widely from just an engine and brake-van to a train with 70 or 80 vehicles. The index of cost per train kilometre ignores, in fact, certain fundamentals of railway operation, as can be seen from the following:—

(i) The changes in traction and modernisation have increased the payload of a train by making it possible to haul longer trains with increased tonnage. Thus, both the revenues as well as working expenses per train kilometre will increase and it will not be correct to examine the increase in the cost per train kilometre only, without correlating the same with the increased revenues obtained per train kilometre.

(ii) It is acknowledged that diesel or electric traction is cheaper than steam traction and progressively diesel and electric traction is being resorted to on the Indian Railways to cope with the heavy goods traffic offering. But, in statistical calculations of the cost per train kilometre, a steam train kilometre is equated to a diesel or electric train kilometre, which again is not correct. The number of wagons in terms of 4-wheelers per goods train and the net weight per goods train in 1970-71 are given below for different tractions as an illustration:—

Loads of trains	No. of wagons (in terms of 4-wheelers) per train			Net weight per train		
	Steam	Diesel	Elec.	Steam	Diesel	Elec.
B.G. . . .	48	65	66	559	810	850
M.G. . . .	39	51	59	321	475	625

(iii) In respect of passenger traffic also, the number of vehicles per train is substantially different for the different tractions as given below (the figures relate to 1970-71):—

	Number of vehicles per train (in 4-wheelers)		
	Steam	Diesel	Elec.
B.G.	20	32	23
M.G.	19	36	22

with the progressive change of traction, the cost per train kilometre is, therefore, bound to increase, which does not and cannot mean inefficient operation.

(iv) The cost of fuel per train kilometre is also bound to increase with the increase in the loads of passenger and goods trains. This is an important factor to be considered, since the fuel bill comes to 20 per cent of the Railways expenses. So, the cost per train km. by itself will be an unrealistic index, if not properly correlated with the traction in use and with the load hauled.

(v) To sum up, if the cost per train kilometre is taken as an index of the efficiency of operation, this will actually lead to paradoxical and curious results. For a proper and efficient use of our assets, including track and locomotive power, it is necessary to haul the maximum load possible by each train. With the rapid change-over to dieselisation and electirfication, the payload per train is increasing significantly. Hauling of increased payload will definitely result in an increase in working expenses per train, but this is more than compensated by increased earnings. As already stated, for each train, the cost per train kilometre has to be properly correlated with the revenue earned. If this position is not accepted, it will mean that for reducing the cost per train kilometre, the Railways should run each train with as small a payload as possible, which leads to a somewhat absurd situation.

It will thus be clear that the cost per train kilometre is not a correct or accurate index. A more accurate index will be the cost per net tonne kilometre for goods operation and the cost per passenger kilometre for coaching traffic. But, since the coaching costing has not yet been done on the Railways, the next best index will be the cost per coaching vehicle kilometre.

The unit costs per vehicle kilometre or net tonne kilometre consist of two elements, *viz.*, Fixed Costs and Variable Costs. Irrespective of the volume of traffic, the Fixed Costs have to be incurred. The Variable Costs also do not always vary *pari passu* with the traffic, especially on sections which are working to capacity or heavily saturated.

The increases in the total cost and quantum of traffic are not uniform on different Railways and difierent gauges.

Even the rate of increase in total expenses on the different railways is governed by several factors, such as the increase in the quantum of traffic, the changes in the mode of traction, the extent of improvement in signalling and other techniques, modernisation and automation of operations, etc., on the positive side. The efficient working of the Railways is also affected by vagaries of nature, such as cyclenes, floods and breaches, which affect the different sections of the Railways in varying degrees for varying periods, labour troubles within the railways as well as in the industries served by the railways and such other happenings which are outside the control of Railways. Even the law and order situation has not been uniformly good in the different regions or in different years on the same Railway.

Thus, factors such as variations in the rate of growth of traffic and in the operating conditions and characteristics on the different Railways, contribute to the divergence in the rate of increase in unit costs on the different Railways."

1.7. According to the Audit paragraph the Railway Board had stated that where the increases in the cost of operating a train kilometre were substantially higher than the escalation factor of 21 per cent, a special investigation was called for. In reply to a question whether any investigation was made in those cases where the cost per train kilometre was substantially higher than 21 per cent. the Railway Board have stated:

"It has been explained at length that the cost per train kilometre is not a correct or accurate index for assessing the efficiency of individual Railways' performance. For this reason, no detailed investigation was made in those cases where the cost per train kilometre is substantially higher than 21 per cent. It may, however, be pointed out that taking all the Railways together, the increase in cost per train kilometre has not exceeded the limit of 21 per cent.

Since a more accurate index for judging the Railways' performance will be the cost per net tonne kilometre|vehicle kilometre, a broad analysis was made of the variations in the above statistics. Taking the Indian Railways as a whole, the increase in unit cost per net tonne kilometre/vehicle kilometre has been well below the escalation limit

of 21 per cent. on all the three gauges. However, on individual railways and gauges, the costs have exceeded the 21 per cent. escalation mark, as follows:—

	Cost per net tonne kilometre	Cost per vehicle kilometre (coaching)
Broad gauge	Eastern, N.F. & South Central	Western
Metre gauge	Northern	Northern, North Eastern & South Central

The reasons contributing to the increase in the unit costs in individual cases are discussed below, separately for goods and coaching traffic. It may be emphasized in this context that wherever there is a fall in traffic carried, the unit costs tend to increase, in view of the fixed costs being spread over lesser units of output.

B.G. (Goods)

The increase in cost per tonne km. on the Eastern Railway is of the order of 24 per cent., on N.F. 544 per cent. and on South Central 36.3 per cent.

In respect of Eastern and Northeast Frontier Railways there has been a drop in traffic levels as will be seen from the figures given below:—

	Net tonne kms. (millions)	
	Eastern	Northeast Frontier
1967-68	18,907	1,050
1970-71	17,203	946

The originating revenue traffic has fallen on Eastern Railway as follows:—

	(Million tonnes)
1967-68	38·98
1970-71	36·61

It may also be pointed out that the N.F. Railway's total contribution to B.G. Revenue traffic in terms of NTKMs is quite insignificant as indicated below:—

(in million)

	Net Tonne kilometres		
	N.F. Rly. (B.G.)	Total (B.G.)	Percentage
1967-68	934	84,108	1·11
1970-71	860	91,574	0·94

South Central

In respect of South Central Railway, the main factors contributing to the increase are:

(a) Increase in wagon hire charges from 1-4-1968 to Rs. 7 per wagon day on the B.G. as against Rs. 2.50 during 1967-68. (The hire charges have subsequently been increased to Rs. 7.50 per wagon day from April 1971). This Railway does not own any B.G. wagons, as the ownership is generally based on facilities for maintenance.

(b) An additional expenditures of Rs. 1 crore towards repairs and maintenance in 1970-71 had to be incurred on account of severe floods in May/June 1969 on the Grant Trunk Route.

Western Railway B.G. (Coaching)

B.G. (Coaching)

Western Railway—Increase 28.1 per cent.

On Western Railway, there were heavy damages to track on account of floods and breaches in September 1970, involving an additional expenditure of over Rs. 1.35 crores in 1970-71 on restoration work. This also led to a loss of passenger traffic and reduction in vehicle kms. due to the cancellation of a number of trains in September and October, 1970. The vehicle kms. of non-suburban trains have actually dropped from 321.9 million in 1969-70 to 319.6 million in 1970-71.

Northern M.G. (Goods)

M.G. (Goods)

Northern Railway—Increase 29.4 per cent.

The main reasons for the increase of 29.4 per cent over 1967-68 were:

(a) The fall in Goods traffic which has come down from 1572.46 million NTKMs to 1379.85 million NTKMs in 1970-71, a drop of 12.25 per cent. The cost of operation has, on the other hand, gone up by 12.15 per cent. The lead has also fallen from 249 kms. in 1967-68 to 219 in 1970-71. Thus the rise in cost of NTKMs was occasioned by fall in traffic as well as shorter leads.

S.C. Railway M.G. (Coaching)

N.G. (Coaching)

South Central—27.4 per cent.

Taking the load of trains into consideration, vehicle kms. furnish a better index of performance than train kms. The increase in the cost per vehicle km. on the M.G. of South Central Railway is due to progressively increasing share of expenditure booked under DRF and Pension Fund and practically no growth in vehicle kms. against the back-ground of increasing costs from year to year. The figures are as under:

	1967-68	1968-69	1969-70	1970-71
Vehicle kms. (000)	159,129	165,043	158,436	157,731
Coaching costs including interest charges (000 Rs.)	8,40,52	10,24,82	10,41,70	10,48,00

Northern and N.E. Railway M.G. (Coaching)

Northern—22.6 per cent. N. E. Railway 21.9 per cent.

The increase in cost per vehicle km. in 1970-71 over 1967-68 on the Northern Railway (M.G.) is only of the order of 22.6 per cent and on N.E. Railway only of the order of 21.9 per cent. which are marginally higher than the justifiable limit of 21 per cent. These variations are comparatively minor."

1.8. The Committee regret to note that the cost of operation of trains is not scientifically ascertained and the increase from year to year analysed for exploring the reasons and taking remedial measures. The percentage increase or decrease in the cost of operating a passenger train Km. in 1970-71 over 1967-68 varied between (+) 6 and (+) 34 for B.G., (—) 23.6 and (+) 27 for M.G. and (—) 20 and (+) 59.9 for N.G. in different Zonal Railways. The percentage variation in respect of goods train Km. was from (+) 2 to (+) 54 for B.G., (+) 12 to (+) 71 for M.G. and (—) 0.7 to (+) 166 for N.G. The Railway Board are unable to satisfactorily explain the wide variations against the combined escalation factor in respect of cost of staff, fuel, stores etc. as between 1967-68 and 1970-71 which is of the order of 21 per cent. They have contended that the cost per train Km. is not a correct or accurate index. According to them the more accurate index will be the cost per net tonne Km. for goods operations and the cost per vehicle Km. for coaching traffic. A broad analysis on this basis has indicated that taking the Indian Railways as a whole the increase in cost has been well below the escalation limit of 21 per cent on all the three gauges. However, the cost in respect of Broad Gauge and Metre Gauge in a number of Railways have exceeded the 21 per cent escalation mark. The Committee desire that the proportion of the fixed cost and variable cost in respect of the cost of operation should be assessed and significant increase in variable cost should be analysed for each Railways/Gauge so as to control the expenditure on Railways operation. An exercise of this kind should be started from the next financial year.

CHAPTER II

IMPOSITION OF RESTRICTIONS ON BOOKING OF GOODS TRAFFIC

Audit Paragraph

2.1. Restrictions on booking of goods to specified stations or over-specified sections were imposed by the Railway Administration from time to time due to natural causes like breaches, accidents etc. and for other reasons such as accumulation of wagons at stations/sections, want of matching wagons for transhipment etc. As imposition of booking restrictions affects the earnings, such restrictions should be kept at inescapable minimum. The Railway Administration, however, imposed restrictions on account of other than natural causes on different spells exceeding five days each on seven sections in respect of all goods traffic for 443 and 321 days during 1968-69 and 1969-70 respectively. The Railway Administration stated that restrictions are imposed when absolutely necessary in order to prevent idling of wagons in loaded condition which in turn would result in financial loss.

[Paragraph 12 of the Report of the C. & A.G. for the year 1970-71 on Railways]

2.2. The Committee desired to know the circumstances which necessitated imposition of restrictions on booking of goods traffic. A representative of the Railway Board explained during evidence: "Restrictions are imposed when the movement over a particular route or to a particular terminal is more than can be handled and a congestion has occurred or is anticipated to occur on the basis of the flows of traffic which we come to know in the day to day check of the operating position. Then only we regulate the traffic, because if we do not, more wagons come than can be handled and they will idle and cause congestion in the yards. Then we stop booking and divert the loading or booking on alternative routes or to alternative destinations. The loss suffered by wagons being immobilised must be taken into consideration."

2.3. In a note furnished to the Committee, the Railway Board have stated: "All operating restrictions are meant to regulate traffic in a

manner that wagons do not get immobilised because of their finding way into sections or stations, which, for any reasons, are unable to deal with them expeditiously. The disability of the section or station may be caused either by factors like accidents, floods and breaches, disturbed law and order conditions or war (curfews and blackouts), labour trouble at transhipment points, strikes, or by sudden spurts of traffic, or by the traffic flowing regularly in excess of the section or terminal or transhipment capacity, all of which are unnatural factors affecting Railway operations."

2.4. During evidence the Committee pointed out that restrictions have been imposed on booking of goods from Howrah station because the trade failed to take deliveries of their consignments. In this context the representative of the Railway Board stated: "That is another reason why restrictions have to be imposed. While the Pujas approach, it is the usual practice of trade not to take deliveries from the terminal, to delay removal and cause high prices in the town. They do not realise the repercussions on the Railways. If they do not remove the goods, I cannot bring more wagons there. That is why restriction has to be imposed."

2.5. The Committee enquired how do the Railways distinguish between the natural reasons such as accidents, floods and breaches etc. which necessitate imposition of restrictions on the bookings and other reasons such as trade manipulations or connivance of Railway employees which force the Railways to impose restrictions. The witness replied: "We know what is unavoidable and what is avoidable. If there is a flood or riot or civil commotion or things like that, we can know that. There may be other reasons. Recently very large quantities of cement came into Delhi and it was not removed promptly. We approached the Delhi Administration and I believe they sent a magistrate to threaten the truck contractors that if they did not transport it, they would have to arrest them. So we came to know whether they are due to natural reasons or due to civil disturbances or due to our own difficulties. Sometimes we have our own problems, an accident and things like that. When we feel that there are engineered reasons which are not justifiable we go to the press. If persuation fails, we approach the civil authorities for assistance."

2.6. Subsequently in a note on the subject the Railway Board have stated:

> "....restrictiotions are imposed on account of factors which can all be considered as unnatural as they affect the railway operations. It is, therefore, no appropriate to classify

the causes as 'natural' and 'unnatural'. Much less can we say about restrictions having been due to 'engineered causes'. In any case, there is no connivance of railway employees in the matter at all.

An operating restriction is imposed purely in the interest of railway operation to prevent immobilisation of wagons, which may occur in case the traffic flow is not regulated by means of restrictions, where it tends to cause accumulation or congestion over a section or at a station. The accumulation may be caused by the genuine difficulties of the trade or by a deliberate motivation of price manipulation. It is difficult for the railways to assess the motive and classify the cause accordingly. What is material to the railway is accumulation or congestion brought about by the failure of trade to release wagons or lift consignments from the railway godowns."

2.7. The Committee called for information regarding the cause wise break-down of the restriction periods on Indian Railways during the 1968-69 and 1969-70. From the data made available to the Committee in respect of the six Zonal Railways the following figures have been worked out:

Year	Total No. of days restricted	Restricted for a period of 5 days or less	Restriced for a period of more than five days	Restricted due to				
				Trade	Congestion	Tran-shipment	Wagon control	Accidents, breaches, law and order, strikes etc.
Central Railway								
1968-69	1130	331	799	367	27	222	43	225
1969-70	1500	365	1135	693	190	242	101	274
Northern Railway								
1968-69	1774	154	1620	597	23	693	..	461
1969-70	2784	126	2658	1707	..	707	57	313
North Eastern Railway								
1968-69	456	99	357	..	80	170	..	206
1969-70	547	110	437	47	155	117	..	228
Western Railway								
1968-69	1570	472	1098	411	36	834	104	195
1969-70	1163	514	649	79	26	439	110	209
SouthEastern Railway								
1968-69	224	19	205	..	..	..		..
1969-70	330	48	882	73	4	30		410
Eastern Railway								
1968-69	338	89	250	..	.	..	..	.
1969-70	551	89	462	379	114	123	..	273
	12,367	2415	9952	4643	938	3577	415	2794

2.8. From the above the following facts emerge:

(i) The number of total days restricted each year on various Zonal Railways varies between 224 days to 2784 days.

(ii) In majority of cases restrictions were imposed for a period of more than five days. However, the cases where restrictions were imposed for a period of 5 days or less are equally numerous.

(iii) As regards the reasons for the imposition of the restrictions, the accidents, breaches, law and order disturbances, strikes etc. which could be considered beyond the Railway's control constitute only a minor part of the total. Most of the restrictions have been imposed due to (i) Trade, (ii) congestion, (iii) transhipment and (iv) wagon control.

2.9. Explaining the implications of various causes of restrictions, the Railway Board have stated:

"Where the cause of restriction is attributed to 'trade' it means that the trade failed to release the wagons or failed to lift the consignments from the railway godowns....'Congestion' means that the traffic exceeded the capacity of the section or station. 'Transhipment' means that the restriction is necessitated either because of limited transhipment capacity or limited transhipment performance caused by labour trouble or want of matching type of wagons of other gauge."

2.10. Asked about the checks exercised to ensure that the traffic congestion pleaded by local officers was correct and based on genuine grounds, the representative of the Railway Board deposed: "There is a day to day check. It is not only that a restriction is imposed when a congestion has occurred but in some cases of important routes and terminals even when it is apprehended, because we watch the flow of traffic." The witness added: "We have daily check at the headquarters of each railway. We know the number of wagons loaded on the previous day, the number of wagons moving on each section, the number of wagons arriving at important terminals. So we come to know exactly where congestion has occurred or is likely to occur in the next day or two."

2.11. The Committee desired to know whether in most of the cases restrictions were imposed because the traffic has outstripped the line capacity. To this a representative of the Railway Board replied: "Where there are repeated indications that the line capacity or ter-

minal capacity has been outstripped, then we lay down as a long term measure certain quotas for different railways and take steps to augment capacity. In other cases due to temporary spurts or spasmodic movement or due to temporary impediments like accident, floods etc. there may be congestion. This can occur also due to a sudden influx of traffic."

2.12. The Chairman, Railway Board observed in this connection that "this is a point which is continuously watched and works are sanctioned from time to time so that the bottlenecks are removed."

2.13. The procedure followed by the Zonal Railways in the matter of imposition of restrictions on bookings has been explained by the Railway Board in a written note as under:

> "The Operating Officers of the Divisions daily get the figures of wagons moving in different directions and for major goods sheds, which enables them to know the trends of traffic and also enables them to regulate it as necessary so as to avoid congestions at any point or points and the resultant immobilisation of wagons."

> "The decision to impose restrictions is taken at the level of Divisional Officers who carefully analyse the trend and flow of traffic and when such restrictions pertain to inter-railway traffic, the matter is tackled at the Headquarters level who impose necessary restrictions. The Transportation Directorate in the Board's office is kept advised of important inter-Railway restrictions."

2.14. The Committee were also informed during evidence that all restrictions on booking of goods traffic for more than 5 days were reported to the Railway Board. However, restrictions for less than 5 days were not directly reported to the Board. Explaining the checks exercised by the Railway Board in this regard, a representative of the Railway Board stated: "We would come to know about it. When we watch the daily position, we will know the number of wagons accumulated on a particular route, at a particular terminal. We have daily telephonic conversations. We have got separate telephones lines for that on certain routes. I have get a special officer who is in touch with all the railways. He will know how many wagons have moved; how many trains have moved and all that. If he finds that wagon movement is slow or the wagons have not moved, he will come to know about it. We have got information about all the railways.

To give you an example of an area, with which you are familiar, if accumulation occurs at Vallabh Vidya Nagar where traffic is increasing because some industries have come up in that area, the Western Railway will know it. What happens is, materials and goods come, from distant places *via* Anand. When accumulation occurs a Division of the Western Railway has to take action to regulate the traffic there. We do not and should not get all the detailed information here. In fact, the different railways are fretting and fuming as to why the Railway Board is collecting so much information about wagon movement from day to day, when really they are fully responsible for day to day operation and regulation of traffic. Railway Board does not and cannot take over the functions of the Zonal Railways."

2.15. The Committee pointed out that in order to have an idea about the number of times restrictions were imposed for less than 5 days and to ensure that the discretion allowed to the divisional officers in this behalf was properly applied, the Railway Board should occasionally collect the relevant information and analyse the same. The representative of the Railway Board stated: "We will make a random analysis as suggested by you."

2.16. The Committee enquired how, in the absence of a Central Co-ordination Agency, was it ensured that no restrictions were imposed for destinations or *via* on other Railways where the capacity of the sections/marshalling yards/interchange points was already underutilised. In a written note, the Railway Board stated:

> '....restrictions are imposed by a Railway when there is a 'congestion' caused either at terminals, where loading and unloading takes place or, on a particular route where the flow of traffic is disturbed or when there is an unusual spurt causing pressure over the route more than it can normally handle. The senior officers on the Railways either on the Divisions or at the Headquarters, are the persons who are most competent to impose such a restriction that would give the desired relief. Restrictions are imposed sometimes partially for certain commodities for certain terminals which may be heavy or over particular sections or routes, etc., depending on the situation, which can best be judged by the officers on the spot. When such restrictions are imposed, the contiguous Railway or the Division, as the case may be, automatically regulates loading to those points and utilises the wagon capacity for moving other traffic, thereby avoiding wastage of transport

and loss of revenue and also the adverse effects on the overall economy of the country. In the imposition of such restrictions, there is no necessity to have a central controlling agency. Imposition of a restriction is a self-corrective mechanism and the railway transportation officers are fully trained to utilise this device at the appropriate time and for the appropriate duration. The day to day operation is fully the responsibility of the Zonal Railways. However, the Railways keep the Transportation Directorate of the Railway Board advised of important restrictions."

2.17. The Committee desired to know how the Railway Board ensured that restrictions imposed by the individual railways were unavoidable. In reply, the Railway Board have stated as under:—

"A restriction is imposed only at the level of Divisional Officers. It is the function of these officers to keep watch on the trend and flow of traffic so that in case wagons tend to accumulate at a station or over a section, prompt steps are taken to prevent further accumulation so that wagons do not stagnate for want of free mobility. For this purpose, the officers get the daily figures of traffic arriving at major stations and flowing into important directions. In case of overflow of traffic, steps are first taken to increase the dealing capacity, if possible, by immediate measures like increasing frequency of placement of wagons, if necessary, by provisions of an additional engine or with better co-ordination and help of trade or by increaseing the level of supervision. Only when such measures are either not possible or are found inadequate that the traffic is regulated by means of restrictions so that the flow corresponds with the dealing capacity.

Good care is exercised by the officers to ensure that the restrictions are neither too restrictive nor too prolonged. Many a time only a particular commodity is restricted. Even where a general restriction is imposed, essential commodities like food-grains or high revenue-earning commodities are exempted from the scope of restriction. Similarly, the period of restriction is limited to the minimum so that the period of accumulation is tided over.

Restrictions are never imposed except when such restrictions are unavoidable. If restrictions are not imposed when operating conditions warrant such restrictions, the only result would be large-scale stagnation and immobilisation of wagons causing loss of revenue, wastage of resources and detriment to the overall economy of the country."

2.18. In another note the Railway Board have stated:

"This Ministry is satisfied that restrictions when imposed do not result in under-utilisation of wagons. On the other hand, any failures to impose a restriction when required, will result in stagnation of wagons which could otherwise have been utilised on sections where operational difficulties are not present, at the time when such difficulties, cropped up on other sections necessitating regulation of traffic. It is once again emphasised that restrictions are imposed only when the trends of traffic indicate accumulation or congestion on certain sections or points and when the executive authorities are satisfied that any further inflow of traffic to these sections or points would only result in stagnation of wagons. Such stagnation will only result in wastage of resources, loss of revenue to the railway administration and adverse effects on the overall economy of the country."

2.19. Imposition of restrictions on booking of goods traffic for whatever reasons affects earnings. The Committee note that on six Zonal Railways restrictions were imposed in various stations/sections during 1968-69 and 1969-70 for a total period of 12,367 days all of which were not due to natural causes such as breaches, accidents etc. More than 77 per cent of the restrictions were reported to be due to traffic exceeding the capacity of the section/station, limited transhipment capacity or performance, wagon difficulties, failure of trade etc. It is indeed ironical that at a time when the Railways are in desperate need to attract additional traffic, such large-scale restrictions should be imposed most of which could well have been avoided. This is bound to divert even the present traffic offerings to road and it will be diffcult to retrieve the traffic once lost to road. The Committee would, therefore, suggest that after analysing the position critically the Railways should take suitable remedial measures to ensure that the restrictions are reduced to the inescapable minimum.

2.20 The accumulations/congestions necessitating restrictions for booking caused by deliberate motivation of price manipulation by trade is disturbing to the Committee. Such attempts should be effectively discouraged in concert with civil authorities. Further, the Committee would suggest that the feasibility of lowering the free time allowed for clearing of wagon loads and making the levy of wharfages and demurrages more stringent should be examined to deter more effectively unnecessary hold-ups.

2.21. What worries the Committee more is the admitted lack of capacity of Railways to handle the traffic which can only be

attributed to unplanned capital investments on Railways so far. A systematic study of restrictions imposed for lack of capacity in stations|sections and transhipment points should serve as a guide for taking up the essential works for execution on a priority basis to remove these bottlenecks. The action taken in this regard may be reported to the Committee.

2.22. Restriction on account of wagon difficulties is obviously unjustified. This may be partly due to delay in putting right the sick or damaged wagons or delay in wagon turn-round. Quick repairs to the wagons and quicker turn-round of wagons will certainly ease the position to a large extent. No slackness in this regard should be viewed with leniency. Further the Railways should realistically assess the future requirements of various types of wagons and take steps to improve the position of wagon availability.

2.23. Another aspect which the Committee would like to stress is the need for a centralised control and watch of restrictions imposed by the Zonal Railways from time to time. At present only the restrictions placed beyond 5 days on each occasion are simultaneously reported to the Railway Board. However, out of 12,367 days of restriction imposed during 1968-69 and 1969-70 those for 5 days and less on each occasion totalled upto 2,415 days. It is, therefore, necessary that the Railway Board get the detail of such restrictions also periodically and make a random check to find out how far these were justified and what remedial measures are necessary to tide over the difficulties. The Committee hope that such a review and random check will be introduced forthwith.

CHAPTER III

RECEIPT, ISSUE AND CUSTODY OF COAL

Missing and Unconnected coal wagons

Audit Paragraph:

3.1. In para 16 of the Audit Report (Railways), 1965, mention was made about the heavy incidence of missing and unconnected coal wagons on the Railways. In evidence before the Public Accounts Committee, the Ministry of Railways (Railway Board) stated that the position was expected to improve with the introduction of the new procedure of machine linking. The mechanised procedure of linking missing and unconnected coal wagons was introduced on the Railways from August, 1966. There has, however, been no improvement in the position of missing and unconnected coal wagons and the percentage of missing wagons to the total number of wagons booked continues to be high on the Railways. Under the revised procedure of mechanical linking it was envisaged that the outstandings in respect of missing wagons would be cleared within a period of eight months and in no case it would be allowed to remain outstanding under the suspense head "Purchases (Coal)" for over a year. It has, however, been noticed that in all Railways heavy outstandings over one year old in respect of missing and unconnected coal wagons remained uncleared as indicated below:

PURCHASES (COAL)

Railways	Over one year old as on 31-3-1971		Total balance as on 31-3-1971	
	DR.	CR.	DR.	CR
Northern . . .	1,82,24,483	18,25,467	3,17,37,560	1,49,76,465
Eastern . . .	19,87,003	85,83,428	1,55,80,444	2,85,55,232
Southern . . .	3,12,87,687	2,99,11,297	4,10,35,157	4,04,62,717
Central . . .	2,31,94,000	2,81,67,000	4,23,94,000	5,44,19,000
South Central .	2,44,17,533	2,06,11,068	3,87,35,127	3,65,25,258
Western . . .	1,79,27,409	1,57,85,223	4,82,90,175	4,49,93,566
Northeast Frontier .	2,02,91,366	1,39,96,826	2,82,82,947	2,27,63,814
North Eastern .	2,24,04,092	1,90,24,172	3,54,05,411	3,19,60,304
South Eastern .	69,57,000	64,55,000	1,41,98,000	1,60,08,000
TOTAL .	16,66,90,573	14,43,59,481	29,56,58,821	29,06,64,356

3.2. The Ministry of Railways have stated that the matter is under examination.

[Paragraph 14 of the Report of the C&AG for the year 1970-71 on Railways]

3.3. The Committee understand from Audit that "Payment for coal supplied by various collieries to the Railways are made in advance of the receipt of coal on the basis of despatch intimation received from the colliery base stations. Unconnected coal wagons are also received at locos sheds. All transactions relating to payment and receipt of coal are in the first instance placed under a suspense head "Purchases—coal". Subsequently, with reference to the coal actually received at the various distribution and consumption centres, a reconciliation is effected and the items of debits and credits in the suspense head cleared. The unlinked items represent either the value of missing coal wagons in respect of which payments had already been made by debit to "Purchases— Coal" or the value of unconnected coal wagons received at the consumption points and accounted for by the sheds and under Purchases—coal by credit but not paid for."

3.4. The table below given the postion of unlinked debits and credits on all Railways:

(In lakhs of Rs.)

As at the end of year	One year outstanding		Total Balance	
	Debits	Credits	Debits	Credits
1963-64	4,43·3	4,04·8	8,40·9	10,15·3
1968-69	11,27·4	10,02·2	25,43·7	24,89·9
1969-70	13,43·1	11,37·6	26,18·9	24,69·0
1970-71	16,16·9	14,43·6	29,56·6	29,06·6

3.5. From the above it is seen that the position of unlinked debits and credits has deteriorated from year to year. During evidence the Committee enquired about the reasons for the deterioration in the position of unlinked debits and credits even after the introduction of mechanised procedure in 1966, which was expected to bring improvement. The Financial Commissioner for Railways stated: "I am afraid, the position is not at all satisfactory. We have been ourselves very much concerned about this matter. Personally I find that the

more I look into it, the more unsatisfactory the situation is. Because, it was hoped that with mechanisation everything would be all right. So, the care and trouble taken in manual linking up was given up because it was assumed that the mechanisation of accounts will be a panacea for all ills. As you have observed, these credits and debits almost equal and they will be adjusted accordingly.

The difficulty has been that documentation has not been very satisfactory. Particularly in the last two or three years, due to very low stocks of loco coal, we had to divert wagons intended for one station to another, both within the railways and from one railways to another. Filling up the returns and registers and documentation were not done fully on all such occasions. It will take some time to resolve this matter. As you have rightly said, sir, everybody thinks that as the credits and debits balances, we need not worry. But we thought, a study in the various loco sheds, at the various diversion points and in the collieries where loading is done should be undertaken in detail. So, we asked all the Railways to depute a team of four officers, one Efficiency Officer, One Work Study officer, one Mechanical Engineer and one Accounts Officer along with inspectors to go and make a study in detail. We have got some preliminary reports from the Central Railway. We had asked them to study all the coal wagons despatched from collieries from October, 1971 to March, 1972, that is, over a six months period. The preliminary reports received from the Central Railway indicates that even after a lot of effort, they have not been able to trace about 2 per cent of wagons.

The total number of wagons programmed during that period was 19,759. 12,644 wagons were actually loaded. They traced 7,362 wagons which actually reached the destination. That is, in respect of 58 per cent wagons, as programmed, there was no mishap and they reached the destination. 5,282 wagons was the difference between wagons loaded by collieries and wagons which reached destination, as per their original programme. Out of 5,282 wagons, they were able to find 1635 wagons, that is, 13 per cent, which were received by other loco sheds in the Central Railway. That is accounted for. Then, they found that 3,438 wagons or 27 per cent had been diverted to other Railways. After all this, about 2 per cent, that is, 209 wagons have not been traced by them till the date of the report that we have received from them. That is about a month ago. The team is still trying to trace them.

A similar study has been made in Northern Railway. They were asked to study it for six months. They have given a report for the first three months. They found that 1 per cent of wagons were

missing. Even if we take 1 per cent of wagons as missing, it is a matter of some concern."

3.6. The witness further added: "The point is that what has put us in a false sense of complacency is that credits and debits have been balancing. As has been explained in the Audit Para, whenever we get unconnected wagons, we take a credit. What has happened is that some of these wagons have been diverted from one loco shed to another loco shed but documents have not been received in time or not received at all. Now, since credits and debits have been balancing, they said, "All right; they are only unconnected wagons." This has put us in a false sense of complacency."

3.7 The Committee pointed out that in evidence before them in 1965-66, it had been stated that against the figure of 7.5 per cent for 1962-63 the percentage of missing coal wagons had come down to 2.5 per cent for 1964-65. Asked as to the Percentage of missing coal wagons in relation to total loco coal loading in subsequent years, the Railway Board have in a note stated:

"The percentages for the years 1965-66 onwards are worked-out on comparable basis, to be as under as against the figure of 7.5 per cent for 1962-63 and 2.5 per cent for 1964-65 reported in evidence before the P. A. C. (1965-66):—

1965-66	4·2 %
1966-67	7·1%
1967-68	7·3%
1968-69	6·6%
1969-70	7·4%
1970-71 . . .	8·8%"

In this connection the Financial Commissioner for Railways stated during evidence: "The Public Accounts Committee went into this matter in 1965-66. The percentage was supposed to be 2½. In fact, the percentage is rather high; it will be say, 8.8 per cent.... I have some doubts about the figure. It should be rather a high figure."

3.9. As regards the measures taken to remedy the situation , the Financial Commissioner for Railways informed the Committee that: "We have already formed teams for each of the Railways. We will have a cell here. The previous Minister had constituted a Committee under the Chairmanship of the Deputy Minister himself, Member (Mechanical) and Member (Transportation) as Members. We had two or three meetings. We are looking into the matter. I do not want to give any rosy picture about it. The situation is disturbing. Though credits are there, we have to go to the root of the matter."

3.10. The Financial Commissioner for Railways further added: "We have already taken some steps. No coal wagon would be diverted without the permission of the Joint Director (Mechanical Engineering) of the Railway Board or the Joint Director (Transportation) if it is for operational reasons. Suppose a wagon gets sick. It has to be detached. But we want to follow it up. An intimation will be made to the Railway Board as well as to the concerned Railways so that we will follow the movements of the detached wagon. We have devised certain procedure; we have strengthened documentation. As soon as a diversion is made, a report will be made to the Railway Board."

3.11. The Committee desired to know the reasons for diversion of coal wagons from one Railway to another. To this the Financial Commissioner for Railways replied:

"It is because of the coal movement difficulties in the eastern area, our coal leading to loco sheds also suffered. I have got a statement with me showing the week by week stock position. The actual loco coal stock in the loco sheds came to about 3.9 days or so for the Railways as a whole. It came to 3.5 days during some months. In respect of certain railways, it was 2 days stock and even 1 day stock. That means certain loco sheds had no stock at all. Because we could not afford to stop the running of the trains, if we found Northern Railway was better off, we diverted the coal meant for them to Central Railway. Sometimes, loco coal is diverted to industry. For instance, certain industries were in danger of closing down in Ahmedabad for want of coal. So, we diverted loco coal to Ahmedabad. Similarly, Western Railway coal was diverted to some other Railway. Like that, diversions were taking place."

3.12. The Committee were informed that according to the Central Railway Study Team nearly 27 per cent of the coal wagons are diverted to other Railways. Asked whether diversion of coal wagons was the main cause for a higher percentage of unconnected and missing wagons, the Financial Commissioner for Railways stated that the documentation system had broken down and this was the root cause. He added "We have seen from the South Eastern Railway Study Team Report as well as independently that 25 per cent wagons in the missing list are due to bad documentation."

3.13 As regards the measures taken to improve the documentation system, the Financial Commissioner for Railways stated: "Documentation which you sir, have emphasised is very important.

We have issued instructions but personally I am of the view that the documentation that we have suggested is a little too complicated and we will try to make it simpler and easier because the people working in the yard cannot be filling in a very complicated forms. The more complicated the form is, the less likelihood of these being completely filled. Transit points also we want to improve. As I said, studies have been made and various suggestions have been made but we do not want to adopt a whole series of unworkable formula.

I can tell you that one of the suggestions made is that we must have labels of different colours. We know, working in Government offices, how difficult it is to get even the minimum stationery. Now to get labels of different colours and distribute it to all loading and diversion points. The likelihood will be that they will use the wrong colour. The intention is good. That is by seeing the colour of the label we can say where it is to go. But, knowing the difficulties in the supply of stationery we do not think we can supply all the points especially with the requisite number of labels of different colours. So, there is no point in enthusiastically adopting all these suggestions.

So, a very thorough study has already been embarked upon and I hope within the next three to four months we will be able to put the whole thing on a satisfactory footing."

3.14. The Committee called for information relating to the extent of payment of compensation to private parties on account of missing wagons during the years 1968-69, 1969-70 and 1970-71 and the percentage of such missing wagons to total loading for private parties. The Railway Board have furnished the following figures:

Year	Compensation paid on Public coal (in lakhs of Rs.)	Approximate percentage of coal wagons on which compensation was paid to total coal loadings for public
		Percent
1968-69	58·53	0·2
1969-70	75·93	0·2
1970-71	90·11	0·3

3.15. Referring to the figures given in the Audit paragraph of missing and unconnected coal wagons remaining uncleared, the Committee enquired whether the debits and credits were correctly shown. To this the Financial Commissioner for Railways replied:

"The Rules require that whatever amount remains under debit after eight months should be written off as loss and whatever amount is on the credit should be taken as earnings. These adjustments were not done because they thought that if we wait for a little time it will be resolved. Therefore, the difference that you are seeing is the result of one year. But the point you have in mind is also relevant. The compensation paid to the private parties must have come to us on the credit side; I am going into this and I can assure you that in the next six months we will bring in a proper system to avoid this."

3.16. Subsequently in a written note on the subject, the Railway Board have stated:

"Under the revised procedure of mechanical linking, it is envisaged that the outstanding Debits under "Purchases-Coal" in respect of missing loco coal wagons should be cleared within a period of eight months to final head under "Revenue Expenditure—Abstract E" as payment for compensation for loss of consignments where the Commercial Department is unable to trace the same. Similarly, outstanding credits under "Purchases-Coal" in respect of unconnected Loco Coal Wagons where the source of receipt does not become available, should be cleared to "Earnings—Abstract Z" through "Stock adjustment Account". The outstanding debits/credits were not cleared within the prescribed time limit as there was still scope to link some of the residual items of debits with the corresponding credits. For instance, out of the over one year old balances under "Purchases-Coal" as on 31st March, 1971 which amounted to Rs. 16.67 crores, a sum of Rs. 3.51 crores could be cleared by further linking by end of June, 1972. Thus, in practice, recourse to clear the outstanding items of debits under "Purchases-Coal" is taken only when there is no more scope left to link any further items with credits."

3.17 The Committee are concerned over the unprecedented increase in the missing and unconnected coal wagons on the Railways during 1970-71. The value of the missing coal debited to the suspense head is Rs. 29.57 crores and that of the unconnected coal credited to the head is Rs. 29.07 crores as on 31st March, 1971. These remained to be reconciled and charged to proper heads of accounts.

The Committee had occasion to examine the position earlier and they were informed that the position was expected to improve with the introduction of the new mechanised procedure of linking of missing and unconnected coal wagons. The mechinsed procedure introduced from August, 1966 which was thought of as a panacea for all ills had let down badly the Railways in that the percentage of missing coal wagons in relation to the total loco coal loading which was 4.2 in 1965-66 jumped to 7.1 in the subsequent year and further increased to 8.8 in 1970-71. According to the Railways own admission the documentation system had broken down. However, a thorough study is stated to have been already embarked upon. The Committee cannot too strongly stress that the documentation system should be put on a satisfactory footing without further delay As heavy suspense balances, apart from revealing highly inefficient book-keeping, vitiate Parliamentary financial control over expenditure which should be scrupulously avoided, the Committee would urge that the position should be improved without further delay.

3.18. The Committee find that the debit and credit balances being nearly equal there is a false sense of complacency. In this connection the Committee wish to observe that there is a need to ensure the accuracy of the figures especially those relating to credits as the possibility of the wagons in respect of which compensation was paid to private parties being accounted for as unlinked loco coal wagons could not be ruled out. The Railways have paid compensation on missing private coal wagons to the tune of Rs. 90.11 lakhs during 1970-71. The Committee expect that there ought to be a thorough check of the position in this regard.

Eastern Railway—Excessive consumption of Fuel

Audit Paragraph

3.19. To exercise control over excessive consumption of fuel by the Railways, trip rations *i.e.* target of consumption of fuel for each section over the railway, for each type of locomotive and service, are fixed. The Railway Board in April, 1968 advised to the Railways certain guiding principles to be followed in the fixation of such targets. Subsequently in April, 1969, the Railway Board also impressed upon the Railways the importance of fixation of the trip rations on realistic basis.

3.20. The trip rations for various services of both steam locomotives and diesel locomotives were fixed by the Railway Administration. A review of the actual consumption of fuel by the steam locomotives during the calendar years 1969 and 1970, revealed excess consumption of coal over the targets as 2.98 lakh tonnes involving an

extra expenditure of Rs. 98.12 lakhs. An analysis made by the Railway Administration revealed that while 45.2 per cent of the excessive consumption was attributable to "detention to trains", "inferior quality of coal", "alarm chain pulling", "out of course stoppage" and "loco time made up", 54.8 per cent of the excessive consumption was due to "mismanagement by crew", "defective maintenance of Engines" and "Pilferage from tender". A review of the actual consumption of fuel by diesel locomotives during the same period also revealed excessive consumption of 12.74 lakh litres of H.S.D. Oil, involving an extra expenditure of Rs. 9.41 lakhs.

3.21. The Railway Administration stated that trip rations were intended as a target to be achieved by a good locomotive with a good crew, and in day to day operation there were number of uncertain factors. It was also stated that the staff employed on steam traction were less efficient as more experienced staff had gone over to diesel and electric side. It was also stated that the Railway Board have ordered a special investigation into this case.

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

3.22. The Committee were informed that excessive consumption of fuel was not confined to Eastern Railway alone but was prevalent on other Railways also. As regards the position on other Railways the Railway Board have stated:

"Collection of information of variation of actual fuel consumption over trip ration for all Railways and for the entire period reviewed by Audit in Para 71, will be a colossal task involving extensive labour and lot of expense. It is therefore, proposed to have a sample survey conducted for five major loco sheds on different Railways for one month (November, 1971). Zonal Railways have been asked to furnish the information and this shall be intimated in due course."

3.23. The Committee desired to know the reasons for excess consumption of fuel over the trip rations. In a note, the Railway Board have stated:

"A steam locomotive consumes coal even when it is stationary. Any detention or out of course stoppages, therefore, increase consumption of fuel. The following are some of the uncertain factors which give rise to excess consumption:—

(i) Detentions outside signals for reception line.

(ii) Waiting at stations for line clear.

(iii) Pulling of alarm chains by miscreants etc.—A single train affected thus may throw several other trains out of path.

(iv) Hours on road.

(v) Accidents and cattle run over.

(vi) Load of the train.

(vii) Engineering speed restrictions.

(viii) Condition of weather.

(ix) Wind pressures.

(x) Wet or dry coal, coking or non-coking, quality, grade and size of coal.

(xi) Haulage of loaded or empty wagons.

(xii) Proportion of covered or open wagons.

(xiii) Number of Box type wagons, Bogies or four-wheelers.

(xiv) Condition of brake gear of train.

(xv) Visibility.

(xvi) Mechanical fettle of locomotive.

(xvii) Condition of boiler.

(xviii) Amount of shunting performed en-route."

3.24. In another note the Railway Board have stated:

"There are a large number of uncertain factors which equally affect the consumption of HSD oil on locos. The more experienced staff of steam went over to Diesel, where they were new and less experienced."

3.25. Explaining the rationale behind the fixation of trip rations, the Railway Board have stated:

"Fixation of trip rations is only one of the means and method for controlling fuel consumption on Railways. Trip rations is like a target to watch performance. As is generally the case, targets fixed are slightly tighter than the best performance and are intended to act as a psychological incentive to better previous performance. Target is something which one strives to achieve and more often than may not be able to achieve. Fuel consumption over the target of trip ration may be loosely termed as excessive consumption for purposes of recording but cannot be treated as a 'loss'."

3.26. In another note, the Railway Board have stated:

"The actual consumption of fuel during a trip is influenced by the various operating conditions prevailing during the trip. If after mak-

ing allowances for all the assessable factors a driver is still unaccountably heavy in fuel consumption as compared to the target of trip ration, suitable action is taken against him. Under the circumstances, the actual consumption of fuel on a Railway system can never be exactly equal to the trip rations for various services."

3.27. According to Audit the analysis on the Eastern Railway shows that the excessive consumption of coal was mainly due to controllable factors. Asked as to the action taken for eliminating these factors, the Railway Board have stated:

> "As already pointed, failure to achieve the fuel consumption target as set out by trip rations cannot be taken as "excess consumption". Even otherwise, the excess consumption, after making allowances for out of course halts, alarm chain pullings, grade of coal etc., which are beyond the control of the Railway, is only 1.4 per cent over the trip rations, as per the findings of the Committee. All cases, where the actual consumption is above the trip rations, are scrutinised to locate the reasons for the same for taking suitable remedial action. Cases of avoidable excess consumption are taken up. During the period under review the engine crew were penalised in 1700 cases for excess coal consumption, the punishments ranging from censure to stoppage of annual increments."

3.28. The Committee understand from Audit that the Railway Board had appointed a Committee to go into the question of excessive consumption of fuel on the Eastern Railway. Asked about the recommendations made by this Committee and the action taken thereon the Railway Board have stated:

> "The Committee has made the following two suggestions/ recommendations:—
>
> (1) Fixations of trip rations on the basis of gross tonne kilometres or engine kilometres.
>
> (2) Reasons for variations in consumption over the trip ration should be recorded soon after the trip. The analysis of the performance of drivers should be made on monthly or quarterly basis. The possibility of making analysis on computer be inevstigated.
>
> These recommendations are under consideration, with the finalisation of combined train record, it would be possible

to ensure recording of reasons by the drivers for variations in consumption soon after the trip. The feasibility of conducting analysis on the computer is also being investigated by South Eastern and Central Railways."

3.29. The Committee have been stressing the need for economy on fuel consumption. They are concerned to note that a review of the position for the years 1969 and 1970 on Eastern Railway alone revealed excess consumption of coal valued at Rs. 98.12 lakhs and HSD oil valued at Rs. 9.41 lakhs over the targets fixed by the Administration. 54.8 per cent of the excessive consumption of coal was due to 'mismanagement of crew', 'defective maintenance of engines' and 'pilferages'. The Railway Board are not able to furnish the information in respect of all the other Zonal Railways. This is a plea the Committee can hardly accept as the Zonal Railways should watch the performance against the targets fixed by them. Such a centralised watch should be started forthwith in order to effectively check wastages and pilferages of fuel.

3.30. The Railway Board proposed to have a sample survey conducted in five major loco sheds on different Railways for the month of November, 1971. The result of the survey as well as the remedial action taken may be reported to the Committee within six months.

3.31. The Committee note that a departmental committee appointed to go into the question of excessive consumption of fuel on the Eastern Railway have recommended that trip rations of fuel should be fixed on the basis of gross tonne Kms. or engine Kms. and that analysis of variation in consumption over the trip ration should be analysed monthly or quarterly. The action taken to implement these recommendations on all the Zonal Railways may be reported to the Committee.

South Eastern, South Central, North Eastern, Western and North-east Frontier Railways—Heavy shortage in stock verification of coal.

Audit Paragraph:

3.32. In para 28 of the Audit Report (Railways) 1965, mention was made regarding heavy shortages in stock verification of coal at Mughalsarai Loco Shed. In pursuance of the recommendations of the Public Accounts Committee contained in their Fifty-Third Report

(Third Lok Sabha), the Railway Board issued instructions to the Railways in July, 1966, to take suitable measures to ensure that the physical shortages during stock verification do not exceed the permissible limit of 2 per cent. The stock verification of coal conducted on the South Eastern, South Central, North Eastern, Western and Northeast Frontier Railways during the years 1968-69, 1969-70, 1970-71, however, revealed that in several loco sheds of these Railways, the physical shortages of coal continued to persist above the permissible limit of 2 per cent as indicated in Appendix III.

3.33. After making allowance for the 2 per cent permissible shortage, the net loss sustained by the South Eastern, South Central, North Eastern, Western and Northeast Frontier Railways as a result of shortage of coal during 1968-69, 1969-70 and 1970-71 amounted to Rs. 19.65 lakhs, Rs. 22.72 lakhs, Rs. 44.62 lakhs, Rs. 9.81 lakhs and Rs. 14.65 lakhs respectively.

[Paragraph 65 of the Report of the C. & A. G. for the year 1970-71 on Railways]

3.34. The Committee desired to know the procedure for the accountal of receipts, issues and shortages of coal received by the Railways from the Collieries. In a note, the Railway Board have stated:

"Detailed procedure on coal accountal exists on each Railway. Briefly, it may be described as under:—

1. *Receipts*: The quantity of coal received by loco sheds taken on books is the weight of coal recorded in the invoices/R.Rs. irrespective of the actual contents received. In case of receipt of coal wagons before the arrival of the invoices, the quantity taken on books is according to the carrying capacity of the wagon or the average fixed by the Railway. This quantity is corrected as per the invoices as and when these are received.

2. *Issues*: Issues to engine tenders are made through baskets-pans, buckets, grabs, bunkers, and in many other ways, depending upon the economies of manual/mechanical loading, the quantity involved and the time for which the loco can be made available for coal loading. The quantity loaded is *assessed by volume*. The volume of is use converted into weight through calibration or conversion ratio, is recorded in the issues books stack/dumpwise. Because of the widely varying grade, qua-

lity, size and shape of coal handled, the conversion ratio cannot be accurately fixed and consequently, the "issues" cannot be very accurately determined. Assessed quantity has, however, got to be recorded for purposes of accountal.

2.1. The daily receipt/issues are summarised in a ledger which also indicates the book balance of stocks.

3. *Shortages*: The difference between the receipt (involved quantity) and the issues (computed on volume basis) is called the shortage. Where the coal is stacked the difference between the invoiced quantity and the issue made gives the shortage for the particular stack. On some Railways the shortage is also determined by taking the difference between the receipt as per invoice and issues over a period and computing the variations between the book balance and stock on ground by measurement/stock verification. Orders have recently been issued to all Zonal Railways to determine stackwise and monthly variations between "receipts" and "issued". It may be mentioned here again that the so called "shortage" is an arithmetical difference between the quantity of "receipt" measured in weight and the quantity of "issues" computed on volume basis. Therefore, the entire difference or the "shortake" does not constitute a "loss" as some of it could be accounted for in the volumetric difference for that precise quality and density."

3.35. During evidence before the Committee a representative of the Railway Board deposed: "I am afraid our system is very elementary in standard. It is such a large volume to be handled that it is not possible to weigh it unless we provide weigh bridges at every stage. If a wagon is sent from the colliery to be weighed, those collieries which do not have weigh bridges get it weiged in the centralised yards where we have got weighbridges, and then it is despatched. When it comes to the loco-sheds, we have no means to check the quantity in the wagons. Therefore, after some experimentation we have drawn up some conversion ratio. When it is unloaded in the loco-shed we put down the invoiced weight as it is given on the invoice and then we stack it in the loco shed. When the stack is complete, it is measured against the volume. Then, from the stack we issue it to the locomotives and where the quantity given is by

volume we convert again the volume back into weight. In the books, therefore, we keep an account of the receipts by weight and issue by weight." The witness added: "In the absence of weight bridges, we have instructions that at least 5 per cent should be test-weighed in nearly weigh-bridges. But even this is not possible to do, for operational reasons. But the checks have indicated that there is a variation from the consigned weight, whenever it is checked. They vary from a small amount to a large amount at different times and at different destinations."

3.36. The following statement furnished by the Railway Board gives details of variations found on test re-weighment of loco-coal wagons during the period January, 1972 to May 1972 on all Zonal Railways:

Railway	Period	Percentage wagons reweighed	Percentage variation found on re-weighment	
Central .	Jan., 1972	0·32	—3·1	
	Feb., 1972	0·47	—6·4	
	March, 1972	0·30	—3·7	
	April, 1972	0·55	—8·5	
	May, 1972		—4·5	(Box wagons)
Eastern .	Jan., 1972	0·48	—5·6	
	Feb., 1972	1·20	—13·2	
	March, 1972	0·54	—7·6	
	April, 1972	1·00	—16·9	
	May, 1972	0·83	—5·6	
Northern .	January, 1972	3·0	—2·4	
	February, 1972	3·9	—1·3	
	March, 1972	3·6	—1·1	
	April, 1972	2·4	—2·7	
	May, 1972	3·7	—3·2	
N. Eastern .	January, 1972	5·2	—2·4	
	February, 1972	6·6	—3·5	
	March, 1972	5·0	—3·7	
	April, 1972 .	4·0	—3·0	
	May, 1972 .	5·0	—4·0	

Railway	Period	Percentage wagons reweighed	Percentage variation found on re-weighment
N. Frontier	January, 1972	No reweighment done due to absence of reweighment facilities	
	February, 1972		
	March, 1972		
	April, 1972		
	May, 1972		
Southern	January, 1972	67·8	—0·26
	February, 1972	72·1	—0·41
	March, 1972	76·2	—1·58
	April, 1972	71·0	—1·70
	May, 1972		
S. Central	January, 1972	26·1 Box) 8·6 4-W)	—6·4
	February, 1972	23·4 Box) 10·6 4-W)	—3·2
	March, 1972	25·0 Box) 7·1 4-W)	—4·3
	April, 1972	27·2 Box) 6·6 4-W)	—5·3
	May, 1972	27·2 Box) 12·4 4-W)	—6·1
S. Eastern	January, 1972		
	February, 1972		
	March, 1972		—0·4
	April, 1972		
	May, 1972		
Western	January, 1972	1·0	—5·0
	February, 1972	2·4	—5·6
	March, 1972	2·3	—4·5
	April, 1972	1·0	—7·5
	May, 1972	0·7	—5·5

3.37. It is seen from the above that the shortages found on test re-weighment varied between 0.4 per cent and 16.9 per cent.

3.38. Asked about the improvements made in the system of accountal of loco coal following the recommendations made on the subject by the Public Accounts Committee in their 53rd Report (Third Lok Sabha), a representative of the Railway Board stated: "Sir, in compliance with the observation made by the Public Accounts Committee in 1965, we issued very stringent instructions and we have been following it up and to the extent that it is possible within the system of measurement and accounting we have brought about some improvement. There is however a lot of lacunae I have to admit. We cannot make any accurate calculations because we are handling large quantities and in bulk and we are manually handling. Sir, in some places, we are using cranes for loading it in locomotives and in some places we are filling it up through scoops and hoppers and therefore there is a lot of scope for variations."

"The first and the foremost thing is that we have arranged test check in the originating points so that wrong amounts of coal are not consigned. Second step is that in a very vulnerable area, some amount of accompaniment by the RPF staff is done so that thefts and wagon-breaking can be somewhat reduced. Then, sir, we have formed basic committees in loco sheds associating the railway staff to prevent thefts inside the loco sheds. Then there is monthly checking by the fuel Inspectors and the loco foremen of stakes so that we are assured that the amount of coal is frequently checked, because it lies in open yards adjacent to railway station or railway colony. Frequent checking is the only way that we can think of. Also, we have fixed rations for locomotives so that we can give the required quantity of coal to each locomotive and check against the tender mark on the locomotive t o indicate, how much coal is filled. That kind of check is there. There is also basket loading followed, because if you load it by basket it may not be possible to know how many baskets have been put. This is the second check for marking the tender as to how much coal is loaded."

3.39. The table below gives details of the physical shortages of the coal revealed as a result of stock verification of coal in various loco sheds on the South Eastern, South Central, North Eastern, West-

ern and Northeast Frontier Railways during the years 1968-69, 1969-70 1970-71:

Sl. No.	Railway	Total quantity of Coal received (in sheds) (in Tonnes)	Quantity of Coal found short (in Tonnes)	Percentage of shortage of coal	Value of shortage of Coal after allowing 2 per cent permissible shortage	Total
1.	South Eastern					
	1968-69	16,13,318	55,943	3·5	7,79,473	19,64,713
	1969-70	15,56,386	45,375	2·8	4,58,659	
	1970-71	14,87,971	51,649	3·5	7,26,580	
2.	South Central					
	1968-69	17,38,093	42,113	2·42	3,09,273	22,71,567
	1969-70	17,03,497	49,615	2·91	8,52,962	
	1970-71	16,80,060	64,022	3·81	11,09,332	
3.	North Eastern					
	1968-69	8,06,288	31,193	3·97	8,97,414	44,62,466
	1969-70	8,72,860	33,901	3·88	11,36,979	
	1970-71	11,51,176	59,998	5·17	24,28,073	
4.	Western					
	1968-69	23,94,887	50,302	2·1	77,326	9,80,693
	1969-70	24,21,983	64,328	2.7	6,07,094	
	1970-71	22,29,078	61,874	2·33	2,96,273	
5.	Northeast Frontier					
	1968-69	5,05,645	20,476	3·89	5,27,196	14,64,651
	1969-70	5,62,647	19,920	3·42	4,69,161	
	1970-71	5,52,109	19,587	3·43	4,68,294	

3.40. From the above it is seen that after making allowance for the 2 per cent permissible shortage, the net loss sustained by the 5 railways totals upto about Rs. 1.11 crores. The Committee enquired whether the reasons for shortage of coal beyond the permissible limit of 2 per cent on these five railways had been analysed and if so, what are they. In a note the Railway Board have stated:

"Yes. While the number of times the coal is handled during transhipment etc., the number of humps it passes over and the law and order conditions prevailing in the areas

through which the coal passes, have some effect on the resultant shortages, it needs to be reiterated that the term "shortage" does not entirely constitute loss as part of it arises out of the arithmetic difference between the receipts taken by weight at the loading points and issues computed on volume. The analysis showing factors common to Railways and contributing towards the so called shortages are given below:

(i) Accountal of receipts is made as per weight recorded in the invoices while issues are made by volume and accounted for inweight using a pre-determined conversion ratio, based on a certain mix.

(ii) The bulk density of coal is a variable factor. It varies from grade to grade, coalfield to coalfield and within the same grade from seam to seam as also depending upon the size of the coal involved. Such being the case, however, scientifically the conversion ratios are fixed and revised from time to time, there is always a degree of error in assessing the weight of coal by volumetric measurement by applying the average conversion ratios.

(iii) Apart from the variation in the bulk density, there may be errors in the measurement of volume of retail issues and recording of calibrations which account for the difference between receipts and issues.

(iv) Some losses of coal do take place by pilferage enroute, due to handling while loading, unloading and transhipment. Since the quantity of coal received in the shed is not determined by weighment and the invoiced quantity is taken in the books, these losses get reflected in the overall shortages."

3.41. Asked whether the shortages beyond the permissible limit of 2 per cent were due in non-observance of the instructions issued by the Railway Board in July, 1966. In this connection the Railway Board have stated:

"As stated earlier, the so-called shortages are actually the arithmetical difference between the receipts and the issues, computed on two different bases. There is also no permissible limit of 2 per cent for shortages. It is only that when the difference is upto 2 per cent prior concurrence of the Finance is not needed for "write off". The variation

between the receipts and the issues beyond 2 per cent could not be due to non-observance of the instructions issued by the Railway Board in July, 1966. However, the pilferages at various points and the different methods of determining the difference between the receipts and the issues also get reflected in the resultant "shortages".

3.42. As to the measures proposed to be taken to eliminate losses, the Chairman, Railway Board stated during evidence: "We have had some cases of wagons which are weighed in the colliery depot yard and which are reweighed to check that no mistake is made either by intention or otherwise. We found that the difference was very very marginal. We are told that there was a scope for wrong weight being recorded at the starting point. We tried to get the top of the coal wnite washed so that if somebody tries to remove out of it that will be known. In the olden days some of the collieries used to do that on the top of the coal". "Then at the receiving end, we have been doing the same thing for stacks. We have been trying to enforce the rule that as soon as coals are unloaded, they must be stacked in a geometrical form which is susceptible to measurement. So, to the extent, it is possible, we are trying to do all the methods to see that the coal that is bought is being used fully. Coal is a mineral and it is not of a uniform quality."

3.43. In a written note on the subject the Railway Board have stated:

"Some of the measures taken to tighten the machinery in order to minimise the so-called shortages are given below:—

(i) RPF guards patrol some of the station yards ,sheds and escort some coal trains over vulnerable sections;

(ii) The antecedents of the contractors' men employed in loco sheds are studied and careful watch is kept on their activities;

(iii) Severe disciplinary action is taken against engine crew caught indulging in malpractices;

(iv) Since the collieries either declined to sprinkle lime wash over the top layer of loco coal wagons or demanded very high price, the practice of carrying out this operation departmentally is being introduced gradually;

(v) Joint Committees consisting of State Government officials, Railways officials and representatives of trade unions have

been formed to meet from time to time to consider and implement ways and means of eradicating the evil of pilferages on Railways.

(vi) The method of assessing the "shortages" stack/dump-wise and taking timely action to get the "write off"/"write back" every month has been made uniform. This procedure of assessing monthly shortages will enable the Railways to determine frequently the incidence of shortages, reasons therefor and indicate the remedial measures required to be taken well in time. (Instructions issued *vide* No. 72/Fuel/116/10 dated 27-6-1972 & 23-12-1972)."

3.44. In reply to a question as to how it was ensured that the conversion ratios were realistic and accurate, the Railway Board have stated:

"In order to get a realistic idea of conversion ratios, trials of weight/volume ratios have been ordered on all Railways. In spite of wide range of trials, the inaccuracies persist because of inconsistencies in the quality, size and grade of coal. It is observed that even for the same grade, the variation in conversion ratios can be as much as 17 per cent. The remedy for reducing "the shortage", therefore, does not appear to lie in fixing more realistic conversion ratios but may lie in adopting the same basis for receipts and issues.

Since the "receipts" are by weight, making the "issues" also by weight will involve provision of weighing equipments of various sorts to suit the method of issue at a very large number of points on the Railways. This will not only involve very heavy capital outlay, sizable recurring expense due to maintenance and manning of the equipment but shall also result in operational difficulties causing increased detentions to rolling stock for weighment of coal received and the loading of the locomotives. In order to explore the feasibility of even weighing of the in-coming loco coal wagons, an exercise had been undertaken on the Northern and Western Railways at Moradabad and Ratlam sheds. It was observed that leave aside weighing of quantity of coal issued, if only the quantity of coal received is to be weighed in toto, it will involve very heavy expense, increased detention to wagons entailing infructuous haulage, suspension of yard activities and effecting the fluidity of operations which the Railways can ill-afford.

Conversion ratios were last fixed by the Board in August, 1966. A review was made in 1968 when it was found that the average

conversion ratios advised by various Railways differed very widely. Because of the inconveniences of results, re-trials were ordered and these are in hand."

3.45. In another note the Railway Board have stated:

"The extent of arithmetical difference between the receipts and the issues of coal may shrink if the issues were also to be made by weight instead of the pan measurement or calibrations etc. But this involves very heavy capital outlay, sizable recurring expenditure on maintenance and manning the equipment and even if it was to be provided, it shall cause increased delays to loading of locos, increasing their turn-round through the shed, reducing their availability for traffic and at the same time increasing the labour charges for weighment of coal to be loaded. While dealing with a comparatively cheap commodity like coal in bulk which does not permit accurate weighments, small inaccuracies in assessments have necessarily got to be tolerated."

3.46. The Audit paragraph brings out that stock verification of coal in loco sheds revealed shortages beyond the permissible limit of 2 per cent involving loss of Rs. 111.45 lakhs on the South Eastern, South Central, North Eastern, Western and North-east Frontier Railways during 1968-69 to 1970-71. Shortages can occur at two stages viz. before and after unloading of coal at the loco sheds. The shortages found on reweighment or test weighment varied between 0.4 per cent and 16.9 per cent. This shows that before the coal wagons are unloaded at the destination points shortages occur which may be attributable either to pilferage of coal in transit or underloading of coal in the collieries. It is, therefore, necessary to assess and investigate fully the variation between the invoiced quantity and the quantity determined on stack measurement which at present does not appear to have been done. Once this is done it becomes easier to identify the shortages in the course of custody and issue of coal in the sheds as the same basis of computing weight by measurement would be available for both receipts and issues. Further, there should be no delay in fixing responsibility for the shortages and leniency in taking action against those found responsible.

3.47. In order to come to a reasonably accurate assessment of shortages the ratios for converting the volume of coal into weight should be scientifically fixed. The Committee note that ratios fixed in August, 1966 were reviewed in 1968 when it was found that those

adopted by the various Railways differ very widely and that retrials are being undertaken. The Committee desire that realistic and uniform conversion ratios for various grades of coal should be laid down without delay. The Committee would also suggest that the ratio should be reviewed periodically once in two years in the light of field experience to effect necessary improvements.

3.48. In large sheds there should be proper arrangement for weighment on receipt and issue of coal.

CHAPTER IV

DISCREPANCIES IN INVENTORY RECORDS

Audit Paragraph

4.1. The differences between the actual (physical) balances and the balances as per the priced Ledgers discovered at the time of physical stock verification and the differences between the balances in the Numerical Ledgers maintained by the depot and the Priced Ledgers maintained by the Accounts Department discovered at the time of reconciliation of these two records are adjusted under Stock Adjustment Account—Part I—Differences in stock. The successive stock verifications on the Railways during the last three years indicated that the percentage of total discrepancies noticed to total stock holdings went up from 4.68 in 1968-69 to 5.12 in 1969-70 and 11.20 in 1970-71. During the year 1970-71 there were stores worth Rs. 7.83 crores surplus and there was deficiency of stores worth Rs. 6.71 crores.

(*Figures in thousands of Rupees*)

Year	Surplus	Deficiencies	Total value of inventory surplus and deficiency	Value of balance of stock on hand at the end of the year	Percentage of inventory surplus deficiencies to total stock holdings
					(Percentage)
1968-69	(+)2,80,07	(—)3,70,84	6,50,91	1,39,05,32	4·68
1969-70	(+)3,51,92	(—)3,01,87	6,53,79	1,27,46,95	5.12
1970-71	(+)7,83,20	(—)6,70,96	14,54,16	1,29,78,41	11·20

4.2. The Ministry of Railways have stated that the matter is under examination.

[Paragraph 9 of the Report of the Comptroller & Auditor General of India for the year 1970-71 on Railways]

4.3. Explaining the position in regard to increasing percentage of discrepancies noticed during stock verification, the Railway Board have in a written note stated:

> "A general analysis of the Stock Adjustment Account (Part I) has revealed that there is not much variation between

the ground balance and the Numerical Ledger balances maintained at the Depots, *vis-a-vis* the previous years, but the differences between the Priced Ledger balances and the Numerical Ledger balances contributed the major share of the increase pointed out by Audit. The reasons for this are analysed below:—

(a) Phase I of Stores Computerisation was started on most of the Railways only during 1970-71, the year of the Audit Report, and it has been the general experience around the world that a major computer application (like Stores Accounting) requires at least two or three years to stabilise. The computer system requires coding of unified price list numbers in 8 digits with a self-checking digit, Ward Number, Depot number, unit of accountal and consignee code which are rigidly checked by the computer during edit runs with the result that some of the vouchers for receipt and issue are rejected for wrong coding and having to be thrown forward to the next month, particularly when the Stores Depots are not located in the same place as the Computer Centre, involving transit delays. The percentage of rejected vouchers has been steadily declining with the increased familiarity of the depot staff and the indentors relating to the pre-requisites of computerisation and conducting familiarisation courses on Computerised Stores Accountal.

(b) There was a change in procedure on the advent of the computer regarding the operation of the stock adjustment account. Prior to computerisation *i.e.* under the manual system, the rules for posting stock verification sheets provided that the balances of Numerical Ledgers and the Priced Ledgers should be reconciled in terms of para 2543 (j) (i) & (ii) of the Indian Railway Code for Stores Department, and discrepancies, if any, rectified before the stock verification results were posted in the Priced Ledgers. Under the computerised system, para 2543 (j) (iii)—S is in operation and, accordingly, the stock verification vouchers are posted first and reconciliation is done subsequently. This affects the gross figures of both surpluses and deficiencies, because adjustment necessitated as a result of Priced Ledger and Numerical Ledger reconciliation have to be posted a new in the Ledgers.

A general analysis has also revealed that had the procedure prior to computerisation been continued, the surplus/

deficiencies in 1970-71 would have been very much less and in trend with the previous years, when the Priced Ledger and Numerical Ledger Sections were side by side, the posting of stock verification reports could be done after the reconciliation of numerical and priced ledger balances, on a daily basis. Under the computerised procedure, the vouchers are normally processed weekly, this has not been possible and some issue/receipt vouchers invariably got left out.

(c) It has also to be remembered that with the conversion to the metric system, the F.P.S. and metric items exist side by side with same unavoidable interchange regarding their postings and which will reduce stock Adjustment Account once the F.P.S. items are worked off.

(d) In the Audit Para, the totals of gross Surpluses and Deficiencies expressed in terms of a percentage of the value balances at the end of the year has been adopted for comment. A realistic assessment of the position would, however, be available if the net figures of Surpluses and Deficiencies, expressed as a percentage of the total transaction during the year are considered. The following figures will illustrate the point:

(Figures in thousands of Rupees)

	1968-69	1969-70	1970-71
1. Receipts during the year	283,03,70	276,08 28	303,57,61
2. Issues during the year .	281,82,67	287,66,66	301,26,19
3. Total transactions	564,86,37	563,74,94	604,83,80
4. Surplus (+)	2,80,07	3,51,92	7,83,20
5. Deficienceis (—)	3,70,84	3,01,87	6,70,96
6. Net of 4 & 5 (—) .	—90,77	(+)50,05	(+)1,12,24
7. Percentage to transactions of item 6	0·16 %	0·09 %	0·18%

There is an increase in the percentage in 1970-71 as compared to the previous two years. The increase is attributable to teething troubles which the Railways have to undergo in the initial stages of Stores Computerisation."

4.4 The Committee pointed out that with the introduction of Computer in Railways the efficiency in the maintenance of initial records should have improved. In reply to a question as to how

the discrepancies could show a trend of increase rather than decrease, the Railway Board have stated:

"The reasons for the discrepancies showing a trend of increase have been analysed as due to the procedure being introduced only in 1970-71 on most of the railways and the unfamiliarity of staff with the rigid requirements of coding required for the computers and the revised method of operating the Stock Adjustment Account, the position is expected to improve as the procedure gets stabilised and the staff exposed to the computer discipline.

Maintenance of initial records have been improved in the following respects on computerisation:—

(a) Common codified price list numbers for all Indian Railways with a self-checking digit for throwing out erroneous coding.

(b) Changing of the input forms by giving separate cages for each item of information to speed up punching and eliminate error.

(c) Intensive edit checks on the initial input information regarding errors in coding and lack of internal consistency. On account of the rigid edit checks and because of the unfamiliarity of staff to the computer procedures, the incidence of errors detected has undergone an increase temporarily, this resulting in the non-posting of some receipt and issue vouchers and inflating the Stock Adjustment Account. This is inevitable in all computer systems and as the staff gain experience in the correct coding of input forms, stock adjustment account may not show the increase as it has shown in 1970-71.

Thus, computerisation results not directly but indirectly in the improved maintenance of initial records on account of the built-in checks to throw out erroneous items.

It may be mentioned in this context that with the maintenance of the priced ledgers on the computers, special reports and exception statements are made out for the use of the Stores Department on the basis of system for stores control and inventory. This would have been very difficult under manual system on account of its demands for heavy clerical labour, lack of machinery to detect mistakes and the time-lag that would be involved, with the compiled

information having only historical value and not useful for concurrent managerial control".

4.5. As regards the periodicity of stock verification, the Railway Board have intimated: "In 1970-71 and earlier years, the periodicity of Stock Verification was so arranged that all materials in a depot are ordinarily, verified once in a year, material-at-site of works and stores with Imprest holders, once in two years and all tools and plants once in three years. Now, the Stores have been classified into ABC categories depending upon the annual usage value of the items and the frequency of the verification in the Stores Depots has been remodelled on the same basis. Para 3202-S of the Indian Railway Code for Stores Department has been amended *vide* Advance Correction Slip No. 81-S dated 18th August, 1972—Railway Board's Letter No. 71/ACII/46/5 dated 18th August, 1972. The procedure for Departmental Verification has also been suitably modified."

4.6. The Committee desired to know the steps taken by the Railway Board to reduce the incidence of discrepancies in inventory records. In this connection the Railway Board stated: "The discrepancies referred to can be broadly categorised as under:—

(i) Differences between Numerical ledger balances and ground balances.

(ii) Differences between the Priced Ledger balances and Numerical ledger balances.

(iii) Write-back adjustments in rectification of errors which creep in, for wrong documentation etc.

On account of a number of edit check etc. introduced, the extent of discrepancies coming to surface, has no doubt inreased. While the differences under category (i) above continue to be more or less at the same level as before computerisation, the volume of differences under the remaining two categories is aparently more because of the need, under the computerised procedure, to:

(a) Weed out discrepant vouchers during edit etc. rune on computer for subsequent rectification, and to

(b) resolve differences between P.L. balances and the NL balances subsequent to the posting in the Priced Ledgers.

Vide Board's letter No. 70|RS|C|754|Vol. IV, dated 26th June, 1972 Railways have been asked to exercise rigid control over the expeditious clearance of rejected vouchers. For this purpose, a separate exception report showing the analysis of rejected vouchers

according to their age is now printed on the computer. The reduction in rejected vouchers will reduce the difference between the Priced Ledger and the Numerical ledger balance and consequently, the inflation in surpluses and deficiencies will be reduced."

4.7. The Committee are concerned to note considerable discrepancies in inventory records. As against total transactions amounting to Rs. 564.86 crores, Rs. 563.75 crores and Rs. 604.84 crores during 1968-69, 1969-70 and 1970-71, stock verifications revealed surpluses aggregating Rs. 2.80 crores, Rs. 3.52 crores and Rs. 7.83 crores and shortages aggregating Rs. 3.71 crores, Rs. 3.02 crores and Rs. 6.71 crores respectively. Thus unsatisfactory maintenance of the stores records for receipt, custody and issue of stores and inventories is clearly indicated. Only a thorough investigation of the discrepancies will reveal the nature of accounting irregularities and the extent of actual lesses due to pilferage etc. The Committee would, therefore, stress that these should be investigated promptly and results intimated to them.

4.8. The unusually heavy incidence of discrepancies during 1970-71 has been explained as largly due to introduction of stores computerisation. The position is expected to show improvement as the new procedure gets stabilised and the staff is exposed to the computer discipline. The Committee trust that a careful watch will be kept to ensure that the introduction of computers results in necessary improvement in the maintenance of stock accounts. The position will be watched through future Audit Reports.

CHAPTER V

TRAFFIC FACILITIES

South Central Railway—Conversion of Pune-Miraj M.G. line to B.G.

Audit Paragraph:

5.1. To cater to the increased traffic potentialities of Pune-Miraj section and to eliminate transhipment at Ghorpuri, Conversion of this Section from M.G. to B.G. at a cost of Rs. 12.9 crores was approved in 1962. Certain bottleneck works were commenced in September, 1963 on urgency certificate with a target of completing it in December, 1966. Initially it was decided to lay the B.G. line along the alignment of the existing M.G. line which passed through Satara station which was 12 miles away from Satara City. In July, 1965 it was decided to lay the B.G. line closer to Satara city *via* Kshetra Mehuli (3½ miles away from Satara city) at an extra cost of about Rs. 1 crore even though the economics of this diversion (examined earlier in March, 1964) showed that this diversion would be financially unjustified. The target date for completion of the project was, however, shifted forward from time to time upto April, 1971 and the B.G. line was opened for traffic on 15th April, 1971

5.2. The delay of four years in the completion of the work has been explained by the Railway Administration as due to delay in finalisation of alignment, demand for enhanced rates by some contractors, finalisation of junction arrangements, difficulties in procuring materials etc.

5.3. It was anticipated that by the end of Third Five Year Plan the traffic on this section would increase considerably from 6 passenger and 7 goods trains each way and the number of wagons dealt with at Ghorpuri transhipment yard would increase from 250 to 350 wagons per day. The average volume of traffic during 1968-69 and 1969-70 did not, however, exceed the traffic dealt with in 1962. The Railway Administration explained that the traffic was upto the capacity even in 1964 but later, restrictions were imposed for booking goods *via* Ghorpuri transhipment point as the capacity of the section was reduced due to the works being undertaken on the section. They have further stated that the traffic is expected to pick up during November, 1971—April, 1972 season. Delay in the completion of the work was, therefore, detrimental to the interest of the Railway as it is difficult to retrieve the traffic lost to the road.

5.4. The estimated outlay as per the present anticipations is Rs. 16.7 corores, 14.5 per cent of which is for 'general charges' Due to prolongation of the project beyond four years excess expenditure amounting over Rs. 20 lakhs was incurred on staff, equipments and stores. It may be mentioned that for doubling projects the limit fixed for 'general charges' is only 8.5 per cent of the cost of the work excluding general charges.

[Paragraph 29 of the Report of the C.&A.G. for the year 1970-71 on Railways].

5.5. The Chairman, Railway Board informed the Committee that the original target date for the completion of the conversion work as mentioned in the urgency certificate was December, 1966. But later on it was found that the work would require one more year and hence the target date was shifted to December, 1967. The work was however finally completed in April, 1971. As to the reasons for the delay in the completion of the work, the Chairman, Railway Board stated: "There were certain difficulties, and this work limped badly due to various difficulties. For example, in 1966-67 there was a very serious shortage of foodgrains, and most of this lay through Maharashtra which was a deficit area, and though the headquarters of the Railways which was doing this work was in Secunderabad, which was in Andhra Pradesh which was a surplus State, there were inter-State restrictions on the movement of foodgrains and the contractor could not feed his labour and his labour ran away and the contractor failed, and we had to enter into fresh contracts at very much higher rates, and this was one of the reasons why the work got delayed....We lost about 18 months on that account. Then, there was shortage of bearing plates, on which the rails rest; on the shoftwood wooden sleepers, steel or cast iron bearing plates are laid, and then the rails are laid."

5.6. The other reasons for the delay in the completion of the work were stated to be the time taken in the finalisation of a new alignment for the conversion which would pass through the Satara city instead of the Satara Road station which was on the old alignment and the decision to convert Miraj-Kolhapur section as part of the main project.

5.7. The Committee were informed by Audit that the Railway Board had while justifying the diversion of the alignment stated that "the decision to divert that line was taken at the highest level by the then Minister for Railways and that the following points appeared to have weighed with the Minister:

(i) the Railways are not only a commercial undertakings but also a public utility concern; a large city of considerable

hisorical importance would be benefitted by the diversion;

(ii) the diversion would help the development of Satara city where a large number of industries were coming up;

(iii) the diversion was supported strongly by the State Government; and

(iv) the conversion as whole was remunerative and the financial prospects of this diversion were not expected to affect adversely the financial viability of the project as a whole."

5.8. About the economics of the diversion, the Railway Board have in a note stated: "The diversion was found to be not justified financially (yielding a return of only 4.38 per cent in the 6th year and 5.50 per cent in the 11th year) on the additional investment of Rs. 1 crore. Also it would mean extra lead for through traffic."

5.9. During evidence the Chairman, Railway Board stated: "There were local pressures, and a stage came when finally Government decided that in public interest this diversion must be done.

Then, it was decided to convert Miraj-Kolhapur also as part of this project. That also was a factor which caused the delay."

5.10. The Committee desired to know the extra amount spent on the whole project because of delay in its completion. The Chairman, Railway Board informed the Committee that against Rs. 12.91 crores given in the urgency certificate, the amount finally sanctioned was Rs. 17.51 crores. Subsequently in a note furnished to the Committee the Railway Board have stated that "the revised cost of the project is Rs. 19.33 crores (net) as against the sanctioned cost of Rs. 17.23 crores (net)."

5.11. Explaining the reasons for increase in the cost of the project, the Chairman, Railway Board stated: "This was due to increase in cost, increase in contract value as there was failure of the contractor and we had to place contract at a higher rate." He added: "In days of rising prices, if a work gets delayed, to that extent the cost goes up. Some of these items were beyond our control."

5.12. The Committee desired to know the quantum of loss suffered by the Railways on account of the arbitration proceedings started by the contractor. In a note, the Railway Board have stated:

"The original target date of December, 1968 was put back to June, 1969 in view of the abandoning of work by certain major earth-

work contractors in the middle of 1966 asking for higher rates on the plea that the rates quoted by them earlier were not workable in view of the general rise in price level throughout the country caused by devaluation, shortage of food-stuffs and after affects of the conflict with Pakistan etc. Some contractors, no doubt, went in for arbitration (as per statement enclosed) but in the awards passed by the Arbitrators no reasons were given. However, from the amounts claimed and amounts admitted by the Arbitrators, which generally are very much less than the amounts claimed, it could be inferred that they admitted some of the claims of the contractors holding thereby that the contractors had a case."

5.13. The Committee enquired whether the conversion of Pune-Miraj MG line to BG line was justified in the light of traffic during 1970-71. The Chairman, Railway Board stated: "Conversion is justified in the sense of elimination of difficulties of transhipment at Gorpuri. For example, in Gorpuri transhipment took place. Now, it was going to be terminated. The labour also knew that transhipment was going to be terminated and many people went to alternative appointments." The witness added: "Once we give a fast service and remove all speed restrictions and have the normal speed we expect to get back the passenger traffic diverted to Guntakkal and also the goods traffic. It may take another year or so. We have already removed some restrictions; we are allowing reasonably good speed but I am talking of the maximum speed that would be permissible in this section."

5.14. In a written note, the Railway Board have stated: "The Southern Railway had projected the likely earnings of Pune-Miraj section starting with the estimated earnings for 1963-64 providing for an increase of 5 per cent per annum for seven years in respect of passenger traffic and 7 per cent per annum in respect of goods traffic for a period of seven years, i.e. upto 1970-71 when the line was expected to be opened. The anticipated additional earnings upto the first year of opening was rather unrealistic inasmuch as the trains were already running over-crowded and the section capacity was fully utilised and there was, therefore, no possibility of running additional trains (passenger and goods) for securing additional earnings. By 1970-71 the anticipated earnings of the projected portion alone under the goods and passengers were as under:

Goods	. .	Rs. 2,37,69,118
Passengers	. .	Rs. 1,61,42,886 (III class passengers only)

However, on account of the capacity being fully utilised, the earnings worked out in 1968-69 was as under:

	Rs.
Goods	1,61,41,338
Passengers	1,05,41,143
Other Coaching	17,52,465
TOTAL	2,84,34,946

It will be seen from the figures given above that there was no possibility of attaining the earnings as estimated in 1970-71. In fact the originating passenger earnings fell from Rs. 60.02 lakhs in 70-71 to Rs. 58.56 lakhs in 71-72. In 70-71 the actuals (apportioned earnings) for passenger traffic for the Project alone works out to Rs. 94,22,706. On the basis of passenger traffic earnings for 70-71, the total coaching earning is worked out to be as under:

	Rs.
Passengers	94,22,706
Other Coaching	15,87,141
TOTAL	1,10,09,847

In regard to 71-72 the total coaching earnings is worked out to be as under:

	Rs.
Passengers	98,37,305
Other Coaching	18,69,087
TOTAL	117,06,392

As regards goods traffic as against the anticipated figures of Rs. 237.69 lakhs as estimated by Southern Railway in 70-71 (Project alone), the apportioned earnings for 1968-69 works out to Rs. 161.5 lakhs and in 1970-71 it works out to Rs. 171.5 lakhs and in 1971-72 to Rs. 191.5 lakhs. The increase in earnings in 70-71 and 71-72 is Rs. 20 lakhs or nearly 12 per cent. It may be pointed out that during 71-72 there is lot of dislocation caused by the actual switching over MG to BG operation. Restrictions had to be imposed both on passengers and goods traffic for this purpose. The trade had to be advised to build up their stocks before March, 1971 so that they would not be inconvenienced during the period of actual switch-over from MG to BG. The loading of goods traffic was also affected on account

of non-availability of B.G. empties during this period to the required extent. Therefore, the volume of traffic during April to May, 71 was very much less. Further on account of low speeds prevailing during the first few months of conversion, the traffic was affected to a certain extent. This was unavoidable. Hence the earnings on passenger traffic was a little less than that of 70-71.

On Account of the Satara diversion involving extra lead of 11.5 kms. the additional net earnings on the basis of net tonne kms. and the passenger trains kms. run is estimated to be Rs. 1,47,940 on goods and Rs. 20,148 on passenger. Total Rs. 1,68,088."

5.15. The conversion of Pune-Miraj M.G. line to B.G. affords a typical example of lack of firm decision regarding the scope of the projects and consequent delay in execution which pushed up the cost of the project from Rs. 12.9 crores to Rs. 19.33 crores. The project which was expected to be completed in December, 1966 was actually completed in April, 1971. The decisions to change the alignment of the line to pass through the Satara city instead of the Satara road station and to convert Miraj-Kolhapur section as part of the project were an after-thought. It is significant to note that the diversion of the line was found to be financially unjustified according to an earlier examination. Even now it is stated to be not justified and what is more it means extra lead for through traffic. The Committee further note that the anticipated additional earnings upto the first year of opening of the line was 'rather unrealistic'. All these show that the project was not conceived properly and justified on the basis of realistic estimates. The Committee would, therefore, like the Railways to learn a lession so that the conversion of rail lines is undertaken after most careful and objective assessment.

Southern Railway—Unnecessary creation of traffic facilities for movement of boulders to Tuticorin-Harbour Project.

Audit Paragraph

5.16. The Project authorities of Tuticorin-Harbour Project advised the Railway Administration that 3 million tonnes of stone boulders were to be moved from their quarry siding near Ambasamudram Railway station to the Project site within a period of 3 years commencing on 1st July, 1965. They also stressed that Railway should build up capacity for an average clearance of 4000 tonnes per day during the peak period of construction.

5.17. To clear the above anticipated traffic of 3 million tonnes within the stipulated time of 3 years, it was estimated that loading of

155 wagons daily with a carrying capacity of 18 tonnes would be required for which it would be necessary to run 4 double headed trains per day. After taking into account the capacity available on the section, the Railway Administration proposed certain line capacity works in March, 1965 at an estimated cost of Rs. 14.22 lakhs with an estimated return of 46.7 per cent. These works were completed during 1965-66 at an approximate cost of Rs. 11.50 lakhs.

5.18. The traffic actually carried on the section was far below the expectation and could have been carried with the capacity available prior to the augmentation of the line capacity as the average number of wagons loaded daily during May, 1965 to June, 1971 ranged between 5.5 to 35.4 against 155 wagons expected to be loaded daily. The total volume of traffic carried during 6 years works out to only 0.64 million tonnes against the anticipation of 3 million tonnes in 3 years.

5.19. The Railway Administration explained (November, 1971) that the heavy shortfall in the movement of boulders was due to slower execution of the project and partial movement of boulders by road.

[Paragraph 44 of the Report of the C.&A.G. for the year 1970-71 on Railways].

5.20. The details regarding the boulder traffic carried by rail during the period from 1965-66 to 1971-72 are as given below:

Year	Quantity in tonnes
1965-66	21,215
1966-67	47,122
1967-68	72,090
1968-69	71,133
1969-70	96,840
1970-71	1,37,480
1971-72	1,43,542
Total in seven years	5,89,422

It is seen that against a forecast of 30,00,000 tonnes of traffic in 3 years the actual traffic in seven years was of the order of only 5,89,422 tonnes.

5.21. The Committee desired to know how the Railways assessed the traffic estimate at 1 million tonnes per year before creating facilities for movement of this traffic. A representative of the Railway Board deposed during evidence: "The first approach was made to the Southern Railway by the Chief Engineer and administrator of the Tuticorin harbour project that they would require to move about 3 million tonnes within 2½ years....Accordingly, the Southern Railway made an assessment of the additional facilities that they would be required to move this quantity of stone in 2½ years, and they wrote to the Railway Board. In the meantime, the Harbour project authorities had also made a reference to the Ministry of Transport and Shipping, and we received a letter from the Secretary, Ministry of Transport and Shipping. They slightly modified the demand and said that this quantity would be required to be moved in three years and not 2½ years. When we received this communication from the Ministry of Transport, we went into the representation made by the Southern Railway and accepted their justification for the provision of the facilities in view of the urgency of the movement required to be done within a period of three years. There was inter-ministerial discussion on the subject, and we received an assurance from the Ministry that part of the cost would be borne by them, for instance, on the siding at Ambasamudram quarry, from the quarry-site, that is, leading from Ambasamudram to the quarry-site, and the rest of the cost was to be borne by the railway, so we agreed to bear part of the cost for the facilities under discussion and the remaining cost amounting to Rs. 12 lakhs was borne by the Ministry of Transport and Shipping."

5.22. The Committee were informed that the facilities which the Railways provided included extension of loop lines at five stations, two additional loops at two stations and marginally additional loco sheds at Tirunelveli. Besides this the Ministry of Transport provided a siding leading from the station to Ambasamudram quarry and additional track facilities at the quarry site at a cost of about Rs. 13 lakhs. On being asked whether, apart from the estimates given by the Ministry of Transport the Railways made any study of the traffic potentials, the representative of the Railway Board stated: "The work was of a composite nature. In view of the urgency of the matter by the Ministry, the Railways actually sanctioned the work on an urgency basis." In reply to a question, the witness added: "If there were a progressive programme for construction of facility we would have certainly curtailed at that stage. But as the Ministry deposited their money which they spent, we had no doubt that they were not also investing reasonably. We actually spent less than them."

5.23. The Audit para states that the Railways expected a return of 47.7 per cent on their part of the investment. Asked about the basis for this expectation, the representative of the Railway Board stated: "It came to 46.7 per cent, because the estimated movement was about 155 wagons of boulders per day. This would have meant our running about 4 additional trains per day since it was to be done within a period of three years as envisaged and hence the returns envisaged were naturally quite high. On a section which was running only about 6.6 trains per day, we were going to augment the number of trains by another four. So, it was 2/3rds addition. It was worked out, vetted by our Finance, and we had no reason to dispute or doubt it."

5.24. In reply to a question the Financial Commissioner for Railways clarified that the expected return of 47.6 per cent was only for the duration of the 3 years during which the 3 million tonnes of the boulders had to be moved. He, however, added that the facilities created would be of use to Railways in the development of the hinterland for the port.

5.25. The Committee enquired how the Ministry of Transport estimated that 3 million tonnes of traffic would be required to be moved during a period of 3 years. A representative of the Ministry of Transport stated: "Assessment was made on the basis of preliminary report. We expected DPR would be prepared, got sanctioned and work done by 1965. We said we would require to carry 3 million tonnes in 3 years. That we would require for dumping into the sea to protect the harbour from the open sea....The Intermediate Ports Development Committee suggested development of Tuticorin Harbour as major port. This was done in 1960. We included this in third plan in 1961. We set up field organisation in 1962. In 1963 preliminary Project report was prepared. Our Development Adviser prepared the project report. The cost of project was expected to be 14 crores then. This was in 1963. It was a preliminary report. It was not sanctioned in toto but Government accepted this project as feasible. Small estimates were sanctioned from time to time. The Chief Engineer was appointed in May, 1963. Central Design Organisation was set up in 1963. Engineering Sub-Committee came in December, 1963. Preliminary project report was approved in February, 1963. Technical Advisory Committee was set up to go into it in detail. The Technical Committee examined the project. Detailed PR was made in November, 1964. It said cost would be about Rs. 24.3 crores. This was under examination in consultation with Planning Commission till middle of 1967. Note was put up to Cabinet suggesting that the

traffic forecast was not clear. Some expenditure was incurred on estimates from time to time, for small works. There was possibility of stopping all expenditure or proceeding on small basis. The Cabinet considered this in July, 1967. They said in that year 50 lakhs would be spent, and that Expert Committee could go into traffic forecast as there were doubts about traffic materialising. Another Committee was set up. The result of this was, movement was not as fast as one would have expected. It was in driblets. Movements of boulders was not of the order required for the whole project."

5.26. In a note the Railway Board have stated:

"This Ministry is not aware if and how the assessment underwent a change. On the contrary even as late as in August, 1968, the Ministry of Transport & Shipping advised that Armoured stones alone to the extent of 1.75 million tonnes had to be moved. Necessary concession in chargeable weight as asked for by the Ministry was also granted. Again in 1969, when the Chief Engineer & Administrator of Tuticorin Harbour Project invited tenders for movement by road because of 'advantage of eliminating double handling and consequent delays and demurrage charges', the Ministry of Transport & Shipping wrote on 27th September, 1969 that railways should arrange suitably to make available 'padded railway wagons in the requisite number' thus confirming that the demand for rail movement would continue.

Further correspondence that took place between our Financial Commissioner and the Secretary, Ministry of Transport & Shipping would indicate that all arrangements were made by the railways, but the T.H.P. failed to offer traffic to the projected level."

5.27. The following extracts from a D.O. letter (No. 24-PD-II(15)/70) sent by the Secretary, Ministry of Shipping and Transport on the 28th July, 1970 to the Financial Commissioner Railways gives an indication of the real limitations in the offering of the traffic:

"The construction of breakwaters at Tuticorin has so far been taken up only in small sections. This is due to the fact that the Project as a whole has not been sanctioned and consequently the financial allocations to the Project were not adequate. The work on the breakwaters has, however, now gained momentum. The major part of the work is expected to be got executed through contractors and

this will require movement of boulders at a rate far higher than the present rate.

* * *

"As brought about in the note, the financial allocations to the project in the past were not adequate for undertaking marine works on a large scale. The works have since gained momentum and I hope that the transportation of boulders for the project will also pick up. You will, however, observe that the estimate of the capacity of the railways to carry boulders is too optimistic an estimate. I understand there are practical difficulties at site. I am, however, having necessary instructions issued to the Chief Engineer and Administrator of the Project to utilise the line capacity to the full. I will also request you kindly to issue necessary instruction to the Southern Railway to cooperate fully with the Project Administration."

5.28. The table below gives details of the total quantity of boulder traffic moved by rail and road from Ambasamudram to Tuticorin Harbour Project during the period from 1965-66 to 1970-71:

	By Rail	By Road
	M.T.	M. T.
1965-66	21,215	
1966-67	47,122	
1967-68	72,099	
1968-69	71,133	
1969-70	96,840	81,564
1970-71	1,37,480	75,830
	4,45,889	1,57,394

5.29. From the above it is seen that from 1969-70 bulk of the boulder traffic started moving by road. Asked about the reasons for this, the representative of the Ministry of Transport stated: "The contractor has been representing that to move by rail gives him a number of difficulties. What happened was that he had moved 80 wagons a day by rail, but after moving for some time, he found it was quite difficult due to certain reasons." He added: "These points have been accepted by the project authorities and they have reported to us that because the output was quite low, and when it is low they found it cheaper to take by lorry."

5.30. The Committee pointed out that in the earlier years when the output was not much the traffic was being carried exclusively by rail and in the later years when the traffic had picked up a part of it has been diverted to road. Asked whether the relative cost of movement by rail and road had been worked out, the witness stated: "We are still examining that. The contractor has been making frequent representation."

5.31. Explaining the relative advantage of movement by rail and road, the witness stated: "The number of cranes required for movement by road is one crane at the quarry face and one crane at the break-water. The stones get loaded into the truck at the quarry face and get unloaded at the break-water to be dumped into the sea. If the stones are to be moved by rail, one crane is required at the quarry face. That small distance between the quarry face and the railway line has to be moved by lorry. We keep a crane at the quarry face and one crane at the loading point. Then loading of stones into the wagons creates some problems for the contractors because stones cannot be loaded into the wagon beyond a specified limit because if it is beyond the specified limit, there is danger of the wagon being damaged. The contractor is also required to pay for the entire capacity of the wagon, though he may not be able to carry that much capacity. He tries to make an exact loading equal to the capacity. That involves a number of adjustments. He makes that adjustment by using smaller stones. At the unloading point also, one crane would be required."

5.32. On being pointed out that these problems should have been visualised in 1963-64 when the estimates were made, the representative of the Ministry of Transport stated: "The difficulty about visualising can be realised from the fact that the contractor quoted a lower rate for movement by rail. It was thought by him perhaps that movement of such large things which are low rated commodity would be cheaper by rail. The contractor had quoted the rates to us one by movement by rail and the other by road. The rate for rail movement was lower. The argument of the project authorities now is that it is cheaper to move by lorry because of the provision of cranes and certain other factors etc."

5.33. The Committee enquired whether the movement of boulders was at any time affected as a result of Railway's failure to provide the requisite facilities. In this connection the representative of the Railway Board stated: "In 1969, when the movement of boulders went up after sanction of the project, a difficulty was experienced by the project people because the boulders were damaging the

wagon. So, what was required was protection on the floor and some wooden padding. They wrote in 1969 that the additional steel frames and wooden padding which was required should be provided by the Railways. We provided the padding and the steel frames and asked them to accept the cost, which they did. One thousand steel frames and wooden padding were provided to remove the difficulty. It was only for three weeks that we had to curtail the service due to shortage of coal occasioned by a strike on the Eastern Railway. Other than that period there was no short supply of wagons. Regular meetings are held between the two Ministries and whatever difficulties come up are discussed from month to month."

5.34. The non-utilisation of the capacity created for the movement of boulders to the Tuticorin Harbour Project is a typical instance where the Railways were given an incorrect forecast of traffic by the user Ministry. The Committee, cannot appreciate as to why the Railways did not subject the anticipations of the Ministry of Transport to a close scrutiny before deciding upon investments of the order of Rs. 11.50 lakhs on an urgency basis. The Project has also involved investment of a sum of about Rs. 13 lakhs on Railway siding etc. As against the estimated movement of 3 million tonnes of boulders by rail commencing from 1st July, 1965, the quantity moved during seven years ended 31st March, 1972 was a more 0.59 million tonnes. This was explained as due to delay in sanctioning the Harbour Project as a whole. Thus the rail facilities were provided without ensuring integrated execution of the project as a whole. It is surprising how the Ministry of Transport and Shipping could give indication regarding the transport requirement prematurely which led to unnecessary creation of traffic capacity. Such a casual approach to investment of public money cannot but be deprecated by the Committee. The whole matter, therefore, requires investigation to obviate recurrance.

5.35. Another matter causing serious concern is that having indicated that the entire traffic would be moved by rail, the Harbour Project had allowed diversion to road. How considerable was this diversion can be seen from the fact that a quantity of 1.57 lakhs tonnes of boulders were moved by road from Ambasamudram to Tuticorin Harbour Project during 1969-70 and 1970-71 as against rail movement of 2.34 lakh tonnes. The plea that the road transport is cheaper cannot be accepted in the absence of economics of the rail and road transports having been worked out and in view of the lower rates quoted by the contractor for movement by rail. The Committee, therefore, desire that the Ministries of Railways and Transport and Shipping should go into this question in detail and

inform the Committee of the steps taken to ensure that the rail capacity created specifically for carrying materials for the harbour is being put to effective use.

Southern Railway—Unnecessary creation of line capacity on the Villupuram—Katpadi section.

Audit Paragraph:

5.36. In order to meet the anticipated increase in traffic to Southern Railway *via* Dronachallem following the construction of Khandwa-Hingoli link which provided a through M.G. line from the North to the South and to move an anticipated traffic of 5 lakh tonnes of iron ore by 1962-63 (when compared to the level of 2.36 lakh tonnes moved in 1959-60) for export *via* the minor ports of Cuddalore and Pondicherry from Bellary-Hospet area, the Railway Administration executed line capacity works of extension of loops at 9 stations and additional loops at 4 stations on the Villupuram—Katpadi section between 1961 and 1964 at a cost of Rs. 14.81 lakhs.

5.37. In 1962, a new M.G. link between Salem and Bangalore was also sanctioned, making it possible for the traffic destined to stations on South M.G. system to by-pass to some extent Villupuram—Katpadi section. This new line was completed and opened for traffic in November, 1968.

5.38. The additional traffic which was anticipated to move over Villupuram—Katpadi section, however, did not materialise. On the other hand there was decline in traffic as a result of which total number of trains run on the section in 1969-70 was 7 each way against 8 trains each way handled in 1962-63.

5.39. The Railway Administration explained (November, 1971) that the non-materialisation of traffic was due to (a) increased traffic anticipated from the North *via* the through M. G. link not having come up (b) the export of iron ore *via* the minor ports not increasing to the anticipated level, though of late this has shown a tendency to pick up as may be seen from this increase in iron ore traffic from 0.74 lakh tonnes in 1969-70 to 1.43 lakh tonnes in 1970-71. Dieselisation of through goods services on this section has enabled clearing more traffic with some reduction in the number of trains run and to a limited extent there has been diversion of some of the traffic *via* Salem—Bangalore line.

5.40. Apart from the above, traffic facilities were created on the Guntakal—Dharamavaram—Pakala—Katpadi section also, at a cost

of Rs. 32.38 lakhs in 1961-62 for meeting the anticipated increase in iron ore traffic. This investment also remains unproductive due to non-materialisation of iron ore traffic.

[Paragraph 45 of the Report of C. & A.G. for the year 1970-71 on Railways]

5.41. It is seen that the line capacity works on the Villupuram—Katpadi section were executed for two reasons namely,

(i) to meet the anticipated increase in traffic to Southern Railway *via* Dronachallem following the construction of Khandwa—Hingoli link which provided a through M.G. line from the North to the South; and

(ii) to move an anticipated traffic of 5 lakh tones of iron ore from Bellary—Hospet area.

The traffic, however, did not materialise according to expectations. Explaining the non-materialisation of traffic *via* Dronachallem, the Railway Board have in a written note stated:

"Prior to the construction of the Khandwa—Hingoli link, as is known, the Northern metre gauge and the Southern metre gauge portions were two completely separate entities. Traffic from and to either of these units naturally had to undergo transhipment which constituted a big constraint in the free flow of through traffic. The proposed establishment of this link was, therefore, expected to generate traffic flows, with the removal of the constraint of transhipment, and the possibility of through movement along with the M.G. route. Estimates based on the original forecasts of traffic offering from the Western and Northern Railways indicated that if the movement which until then had been subject to regulation due to transhipment problems, was made free, the traffic to Southern Railway would be expected to increase by 50 per cent and the Southern Railway were to be prepared to deal with this additional intake at Dronachallem from the Central Railway.

However this traffic did not materialise as anticipated. It is difficult at this stage to precisely pinpoint the reasons for non-materialisation of the anticipated traffic but it may, perhaps be partly due to the reluctance of the trade to use the all M.G. route from North to South, but largely because of the sluggish growth in traffic which was adversely affected after 1965 due to the general economic recession in the country."

5.42. The table below indicates the targets fixed from time to time for movement of iron ore *via* Cuddalore and Pondicherry and the actual movement during 1959-60 to 1971-72:

Targets and movement of Iron Ore from BAY-HPT(MG) section to Cuddalore and Pondicherry Ports

Year (July to June)	To Cuddalore			To Pondicherry		
	Annual target (in tonnes))	Movement		Annual Target (In tonnes)	Movement	
		in 4-wheelers	In Tonnes		In 4-wheelers	In tonnes
1959-60 . .	250000 (For July & August 300000 (From August)	18301	219612		1402	..
1960-61 .	325000	16458	197496			
1961-62 .	300000	11307	183017			..
1962-63 .	300000	9856	162365			..
1963-64 .	400000	12918	215994	..	..	..
1964-65 .	400000	17338	397434	100000	3232	55093
1965-66 .	450000	17330	297129	150000	1095	19610
1966-67 .	350000	3520 Upto 1-10-66)	60683	150000		..
		11549	199016			
1967-68 . .	300000	6422	96330	..	..	
1968-69 .	150000	6129	110312	..	..	
1969-70 .	70000	4137	74466			
1970-71 .	250000	7945	143054			
1971-72 . .	300000	..	148557	..	..	..

5.43. From the above, it is seen that except for 1964-65 and 1965-66, the actual movement of iron ore *via* Cuddalore and Pondicherry was less than even the figures for 1959-60. Asked what was the basis for anticipating increase in iron ore traffic for export *via* the minor ports of Cuddalore and Pondicherry, the Railway Board have stated in a note as follows:

"The ore bearing areas of the Bellary-Hospet region have huge reserves of high grade iron ore, one of the main foreign

exchange earners of the country. It was estimated in 1958, that the proved reserves of iron ore in the region were of the order of 158 million tonnes.

2. The then Ministry of Commerce and Industry, *vide* their U.O. Note No. 8796/MD/58 of 13th November, 1958 forwarded a note prepared by the State Trade Corporation, on the subject of Export of Iron Ore, wherein it was stated that in order to retain the competitive strength of Indian Iron Ore, the freight cost had to be kept to the minimum and, therefore, iron ore had to be moved to the nearest port. Under this scheme, Cuddalore and Pondicherry were chosen as the ports through which iron ore could be exported at cheaper rates.

3. Based on the above decision of the State Trading Corporation, through which the entire export of iron ore was channelised, Southern Railway was addressed in November-December 1958 to examine and report on the minimum additional facilities required to handle the additional traffic of 2,00,000 tonnes *via* Pondicherry and 1,50,000 tonnes of iron ore *via* Cuddalore. The quantum of this ore traffic was as indicated by the then Ministry of Commerce and Industry, *vide* their U.O. quoted earlier above.

4. Later, the General Manager, State Trading Corporation, *vide* his D.O. No. STC/M/(MC)/74(15.62) of 6th April, 1962 again furnished a statement showing the rail movement capacity which the Corporation would like the Railways to provide on different sectors during the year July, 1962 to June, 1963. It was confirmed therein that the Corporation would undertake to ensure sufficient traffic in ore to fully utilise the additional movement capacity required to be created for the purpose. In regard to the rail movement requirements for ore despatches from Bellary-Hospet (M.G.) section, *via* Cuddalore during 1962-63, the S.T.C. had, *vide* the same letter, indicated this to be as follows:

Revised movement taget 1961-62 (Tonnes)	Expected movement in 1961-62(tonnes)	Capacity required for movement in 1962-63 (Tonnes)
3,00,000	2,05,903	5,00,000

5. The importance of maintaining the tempo of iron ore exports by gearing railway facilities to meet this demand was

emphasised time and again at the highest level, through correspondence, and monthly meetings held between the Railways and the State Trading Corporation Authorities."

6.44. The Railway Board have further stated:

"When the fact of non-materialisation of the promised quantity of traffic during 1962-63 was brought to the notice of the Chairman of the successor Organisation *viz.*, Minerals & Metals Trading Corporation, *vide* Board's letter No. 64| TTII/74/2 of 21/22nd February, 1964, the M.M.T.C. explained that the movement of Cuddalore was poor due to heavy accumulation of ore at the port and shipment difficulties. In the same letter (No. MMTC/M/(MC)/74/5/64 of 12th March, 1964), the M.M.T.C. again indicated that they still expected during the year ending June, 1964 to move about 3.5 lakh tonnes of additional ore than during the previous year from stations on Southern Railway. This indicates the optimism that still prevailed in their forecasts given to us.

When in April, 1970, the M.M.T.C. were again addressed and told that while facilities had been developed on the Southern Railway, on the anticipation of increased movement of iron ore to Cuddalore, the anticipated traffic had not materialised, they again indicated even at this stage that they expected that export of iron ore *via* Cuddalore was likely to be 2.5 lakh tonnes in 1970-71, increasing to 3 lakh tonnes in 1971-72.

It would be seen from the above that S.T.C./M.M.T.C. had constantly been anticipating an increased movement of iron ore via Cuddalore and Pondicherry ports, but their forecasts and assurances in this regard did not fructify.

Meanwhile, in view of the repeated assurance by S.T.C./ M.M.T.C., the Railways had to gear themselves as otherwise lack of necessary capacity would have adversely affected the movement of this export earning traffic.

The additional line capacity was thus created in the context of the anticipation of increased movement of iron ore traffic to Cuddalore and Pondicherry ports, as indicated by the State Trading Corporation (now Minerals & Metals Trading Corporation). The shortfall in the movement of iron ore has been attributed by the M.M.T.C. to there being no

appreciable increase in the sale of iron ore to foreign countries through these ports, a factor over which the Railways had no control."

5.45. The Committee desired to know whether the likely impact of the new M.G. link between Bangalore and Salem on the movement of traffic destined to stations on South M.G. system was considered before the line capacity works were undertaken on the Villupuram-Katpadi section. The Committee further asked if due to this link, the traffic destined to stations on South M.G. system could have by passed Villupuram-Katpadi section, what was the justification for the extension of loops at stations falling on this section. In a note furnished to the Committee, the Railway Board have explained:

"Even during 1960-61 when the proposal for the construction of the Bangalore-Salem section was under consideration, the issue of probable diversion of traffic from the existing M.G. and B.G. sections, including the Villupuram-Katpadi section, to the Bangalore-Salem link, was examined. It was, however, concluded that although there will be some diversion, nevertheless such diversion would be more than offset by the anticipated increase in movement of traffic likely by 1965-66.

At the time of examination for providing additional loops and extending of loops on the Villupuram-Katpadi section, the Southern Railway *vide* their letter No. W.56|XXVI|62, dated 25th April, 1961 addressed to Secretary (W), Railway Board had, while commenting on this aspect, stated that "the additional traffic which will develop as a result of the Khandwa-Hingoli link will go partly towards Bangalore, and partly towards Villupuram and South of Villupuram." Latter while spelling out the expected quantum of traffic likely to be moved on Villupuram-Katpadi section, the Southern Railway had stated that out of the additional traffic of 70 wagons per day expected to materialise at Dronachallem, 45 wagons were expected to move on the Katpadi-Villupuram section *en route* to Madurai and beyond. This indicates that the Southern Railway was all along fully conscious of the impact of the probable diversion of traffic from Villupuram-Katpadi section to the Bangalore-Salem link.

The question of diversion of export iron ore from the Bellary-Hospet mines to Cuddalore *via* the Bangalore-Salem link

was not mooted, due to the Villupuram-Katpadi link being shorter, and STC/MMTC's insistence on keeping the freight costs as low as possible in order to maintain the competitiveness of our export ore in the world market.

It will thus be apparent that the issue of probable diversion of traffic from the Villupuram-Katpadi section to the Salem-Bangalore link was gone into while examining the justification for additional facilities on the Villupuram-Katpadi section quite apart from the one which was undertaken in 1961 at the time of examination of the proposal for the new line from Bangalore to Salem."

5.46. While justifying the need for carrying out capacity works on the section, the Railway Board have stated in a note as under:

"The main point is that the linking of the North-South M.G. systems was expected to generate considerable additional through goods traffic. Based partly on this and largely on the anticipation of additional Iron ore traffic, certain capacity works were planned and executed on the Villupuram-Katpadi section. Neither the general goods traffic nor the Iron Ore traffic materialised as initially anticipated the former being mainly due to the general economic recession, while the reasons for the latter have been separately indicated....In either case, the non-materialisation of traffic as initially anticipated was beyond the Railway's control."

5.47. As regards the prospects for the utilisation of the traffic facilities provided at the cost of (i) Rs. 14.81 lakhs on the Villupuram-Katpadi section and (ii) Rs. 32.38 lakhs on the Guntakal-Dharmavaram-Pakala-Katpadi section the Railway Board have stated:

"However, the present indications in the movement of iron ore are showing an encouraging trend. The clearance during 1970-71 (1,43,053 tonnes) to Cuddalore port is nearly twice that during 1969-70 (74,466 tonnes). This figure has further gone up in 1971-72 (1,48,557 tonnes).

Besides the showing up of iron ore traffic, the overall trend of traffic also appears promising. Freight traffic carried on the Villupuram-Katpadi section has increased from 94.4 million NTKM in 1969-70 to 114.2 million NTKM in 1970-71 and 127.9 million NTKM in 1971-72.

Meanwhile, the major portion of the facilities that were provided related to the lengthening of loops. This has facilitated running of trains with increased trailling loads per train, following partial dieselisation of freight services over this section.

It will thus be seen that the increased capacity created on the Guntakal-Dharmavaram-Pakala-Katpadi and Katpadi-Villupuram sections had not been fully utilised due to the actual offering of iron ore traffic for movement being at a lower level than anticipated by M.M.T.C. and communicated to the Railways from time to time, while over this the Railways had no control, it would appear from figures of actual movement during the last three years, that the prospects appear encouraging, and that the facilities provided will be utilised to a considerable extent in future."

5.48. It is seen from paragraph 30 of the Report of C. and A.G. for 1970-71 on Railways that project estimate costing Rs. 6.58 crores for the construction of a new B.G. line from Hospet to Guntakal for movement of iron ore towards Madras Port were prepared in 1962-63 and the line was completed and finally opened for traffic in January, 1966.

5.49. The Committee note that apart from creating traffic facilities on the Guntakal-Dharmavaram-Pakala-Katpadi section at a cost of Rs. 32.38 lakhs in 1961-62, additional facilities were created on the Villupuram-Katpadi section between 1961 and 1964 at a cost of Rs. 14.81 lakhs to move the anticipated increase in iron ore traffic for export via minor ports of Cuddalore and Pondicherry from Bellary-Hospet area. The traffic moved to the miner ports, however, actually dropped from 4.52 lakh tonnes in 1964-65 to 1.99 lakh tonnes in 1966-67. Thereafter the traffic moved was much less. The Committee find that the project estimate costing Rs. 6.58 crores for the construction of the new B.G. line from Hospet to Guntakal for movement of iron ore towards Madras Port was prepared in 1962-63 and the work on the Project was completed in January, 1966. They would, therefore, like to know how far the significant reduction in the movement of iron ore to the minor ports was due to the opening of the new B.G. line from Hospet to Guntakal and whether there was any coordinated planning in creating additional capacity on the M.G. lines and the construction of a new B.G. line ostensibly for the same purpose of movement of iron ore.

5.50. It is seen that the capacity works on the Villupuram-Katpadi section were undertaken partly to meet the anticipated

increase in traffic to Southern Railway following the construction of Khandwa-Hingoli link providing all M.G. route from North to South. This anticipation also proved to be unrealistic. The Railway Board have stated that the reasons for the non-materialisation of traffic as anticipated cannot be precisely pinpointed. This is a case where the Railways cannot blame any other department for giving an unrealistic estimate of traffic and it typifies the Railway's own failure. The Committee cannot too strongly stress that the Railway Administration should be circumspect in undertaking capital works of this nature.

Central Railway—Singrauli-Katni Project

Audit Paragraph

5.51. In connection with the projected development of Singrauli Coal Fields during the Third Five Year Plan, the construction of Singrauli-Katni line was sanctioned in December, 1962 through an Urgency Certificate. The original forecast was that by the end of the Third Plan, 2.5 million tons of coal per annum would be produced at Singrauli, which would move over Obra-Singrauli. Further development of mines to 10 million tons level was expected by the Fourth Plan, by which time Singrauli-Katni line was also scheduled for completion, so that this coal could move to Western India.

5.52. In July, 1964 the Ministry of Mines had indicated that the target of coal production at Singrauli by the end of the Fourth Plan had been scaled down to 4.37 million tonnes for transport by rail and almost the entire quantity would be moving towards Obra. The Ministry of Railways (Railway Board) however, in December, 1964 decided to complete the work by December, 1968. The work on the line was later slowed down from 1965 and such items on which commitments had already been entered into were only proceeded with. All fresh commitments were stopped from 1966. The date of completion of the line was also progressively postponed to March, 1970 even though the work had been started in December, 1962 on an urgency certificate. It was expected that traffic Survey Report would be completed by 1968. The Survey Report was, however, actually submitted only in July, 1967. The total expenditure from year to year from the date of commencement, on this project is given below:

Year ending	Total Expenditure
1962-63	Nil
1963-64	1·50 crores

Year ending	Total Expenditure
1964-65	5·33 crores
1965-66	9·85 crores
1966-67	13·79 crores
1967-68	16.35 crores

5.53. The financial consequences of the opening of the line according to schedule and working it in the context of non-availability of coal traffic from Singrauli on which the entire project was based, was made by the Railway Board in the later half of 1967 and the possibility of recurring loss of Rs. 2 crores per annum was revealed. The Ministry of Railways (Railway Board) thereupon in November, 1967 proposed that such loss should be compensated by the General Revenues. The Committee of Secretaries, which examined this question in November, 1967, did not accept the magnitude of loss as indicated by the Ministry of Railways and desired re-examination of this and the revised assessments of the traffic prospects of this line. Between this period and December, 1969, the Railway undertook such studies and also attempted an assessment of the impact of transporting diverted traffic (which otherwise was expected to pass *via* Moghalsarai), upon the Railway Revenues. The Ministry of Railways (Railway Board) eventually decided in December, 1969 to complete the project on the following considerations:

(1) The Railways had already spent an amount of Rs. 17.44 crores and by spending about 2.6 crores more the line can be opened with minimum facilities;

(2) The line could be used for transporting 0.5 million tonnes of limestone from Barhi to Bokaro and Durgapur Steel Plants for which no line capacity was available on the trunk routes, besides transporting local goods and passengers and help in the general development of this backward area;

(3) The loss in the working of the line was expected to be about Rs. 1.35 crores as against the loss of Rs. 1.08 crores, if the line was sealed off at that late stage. It was expected that this additional loss of about Rs. 27.5 lakhs could be made up by inflating the distance for charge by 55 per cent taking into account the fact that the transportation of limestone and dolomite to the steel plants by

longer route in the absence of this rail link would have entailed additional cost.

(4) No diverted traffic was expected to move over this line.

5.54. It was pointed out to the Ministry of Railways (Railway Board) that if the need for the work had been reviewed in 1964 itself, the project could have been sealed off at a stage when the physical progress of the same was only 10 per cent and the approximate expenditure incurred was only Rs. 2.5 crores. It was, however, explained that apart from movement of coal traffic, this line was intended to meet strategic requirements and opening up of a backward area also and that these factors were also taken into account in completing the line.

[Paragraph 67 of the Report of the C. & A.G. for the year 1970-71 on Railways].

5.55. The Committee enquired how a forecast was made that by the end of the Third Plan 2.5 million tonnes of coal per annum would be produced at Singrauli. A representative of the Department of Mines stated: 'It was in April, 1962 that the Working Group on Third Plan submitted their report to the Planning Commission and they gave a figure of 2.5 million tonnes from Singrauli coalfields by the end of Third Plan." He added that as against a target of 2.5 million tonnes the Singrauli coalfields did not produce any coal during the Third Plan.

5.56. The Committee pointed out that according to the Audit paragraph the Singrauli Coalfields were expected to produce 10 million tonnes of coal by the Fourth Plan. In reply to a question as to how this target was fixed, the representative of the Department of Mines stated that this was only an indication given in 1961. Later on in a written note, the Department of Mines explained:

"The Singrauli coalfield, the northern most of the Central India coalfields is situated advantageously for the supply of coal to destinations in Northern and Western India. The proving of reserves in Singrauli was started in 1958 and, by 1960 the Geological Survey of India had proved the existence of 500 million tonnes of coal in a portion of the field. These reserves were contained in two seams one about 90 ft. thick containing 236 million tonnes of low grade coal suitable for thermal power generation and another averaging 50 ft. in thickness and estimated to contain 371 m. tonnes of better grade coal. As the coalfield extended over a big area (about 64 miles from east to

west and about 28 miles from North to South) the total reserves were anticipated to be very much more and capable of sustaining a high rate of production. Latest estimates put the reserves in Singrauli coalfield at about 9121 m. tonnes including 2724 m. tonnes of proved reserves.

Being a coalfield with such large potentialities and being conveniently located from the point of view of easy transport, it was considered in 1961 that Singrauli coalfield should have a target of 10 million tonnes in an overall production programme of 200 m. tonnes (Third plan target of 97 m. tons plus additional production of 103 m. tons) tentatively estimated for the Fourth Plan. This tentative programme placed before the Coal Council of India in its meeting on 19th September, 1961. The Council considered it but no decision was taken probably as it was then too early to finalise the Fourth Plan Programme. It is, however, noted from a letter received from the Coal Controller which was endorsed to the Ministry of Railways by the then Department of Mines and Fuel in May, 1962 that a Fourth Plan target of 10 m. tons from Singrauli was envisaged early in 1962, but it is regretted that it has not been possible to find out from the records now available in the Ministry as to how this figure of 10 m. tons was arrived at.

The Third Plan target of Singrauli coalfield was fixed at 2.5 m. tonnes from the Singrauli I and Singrauli II (Jhingurda) mines but midway during the plan period, the slump in coal demand set in. After the mid-plan review, N.C.D.C. suspended work on the Singrauli I project in 1964-65 partly due to the slackness in demand and partly due to non-availability of foreign exchange for the open cast machinery required for the development of the mine. The development of Jhingurda mine was continued for meeting the coal requirements of Renusagar (Hindalco) and Obra (U.P. State Electricity Board) power Station.

The report of the Fourth Plan Planning Group was submitted to Government in July, 1964. The Planning Group made an assessment of the requirements of coal as at the end of the Fourth Plan after holding detailed discussions with the various consuming industries, State Government.

Ministries etc. They also took into account the current consumption and rates of growth, current and projected. After this scrutiny, they estimated the demand for non-coking coal as at the end of the Fourth Plan to be of the order of 80.74 m. tonnes. A production programme to meet this demand was suggested by them after taking into account the approved Third Plan schemes of the National Coal Development Corporation, Singrauli Collieries Company and private sector. The group found that the N.C.D.C. projects would be able to achieve a production (non-cooking coal) of 8.19 m. tonnes by 1965-66 against their Third Plan target of 17.28 m. tonnes. This included production of 0.45 m. tonnes from Singrauli (Jhingurda Mine). In the Fourth Plan it was anticipated that addition to the target production of 1 m. tonnes from this project (as then envisaged) the Singrauli I project which had been suspended in the Third Plan, would be completed to achieve its target production of 3.05 m. tonnes and also expanded to produce further 0.32 m. tonnes. The total anticipated production from the Singrauli coalfield thus came to 4.37 m. tonnes (3.37 m. tonnes from Singrauli I and 1 m. ton from Singrauli II). These estimates were based on data furnished by the N.C.D.C. at that time.

It may be pointed out that the estimate of 10 m. tonnes production from Singrauli at the end of the Fourth Plan was a purely tentative one not based on any project reports. It was an expectation based on the huge quantity of reserves being proved in the coalfield and its proximity to the main consuming centres in the Northern and Western regions. It was more in the nature of a perspective plan on the basis of the very limited data then available. When the Planning Group gave its report in 1964, the position of the projects to be taken up in Singrauli had crystallised and it was able to take a realistic view of the possible achievements. Even this target has not materialised so far because the work on the Singrauli projects was again slowed down due to the absence of a firm indication by the power stations to take the coal from this field. Efforts are now being made to remove these hindrances so that the development of the Singrauli as well as other coal-fields are co-ordinated with the construction of the various large thermal power stations. A Standing Linkage Committee has been set up by Government re-

cently to co-ordinate such matters. The Ministry of Irrigation and Power, the Ministry of Railways, the Planning Commission and the coal producing authorities are represented in this Committee."

5.57. During evidence the representative of the Department of Mines informed the Committee that the Singrauli-Kanti rail link had never been suggested by that Department. In this connection, the Chairman, Railway Board stated: "In 1960-61 there was a coal transport crisis and the Railways were under very severe criticism. Railways tried their best to increase coal movement and in 1962 we were just about to meet the demand. At that time one of the things that Railway Ministry had emphasised was that there was no possibility of increase in capacity for movement on the grand chord Section and the outlying Coal fields must develop if there is increased demand for coal in the country. On that basis transport requirement was being thought of. When we heard Singrauli Coal field was to be developed, the question of rail connection for that coal field came up. The connections that were thought out were Chunar in the North and Katni in the south-west. N.C.D.C. were interested in having connection to Chunar side since they were having in the first stage to make supplies to power stations and the little extra that might have been left over was to be sent to Northern India. When full development of coal field was to be done the only outlet was to Western and Central India. At that time there was a lot of optimism in regard to coal demand and there was a lot of enthusiasm for planning and being ready for meeting the requirements for movement. In 1962 there was the emergency. At the time of that emergency the need for interior line for movement which would not be exposed was considered desirable on strategic grounds and in a meeting held on the 5th October, 1962 it was decided by the Minister for Economic Co-ordination that this line must be constructed and after a few weeks in a Cabinet meeting the progress of this line was asked to be watched and the Railway Ministry was asked to complete in 3 years instead of 4 years."

5.58. The representative of the Department of Mines informed the Committee as under:

"When we thought of Singrauli, we thought of giving some sort of additional source of production of coal for the North India power houses from the very beginning."

When the Committee pointed out that according to the Railway Board the plan was to move coal from Singrauli to Central and Western India, the witness replied: "That is not our stand." In

this connection, the Chairman, Railway Board stated: "This is a recent development. We have been asked to move coal from Bengal, Bihar coal fields to north India....In regard to the expansion of Badarpur power-house there was a controversy. We decided that we shall supply coal to Badarpur only from Singrauli and we cannot move it from Bengal, Bihar, but we were told that Singrauli is not likely to come up and we have to move it from Karanpura. The only way will be from Karanpura along with this line to the extent that the other existing route cannot move it. On this basis, the expansion of Badarpur power station is being considered."

5.59. In reply to a question the Chairman, Railway Board stated: "The line was to be ready at the end of the third plan. The survey report of the Railways did not justify the construction of the line immediately. The line was taken up on a decision of the Government that this must be taken up for strategic considerations earlier." He added: "If it was left to us, we would have taken it up later."

5.60. About the remunerativeness of the line, the Chairman, Railway Board stated: "It was not considered remunerative at this stage. At present, there is some hope of getting some lime stone to be moved from Katni area along the line of Bokaro. There is some possibility of moving some coal from Karanpura along this route and diverting some from Bihar and Bengal going to Western India to the northern area. This is under consideration."

5.61. Asked whether at the time of sanctioning the line the Railway Board objected to its construction on the grounds of its being unremunerative, the Chairman, Railway Board replied: "When a Cabinet decides to do a certain thing the Railway Ministry cannot really record its objection because it would be on considerations which are related to the overall interest of the country:"

5.62. The Committee enquired why the background of the decision to construct the line on strategic consideration was not brought to the notice of the Audit when the Audit para was referred to them. In this connection, the Chairman, Railway Board stated: 'We did not want to put all matters in the file in regard to the strategic matters and this was explained to the Auditor General last year. That is the reason why in the Audit para it is mentioned that there were the strategic considerations. We did not want to put all this because we felt that this would be published. We felt that this would be a published report and it would be known to all and there might be many questions to ask."

5.63. The Committee desired to be furnished with a detailed note explaining the circumstances under which the construction of the line was taken up and completed. The Railway Board have furnished the following note:

"In the P.A.C. meeting held on 21st September, 1972, P.A.C. desired to know the circumstances under which the construction of Singrauli-Katni rail link was taken up.

In this connection it may be stated that although the Singrauli Coalfields, where the deposits of coal are reported to be large, are to be exploited initially to cater to the Thermal Plant at Bobra (for which Singrauli-Obra link taken up), the N.C.D.C. Ltd., had indicated during June, 1960 that the future plans for the Singrauli Coalfield was to feed the consumers in Central and Western India, from this source. In the Inter-Ministerial meeting held on 4th May, 1961, the representative of the then Ministry of Steel, Mines and Fuel stated that by the end of Fourth Plan, the output of coal from the Singrauli Coalfields was likely to go up to 10 million tons per annum. Having regard to the long-term development of Singrauli Coalfields and its utilisation to feed Central and Western India, a preliminary Engineering and Traffic Survey was sanctioned in June, 1961 for finding out a most suitable outlet for Singrauli Coal towards Katni.

While these Surveys were in progress, the Coal Controller's letter to Ministry of Mines and Fuel in May, 1962 confirmed the target production of 10 million tons of coal per annum from the Singrauli Coalfields at the end of the Fourth Plan (1970-71). They also indicated that 2/3 of the production of Singrauli Coalfields was likely to move over the new rail link proposed from Singrauli to Katni.

The Planning Commission in their U.O. dated 10th August, 1967 (addressed to the Ministry of Mines and Fuel and copy endorsed to the Railway Board) informed that the railway line to provide an outlet for Singrauli Coalfields towards Katni has been included in the Third Plan against the provision of 200 miles required in connection with the development of coal industry.

It is, however, seen from the U.O. dated 16th August, 1962 from the Ministry of Mines and Fuel, addressed to the Planning Commission, that the Ministry of Mines and Fuel was not in favour of accounting the Singrauli-Katni rail line against 200 miles of railway lines planned for the development of coal industry in the Third Plan. (This

reference came to Railway Board notice only during November, 1967, when the Ministry of Mines and Fuel furnished their comments on the Paper prepared by the Railways for consideration by the Committee of Economic Secretaries).

From middle of August, 1962 onward, this project had gone into different important stages of consideration, on account of the then prevailing circumstances in the country at that time. They were as under:—

(a) The construction of Singrauli-Katni line was considered by the Committee of Cabinet (Economic Co-ordination) on 18th August, 1962 wherein it was recommended that the Railway Board should take up immediately the question of connecting Katni with Garhwa Road in continuation of the project which was already in hand to extend the railway line to Singrauli Coalfields. The connecting line, if constructed early, should greatly facilitate the movement of coal from the Bengal Bihar area to Western India. This line should be taken up on "top priority" basis and completed early.

(b) On 5th October, 1962, this project was discussed between the Chairman, Railway Board and the then Minister without Portfolio wherein the latter desired that the Singrauli-Katni line should be taken up in hand at the earliest and the project completed in the shortest possible period.

(c) This project was again discussed by the Committee of Cabinet on 17th October, 1962, wherein it was agreed that the line should be constructed on a 'top priority' basis and completed as early as possible.

(d) Based on the decision given by the Cabinet on 17th October, 1962, the Planning Commission in their U.O. dated 5th December, 1962, dealing with the objection of Ministry of Mines and Fuel's U.O. dated 16th August, 1962, finally approved this project for inclusion in the Third Five Year Plan against the provision for new lines required for coal industry.

Under the circumstances explained in para 4(a) to (d) above, the construction of this line was sanctioned on 22nd December ,1962 on the strength of an Urgency Certificate."

5.64. The railway line to provide an outlet for Singrauli coal fields towards Katni was included in the Third Plan against the provision of 200 miles required in connection with the development of coal industry. The National Coal Development Corporation is stated to have indicated in June, 1960 that the future plans for the Singrauli coalfield was to feed the consumers in Central and Western India from this source. Further development of mines to 10 million tonnes level was expected by the Fourth Plan by which time the Singrauli-Katni line was also scheduled for completion. It was on this basis that the line was sanctioned in December, 1962. However, on 16th August, 1962, the Ministry of Mines are stated to have informed the Planning Commission that they were not in favour of including Singrauli-Katni line against the Third Plan provision. Unfortunately this letter did not come to the notice of the Railways until November 1967. The Committee have been given to understand that the construction of the line was considered by a Committee of Cabinet (Economic Coordination) on 18th August, 1962. The Committee have not been made aware of the exact consideration that weighed with the Cabinet Committee and the data before them in deciding upon the construction of the line. They would also like to know whether the objections of the Ministry of Mines were brought to the notice of the Cabinet Committee at any time

5.65. The Committee have been informed that as against a target of 2.5 million tonnes the Singrauli coalfields did not produce any coal during the Third Plan period. The estimate of 10 million tonnes production at the end of the Fourth Plan does not appear to be based on any project reports. This was scaled down to 4.37 million tonnes and even this has not materialised. The Committee hope that efforts to develop the coalfields will be attended by enhancement of production and utilisation of the railway line constructed for the purpose.

5.66. An assessment of the railways before December, 1969 revealed that the working of the Singrauli-Katni line would result in loss of about Rs. 1.35 crores annually. There is now stated to be some hope of getting line stone to be moved from Katni area to Bokaro and some possibility of moving coal from Karanpura and diverting some Bihar and Bengal going to Western India and to the Northern area along this line. The Committee would urge that these should be examined expeditiously so that the loss on the line may be reduced.

CHAPTER VI

PURCHASES AND STORES

Extra expenditure on procurement of wheelsets owing to non-inclusion of requisite details in the tender specification

Audit Paragraph:

6.1 For the procurement of 848 Nos. plain bearing wheelsets (22.9 tonne) required for production of BOB and BWL wagons against 1970-71. Rolling Stock Programme the Ministry of Railways (Railway Board) floated a Global Tender (No. GP—56) in June, 1970 specifying wheelsets with built-upwheels as indicated by Research, Designs and Standards Organisation. Against this tender (opened on 10th August, 1970) a U. K. firm and an Italian firm submitted qutations. The U.K firm besides quoting for built-up wheelsets as per tender specification made and alternative offer for wheelsets with solid wheels which was cheaper by about £ 100 per unit than the built-up-type. In their technical comments R.D.S.O. observed that for 22.9 tonne axle loads, solid wheel of 915 mm dia. had not so far been adopted on the Indian Railways and that the U.K. firm's alternative offer as per their drawing being not suitable for retyring with the standard tyre was unacceptable Wheelsets (22.9 tonnes) with solid wheels had, however, been purchased earlier in 1966 on the advice of R.D.SO. that both built-up and solid wheelsets were accpetable for the type of wagons in question. This was pointed out to the R.D.S.O.,who thereupon cleared solid wheels also as acceptable. The Ministry of Railways (Railway Board) thereupon decided in December, 1970 to call for fresh tenders inviting quotations for both the types of wheelsets. Of the four firms (including a delayed and a late tender) who quoted against the fresh Golbal Tender (No. GP-59) apende on 30th January, 1971, the offer of the U.K. firm for wheelsets with solid wheels at £230-17-3/ $554.07 each was the lowest. This rate was, however, about 115 per cent higher than the last purchase price of $257.50 in August, 1966 and also about 29.5 per cent more compared to the rate of £178-4-5/$427.73 offered by the firm in August 1970 for solid wheelsets against Tender No. GP-56. Considering the substantial increase in the prices of imported wheels, tyres and axles during the past 4½ years, the Tender Committee recommended acceptance of the lowest rate obtained against the fresh Global Tender

(GP-59) and the order for supply of 848 wheelsets involving Rs. 42.29 lakhs in foreign exchange was placed on the U.K. firm in March, 1971.

6.2. In the meantime, the Railway Board had invited another Global tender (GP-58) for the supply of 1042 numbers of 23 tonne and 22.9 tonne wheelsets on the basis of some other requirements. The offers against this tender were opened on 28th October, 1970 and the order for 22.9 tonne solid wheelsets alone was placed on a Japanese firm which quoted the lowest rate. It was also decided that the rest of the requirement which related to 23 tonne wheelsets would be re-tendered as it was found from the offer of the Japanese firm which quoted both for built-up and solid type of wheelsets against the tender specifications of built-up type only that the rate for solid wheels was substatially lower. In connection with this re-tender the Japanese firm stated in January, 1971 that the current prices were higher than those offered by them against the original tender (GP-58) and that the prices would go up by a minimum 10 per cent from 1st February, 1971. They had also indicated that this would become evident when the offers against Global tender No. GP-59 (against which the Japanese firm did not make any offer) were opened in January, 1971. An Italian firm which had offered wheelsets (22.9 tonne roller bearing) at the rate of $ 546 against GP-58 (opened on 28th October 1970) quoted $601.20 for somewhat different wheelsets (22.9 tonne plain bearing) against GP-59 in January, 1971.

6.3. The Ministry of Railways (Railway Board) stated (October 1971) that the original tender did not provide for wheel sets with solid wheels as the IRS drawing was still with the composite wheel and in the previous tenders sometimes there was no significant difference in the prices of solid and composite wheels. They also stated that review of all wheelsets standard drawings had, however, been ordered for considering adoption of solid rolled wheels suitable for re-tyring and that till the recommendations are approved by the Standard Wagon Committee both composite and solid wheelsets would be included in all tender schedules. The Ministry of Railways (Railway Board) also stated (December, 1971) that a cable from a supplier could not be taken on its face value and that the quotations given by the Italian firm for two different types of wheelsets viz., BOY wagons under GP-59 and BOB|BWL wagons under GP-59 were not comparable in view of the fact that the latter wheelsets should even-in the normal course be expected to cost more than the former type of wheelsets. They have also stated that a comparison of the results of tenders opened in the middle or later half of 1971 with previous

purchases made at the end of 1970 or early 1971 in respect of a number of items like wheels, axles, tyres etc. to different drawings would show that there was a very marginal increase of about 2 per cent when indentical items are compared.

6.4. It may, however, be pointed out that against the quotation of $ 668.82 mare by the U.K. firm against GP-56 for the built-up wheelsets in August, 1970, they quoted $ 743.55 for an identical type of wheelsets later on in January, 1971 against the re-tender (GP-59), representing an increase of about 11.2 per cent. The delay caused by the omission to include specifications and drawings for solid wheelsets in the original tender and the consequent need for re-tender can, therefore, be said to have had the effect of compelling the Railway Board to pay higher prices later on which cannot, however, be exactly quantified.

[Paragraph 15 of the Report of the C & AG for the year 1970-71 on Railways]

6.5 The Committee desired to know the policy of the Railway Board in regard to the use of both built-up and solid wheels after 1964. In this connection, the Railway Board have stated.

> "The future policy of the Railway Board was to accept only solid wheels for carriage and wagons. However, till indigenous capacity was fully developed to meet the demand for solid wheels, as an interim measure both solid wheels capable of being tyred and composite wheels were to be accepted depending upon the price advantage.
>
> However, for certain applications on high kilometrage rolling stock like EMUS, only composite wheels are acceptable while for certain other applications like diesel locos, only solid wheels are acceptable."

6.6 The Committee were also informed by Audit that "in April, 1966 global quotations for 22.5 ton wheel sets for BOB wagons were called for with both solid wheels and built up wheels as permissible alternatives as advised by Research, Designs and Standards Organisation."

6.7 The Audit para states that the Global Tender (No. GP-56) floated in June, 1970 specified only wheelsets with built-up wheels as indicated by Research, Designs and Standards/Organisation. Asked how could Research, Designs and Standards Organisation furnish only the specifications for built-up wheelsets, when they had stated earlier in 1963 and 1966 that both built-up and solid wheels were

acceptable, the Railway Board stated: "The Research, Designs and Standards Organisation furnished specification for built-up wheelsets by overlooking their sketch for wheelsets with solid wheels. This was primarily due to R.D.S.O's sketch for wheelsets for solid wheels having not yet been standardised."

6.8 In this connection, the Audit have commented as under:

> "When pursuant to the recommendations of 41st CSWC, RDSO SK for solid wheel capable of taking a tyre was developed in 1962 it is not clear what stood in the way of its standardisation. Further, non-standardisation of the drawing would not be a valid plea for non-inclusion of solid wheelsets in GP 56, particularly in the context of earlier purchase of August, 1966 having been based on the non-standard drawing. It is true that in some of the previous tenders there was no significant difference in prices of solid and composite wheelsets, but this cannot be a reason for not indicating in the tender alternate acceptable supplies. The Railway Board, however, gave an assurance (October, 1971) that review of all standard wheelsets drawings had already been ordered, and both composite and solid wheelsets would be included in all tender schedules."

6.9. The Committee enquired whether on receipt of the specifications from Research, Designs and Standards Organisation, any attempt was made in the Railway Board's office to check-up its completeness etc. with refernce to tender schedules for the purchase of similar wheelsets in August, 1966. In a written note, the Railway Board have stated:

> "Research, Designs and Standards Organisation is a technical wing of the Railway Board and is in fact a part of the Board. Generally tender schedules prepared by them are not scrutinised in the Board as R.D.S.O. themselves initiate latest modifications to drawings and specifications."

6.10 To a question the Railway Board have replied that 22.9 tonnes wheelsets have been in use primarily as built-up wheels and that some solid wheels had however been used on BOB wagons.

6.11 The Committee pointed out that drawing for solid wheel set capable of taking a tyre was developed in 1962 and enquired as to what stood in the way of its standardisation. The Railway Board have stated:

> "The drawing of solid wheel is entirely different to the drawing of a composite wheel. Further the specification for

the composite wheel is also different. After a decision was taken in 62 for procuring solid wheels, a large number of drawings of coposite wheels had to be redrawn over a period of time.

The decision to go in for a solid wheelset in lieu of composite wheelsets was taken in view of the indigenous production at Durgapur of solid wheelset. However, Durgapur production did not come anywhere near the promised level and they could not even meet our requirement of 16 and 20 ton wheelsets. They have not manufactured 22.9 tonne wheelset till date and as such no urgency was attached to standardise the drawing for the solid wheelset for this application."

6.12. The Committee note that pursuant to a policy decision taken by the Railway Board both solid wheels capable of being tyred and composite wheels (built-up wheels) were to be accepted depending upon the price advantage, for carriage and wagons. It is regrettable that the permissible alternatives were not included in the schedule of requirements for the global tender floated in June 1970 for procurement of 22.9 tonnes plain bearing wheel sets. This omission and the consequent need for re-tendering compelled the Railways to pay higher prices. The RDSO are stated to have furnished the specification for built-up wheel sets only, overlooking their sketch for wheel sets with solid wheels. The Committee consider this to be a costly slip especially in view of the fact that the RDSO sketch for solid wheels was prepared as early as 1962 and solid wheel sets were in fact procurred and used earlier. The Committee trust that responsibility for the lapse will be fixed.

6.13. The Committee have been informed that the tender schedules prepared by the RDSO are not scrutinised in the Board as the RDSO themselves initiate latest modifications to drawings and specifications. Considering the lapse in this case, the Committee are of the view that there is a need for some system of cross-check in order to safeguard the financial interest of Railways. Action taken in this regard may be reported to them.

6.14. The Committee are unable to appreciate the delay in standardising the drawings for 22.9 tonne solid wheelset the use of it having been decided in 1962. The explanation that it has not been done owing to the fact that indigenous production has not started is not convincing. Since in the absence of indigenous availability, such wheels sets were being imported, there was no justification for keeping the standardising work in abeyance. While the

Committee expect that this should be done forthwith, they desire that Railway Board should see that there is no such delay in future.

Avoidable extra expenditure on the purchase of spares for electric locomotives on single tender basis.

Audit Paragraph

6.15 In June, 1968 the Ministry of Railways (Railway Board) awarded contracts on single tender basis to a foreign firm 'A' for supply of various spare parts including carbon brushes required for maintenace of electric locomotives imported from them and those built at Chittaranjan Locomotive Works with their collaboration. To meet the maintenace requirements of the Railways for the subsequent period, it was decided in November, 1969 to import 28,500 carbon brushes, as indigenous capacity was not adequate. Treating the carbon brushes as propriety items of firm 'A' quotation was invited from them again on single tender basis. The rates quoted by the firm were much higher (by about 25 per cent to 40 per cent) than those accepted for the orders placed on them in June, 1968. Firm 'A' however, followed up their quotation with a separate offer to accept as the basis the earlier June, 1968 prices which were, however, to be adjusted for price increases that had taken place since then. Based on this offer, the Railway Board decided in January, 1970 to place an order for 28, 500 brushes on firm 'A' at prices 10.57 per cent to 10.75 per cent more than those paid for the June, 1968 contracts.

6.16 However, before placement of the order, a French firm who claimed to be the sub-contractor of firm 'A' for carbon brushes, offered in February, 1970 to supply them directly to the Railways at much lower prices. At the rates quoted by them, the F.O.B. value of the proposed order for 28,500 brushes was Rs. 2.99 lakhs as against 7.38 lakhs demanded by firm 'A'. The order was accordingly placed on the French manufacturer directly in March, 1970. The prices paid by the Railways to firm 'A' in June, 1968 is found to involve an extra expenditure of Rs. 7.48 lakhs in foreign exchange (for 4,000 brushes) when compared with the lower rates obtained in March, 1970. This could have been avoided if, before issue of the proprietary certificates in favour of firm 'A' leading to the call of single tender from them, adequate steps had been taken to ascertain other sources of availability of the material.

6.17 The Ministry of Railways (Railway Board) stated (May, 1971) that since the A.C. locomotives were supplied by firm 'A' and no other agency for supply of their spare parts was known to them till February, 1970, the brushes were assumed to be the proprietary items of firm 'A'. They further argued (October, 1971) that the

French firm could supply brushes directly to the Railways only after they had established a satisfactory arrangement for representing their interests in India which was not the case in June, 1968. It is, however, observed that certain indigenous firms, claiming themselves to be the agents of the French firm have been manufacturing carbon brushes from imported carbon blocks with necessary technical guidance from the latter and supplying the same to the Railways since 1966. This should have indicated to the Railway Board that the carbon brushes could hardly be proprietary items of firm 'A' necessitating procurement on single tender basis. Even allowing for the Ministry of Railways' further contention that the indigenous products did not come upto the requisite sandard till 1971, there was nothing to prevent the Railway Board from importing the item from the French firm in June, 1968 itself since their Indian agents could reasonably be expected to represent their interests.

[Paragraph 17 of the Report of the Comptroller and Auditor General of India for the year 1970-71 on Railways]

6.18. The Committee enquired how the requirements of carbon brushes for Traction Motors, for periodical maintenance by Zonal Railways as well as for production purposes in C. L. W. were being met since 1960 when AC electric locomotives were placed on line. The Railway Board have intimated:

> "Zonal Railways had been obtaining their requirements of burshes mostly by import and to a limited extent from indigenous makers on trials only. For production purposes the burshes were being obtained from the original suppliers of the locomotives. Indigenous burshes were tried only to a limited extent and their performance was not satisfactory."

6.19. In another note the Railway Board have stated:

> "As far as possible, carbon brushes of the original make and type only are used for replacement in the machines as this is essential for obtaining the best performance and life expectancy from the machines. When original makes are not available,, brushes of other makes and types could, however, be used as alternatives provided their suitability is established by prolonged tests and trials."

6.20. The Committee were informed that "Proprietary certificates are issued only in cases of specialised items where only one satisfactory source of supply is known. Efforts are continually being made

to develop alternative sources, so that the need to issue proprietary certificate is minimised."

6.21. Asked what was the basis for treating the carbon brush as an article of proprietary nature, the Railway Board informed the Committee that "Carbon brush was certified by the indenting Railways as a proprietary item". In reply to another question as to the steps taken to make sure that there was no other source of supply of the carbon brushes besides the firm from which they were being imported, the Railway Board have stated:

> "AC locos manufactured by M|s. .... and C.L.W. were using carbon bursh es supplied by M|s.....These brushes are satisfactory and as there is no difficulty about their availability there was no need for experimenting with alternative makes of imported brushes."

6.22. The Railway Board have further stated that for the same reason "It was not considered necessary to explore through Railway Advisers abroad, the possibility of locating an alternative source for importing this item."

6.23. The Committee desired to know whether before the issue of proprietary certificate in favour of M|s....any reference was made to the Zonal Railways concerned for ascertaining the probable alternative sources of the carbon brushes. The Railway Board have in a note stated:

> "As Board was fully aware of the position of indigenous development of carbon brushes in the country and alternative indigenous sources for supply of suitable brushes to meet Railway requirement had not been established, the question of making a reference to the Railways for ascertaining alternative indigenous sources for these items did not arise."

6.24. In another note furnished at the instance of the Committee, the Railway Board have stated:

> "Railway Board was exploring all possibilities for the indigenous development of carbon brushes. DGTD, RDSO, Railways and the leading suppliers of carbon brushes in the country were fully aware that M|s Assam Carbon Products and M|s Reko Engineers had supplied some brushes to the Railways. These brushes were manufactured out of

carbon blocks imported by these firms from M|s Le Carbone. The quality of these brushes was not satisfactory as the fixing of pigtail connections in India was not properly done."

Purchases from M|s Assam Carbon Products and M|s Reko Engineers were done by the Railways on their own initiative and as a measure of expediency when imported suppliers were not available, but the Board was aware of those purchases."

6.25. From the above it is seen that in June, 1968 it was known that the indigenous manufactures had been manufacturing carbon brushes with technical guidance from M|s Le Carbone. The Committee enquired when it was known that brushes of Le Carbone grade supplied through indigenous manufacturer were being used on the Railways for a long time, why could not an enquiry be made from the firm (Le Carbone) directly or through their agents in India for making direct supplies to the Railways. In this connection, ,the Railway Board have stated:

"Railways were procuring carbon brushes from M|s Group and it was not clearly known to the Railways that M|s Group are procuring these only from M|s Le Carbone and supplying to the Indian Railways."

6.26. The Railway Board have further added:

"It was only when Shri Nagda of Le Carbone met joint Director Electrical Engineering, Railway Board, in February 1970 and advised Railway Board that it was clear that they were the sub-contractors of Group and were prepared to supply carbon brushes directly to the Railways."

6.27. The Audit paragraph brings out the issue of proprietary certificate in favour of a foreign firm for purchase of carbon brushes required for maintenance of electric locomotives on single tender basis without exploring other sources of availability and the resultant extra foreign exchange expenditure of about Rs. 0.48 lakh. That the foreign firm was in fact procuring the carbon brushes from a French firm and supplying to the Railways and that indigenous production was already established with the technical guidance from the latter did not regretably come to notice till their representatives met the Railway officials in February, 1970. The plea of the Railway Board that no attempt was made to locate alternative source as there was no difficulty about the availability of brushes from the original source is totally unacceptable. The question is not really whether there is difficulty in procuring them from the original source

but is one of getting them at the rates favourable to the Railways. The Committee cannot appreciate the practice of classifying an item as proprietary as a matter of routine. The Committee trust that in future the indenting Railways, before suggesting proprietary purchases, would locate alternative sources, if any, and the Railway Board would also explore the possibility through Railway Advisers abroad so as to procure the requisite stores at most competitive rates.

Grant of premium by way of higher fabrication rates on freight consideration to some C. I. sleeper manufacturers in Northern India

6.28. Till the year 1965-66, the Ministry of Railways (Railway Board) were following the practice of negotiating and awarding one single rate for the entire country for fabrication of C I. sleepers without reference to the location of the manufacturer i.e. whether they were located around Calcutta or in up country areas. It may be noted that the main raw materials required for the manufacture viz., pig iron and railway scrap were supplied F. O. R. firms' works. Only in the case of one firm (a Government Undertaking) an exception was made till about 1963-64, by granting a premium to the extent of Rs 7|- per tonne but this was also discontinued in the subsequent years.

6.29. From the year 1967-68, however, some sleeper manufacturers situated in the Delhi region closer to the consignees in Northern and Western Railways were given contracts at rates higher (by as much as Rs. 54|- per tonne in 1969-70) than the general rate given to the firms situated around Calcutta and in Orissa, on the plea that by buying the C. I. sleepers from them, there would be net gain to the Railways if the expenditure of freight charges payable on transporting the sleepers to the consignees at public tariff rates from the Estern region for an extra distance of abount 1500 Kms. were taken into account.

6.30. It is observed, however, that two firms who were paid higher prices under this new policy since 1967-68 were supplying C. I. sleepers at the common rate given to Calcutta firms till 1965-66.

6.31. The Railways had calculated the saving on freight charges at public tariff rates and justified this on the premise that additional traffic earnings would accrue by the transport of revenue-earning commodities instead of Railways own C. I. sleepers to this extent. This does not take cognisance of the fact that the section (Calcutta-Delhi) has adequate capacity under Diesel|Electric traction and no

revenue-earnings freight was likely to be displaced by the C. I. sleepers.

6.32. Further, the public tariff rate is a comprehensive one designed to cover the actual total cost of transportation including various factors such as loss|pilferage, damage to rolling stock, the permanent way, overhead charges, subsidy to low rated traffic, an element of profit, etc. On the other hand Railway materials carried in the same section between Railway consignees are actually charged at Railway material consignment rates (which is a fiat rate that has remained unaltered for a long time) of Rs. 13|-per tonne for haulage over distance of 1,500 Kms. as against Rs. 40|-to Rs. 54|- per tonne, now paid as premium to these sleeper manufacturers. It is observed that the line haul cost (for 1967-68) for the same distance worked out in accordance with the Ministry's instructions on cost study of freight rail transport works out to Rs. 7.50 per gross tonne on the assumption that the traffic is hauled mostly by Diesel traction.

6.33. It may also be mentioned that bulk of the supplies were made by the Calcutta-based firms and the proportion of supplies by these sleeper manufacturers in the Northern region was less than 10 per cent.

6.34. The placement of supply orders on the two main firms at higher rates on the consideration of freight advantage between 1967-68 and 1970-71, has resulted in the grant of additional payments to them to the extent of Rs. 10 lakhs. Against this, the cost of haulage of C.I. sleepers for the quantity ordered on them during this period at the Railways material consignment rate works out to Rs. 2.94 lakhs and the line haul cost Rs. 1.69 lakhs.

6.35. The Ministry of Railways (Railways Board) explained (October, 1971) that the actual haulage cost for a distance of 1,500 Kms works out to more than Rs. 50|- per tonne if alongwith the bare cost of haulage various other factors such as provision for loss, pilferage, damage to rolling stock, track, subsidy for low rated traffic and other overhead charges were taken into account.

6.36. In regard to line haul cost, the Ministry stated (December, 1971) that the amount of Rs. 7.50 per tonne taken by Audit was very low as this does not take into account the various elements of transport which are taken into account while working out the line haul cost. The have however, advised that an exercise in arriving at the all inclusive line haul cost is being undertaken.

6.37. The Ministry further stated that the actual extra rate granted to the up country firms was not allowed as a matter of course but was accepted after negotiation on grounds that they had to incur more expenditure than their counter-parts in Eastern region in the production of sleepers in the shape of transport on coke, coal, and lime and the labour imported from Orissa. The Ministry did not, however, at any stage during these years from 1967-68 to 1970-71 make any comparative study of the production cost of sleepers in the up-country region and in Eastern region and the higher rates given to the up-country firms have no direct relation to the actual costs of production.

[Paragraph 18 of the Report of the C. & A. G. for the year 1970-71] on Railways].

6.38. The Committee desired to know the reasons for making a change in the policy followed up to 1965-66 in regard to negotiating and awarding one single rate for the entire country for the fabrication of sleepers. The Chairman, Railway Board stated during evidence:

"Till 1965, the requirement of CST-9 sleepers was very large due to very heavy arrears of track renewals and the increased tempo of construction and doubling of lines according to the Plan Programme. The demand was out-stripping the capacity available in the Foundries. So due to this, there was a certain amount of lack of competition and all the suppliers tended to quote one rate. The only way in which this could be dealt with was to open negotiations with the major suppliers and beat them down to one rate and offer the same rate to all the people. This was followed up to 1965-66 and in these 4 years we were able to get about 90 per cent of the supply against orders placed on these firms. This showed that there was marginally inadequate capacity loading to lack of competition. In 1965-66 one party from up country protested and did not accept the contract at the same rate. In 1966-67 we did not purchase CST-9 sleepers. In 1967 we started purchasing CST-9 sleepers again. In that year we got an Audit note* in regard to avoidable expenditure in the procurement of sleeper plates. In that note there was an incidental observation that the balance requirements could have been supplied by foundries situated in distant places like Howrah, etc. and the estimate covered the cost at public tariff rates to the extent of obtaining 4900 tonnes of sleepers which could have been booked on these firms.

Now, this gave us the idea that Public Freight is what should be taken into consideration while dealing with the price that is to be

* In view of elucidation given by the Ministry of Railways (Railway Board) this Audit note was not pursued.

paid while buying from various places. It is also in accordance with Paragraph 343 of the Stores Code which requires that the Freight element at the Public Tariff rates should be taken into consideration while determining the cheapest sources of supply. Due to this reason and the fact that in 1965-66, we had one protest, and in 1967 when we started negotiating, the requirement was less and the competition was more from the Calcutta firms, final offers came down very steeply and the up country firms were not able to cut down the offer to the same level. We felt that it would be desirable to allow some increase, corresponding to only a proportion of the Public Freight charged to the parties that were in up country. It would be desirable to have a nucleaus of some foundry up-country also. We have some difficulty in getting the material from eastern region."

6.39. Asked whether, the Tender Committee which scrutinised the offers during 1967-68 to 1970-71, took into consideration the question of freight differential before allowing higher rates to the up-country manufacturers. The witness stated:

"The Tender Committee referred to the advantage of the Railways freight benefit and that subject was taken into consideration. That was the argument given by the Tender Committee."

6.40. In reply to a question whether any attempt was made to negotiate with the sleeper manufacturers in the up-country areas to make them agree to a general rate as before 1965-66 in any of the four years after 1967-68, the Railway Board have in a note stated:

"Orders for the procurement of C.I. sleepers are placed on the basis of open tenders. In open tenders the firms are expected to quote competitive rates. When the rates received against open tenders are considered high, negotiations are held with the firms usually with a view to obtain reduction in the rates to the maximum extent possible.

In the year 1967-68, the tenders were opened on 15-7-67. The rates were considered high and therefore, the firms were called for negotiation on 17-8-67. The rates quoted during the negotiation were also considered high and the tenderers were again asked to revise the rates. As a result of these attempts, the rates of the general group of Calcutta firms came down from Rs. 435 to Rs. 344. The up-country firms, however, did not bring down the rates to the level of Calcutta firms and continued to quote rates higher than the Calcutta firms. The alternative was either to place orders on them with a view to avail the large freight advantage on the basis of

public tariff rate or to ignore their offers. It was eventually decided to accept their offers.

In 1968-69, the rates received inthe original tenders by all the rates and no negotiations were held. The up-country firms had quoted slightly higher rates as in 1967-68. Thee principle of availing freight advantage had been accepted in 1967-68. The matter was considered again in all its aspects. In this connection extracts of Addl. Member/Works' note dated 4-6-68 are reproduced below:

> "A question may be raised as to whether these firms which get higher rates on account of freight differential got an undue advantage because of the higher rate they are able to procure by adopting this principle. In considering this aspect, the fact has to be taken note of that it is the labour from Orissa that are the most skillful and is predominantly used for the manufacture of CST-9 sleepers and they are largely available in and around Calcutta area. Procuring this labour in the distant areas or using alternative type of labour can be expected to be somewhat costlier than what the Calcutta and neighbouring firms have to face."

Thus it was decided to place orders on them also without any negotiations.

In the year 1969-70, the original tenders were opened on 30-4-69. The rate quoted for B.G. sleepers by a group of Calcutta firms was generally Rs. 414 per tonne. The up-country firms had quoted higher rates than Calcutta firms. Since the rates were considered high, the firms were called for negotiation on 27-6-69. The rates quoted by the up-country firms even after the negotiations were higher than the Calcutta firms. Since the increase demanded by those firms was less than the freight advantage available, their rates were accepted.

In the year 1970-71, tenders were originally opened on 13-3-70. The rate received from the Calcutta firms was about Rs. 468 per tonne for B.G. sleepers. Some firms had quoted lower rates also. The rates quoted by up-country firms were higher than the Calcutta firms. Since the rates were considered on the high side, the firms were called for negotiation on 8-5-70. The rates received from some of the firms after negotiations were considered reasonable and orders were placed on them and counter offers were sent to others. In regard to the up-country firms, the matter was considered as to

whether rates higher than the Calcutta firms could be offered to them to avail of the freight advantage available in the placement of orders on these firms.

In view of the principle enunciated in Addl. Member (Works)'s note dated 4-6-68, referred to above, orders were placed on 10 Calcutta and Orissa firms at a rate of Rs. 447 per tonne for B.G. and counter offers were sent at the same rate to the other Calcutta firms and at a rate of Rs. 465 per tonne to North Indian firms. The rate offered to North Indian firms envisaged an increase of Rs. 18 per tonne extra as compared to the rate offered to Calcutta firms. This was, however, not accepted by the North Indian firms. These firms, however, quoted a revised rate of Rs. 487 per tonne which involved an increase of Rs. 40 per tonne as compared to Calcutta firms. Since the actual saving in freight was much higher than the increase demanded by these firms and were not prepared to come down further in spite of negotiation and counter offers, orders were placed on them at the rate of Rs. 487/-.

It would be observed from the position explained that all efforts were made to bring down the rates further by up-country firms to the level of the rates offered by Calcutta firms. It may also be seen that the North Indian firms did not even accept the rates which were higher than of Calcutta firms by Rs. 18 per tonne."

6.41. Explaining the distinction between the Public Freight Rate and Railway Material consignment Rate, the Chairman, Railway Board stated: "We have railway material consignment rate that is applicable when both the consignee and the consignor are employees of the Railways. If the consignee is a trader and the consigner is a railway employee, then RMC rate does not apply, the public freight applies"—"The Traffic Department gives this concession to the Stores Department only so that the railway work may go through. If this rate is to be applied for normal trade supply made to the railway, the Traffic Department will be losing and they will not agree to give this rate at all."

6.42. On being asked why the stores purchased for use in the Railways could not be charged at RMC rate the Chairman, Railway Board stated: "There are two considerations: (1) We want that the responsibility of the supplier must be there till the goods reach destination by the consignee. If we take over goods and start loading we will not be able to get this check. (2) If we use RMC rate to make payment for supplies made by the trader to the railways, that will mean loss of public revenue and it will have a

serious implication on our budgetary position." He added: "Departmental movement is kept down to the minimum and is charged on the basis of direct costs. Direct costs are applicable where we have some surplus carrying capacity. If we do not have surplus carrying capacity, charging direct costs will involve really a loss for departmental movements."

6.43. The Committee pointed out that since the freight paid by the Railways on the transportation of sleepers involved only a book adjustment, it would be advantageous to take into account RMC rates rather than public freight rates. To this the Chairman, Railway Board replied: "I would only say that this rate is applicable when the owner is also a railway person. If I were to take delivery and load in the wagons, the difficulty will be that the consignee may not be satisfied. Our inspection is of two parts. One is the inspection that is done in the factory and the final inspection, according to the agreement, is to be done at the destination. If at the time of final inspection at the destination, there is some defect, we shall have no control over it. This is one reason, why we hold the supplier responsible for the quality of the goods and the number, till it reaches the destination. If there is any shortage, he accepts it and a claim is preferred against the Railways to the Chief Commercial Suprintendent and this decided by the Commercial Department according to the normal rules. The Engineering Department which requires this, does not come into the picture."

6.44. The Committee were informed that for transportation of the C|I. scrap Gr. I supplied to the manufacturers of sleepers free from Railway depots only RMC rates were calculated.

6.45. The statement below shows the price increases allowed to up-country fabricators from 1967-68 to 1970-71 and the assumed freight advantage calculated at the public tariff rates as also on the basis of Railway Materials consignment rates:

Year	Name of the firm	Increased rate allowed	Public Tariff rate	*RMC rates
		Rs.	Rs.	
1967-68	Ajanta Iron & Steel Co., Delhi	36	80	9·70
,,	Raman Iron & Steel Rolling Mills, Mathura	44	61	7.30
1968-69	Ajanta, Delhi	41	80	9·30
,,	Raman, Mathura	21	98·40	11·50

*The exact leads are not available in all cases.

year	Name of the firm	Increased rate allowed	Public tariff rate	*RMC rates
		Rs.	Rs.	Rs.
1969-70	. Ajanta, Delhi .	54 for BG	80 to 93	9·70 to 11·20
,,	. Raman, Mathura	59 for M.G. 54 for BG	70 to 90	8·70 to 10·80
1970-71	. Ajanta, Delhi	49	60 to 106	7·30 to 12·70
,,	. Raman, Mathura	49	60 to 100	7·30 to 12.00

*The exact leads are not available in all cases.

6.46. The Committee desired to know how did the Railway Board establish that there was a real saving in freight charges at public tariff rates by placement of orders on the sleeper manufacturers in the up-country centres. In a note, the Railway Board have stated:

"The increase in the rates allowed to up-country firms in comparison to the rates allowed to the Calcutta firms is based on the fact that if the quantity was not ordered on the North India firms, this would have been ordered on Calcutta firms in which case Railways' carrying capacity would have been utilised in the transportation of C.I. sleepers from Calcutta to Northern India and consequently Railways would have lost revenue earning traffic to that extent.

The rationale of taking freight advantage at public tariff rates is enunciated in the then Addl. Member/Works' note dated 4-6-68, extracts of which are given below:—

"*Freight Advantage on Sleepers*: However, when we come to the question of despatch of the finished sleepers, the position is exactly the reverse of what has been stated in Para (a) above. This is because the finished sleepers will invariably be moving in the direction of traffic and considering the fact that there is more and more demand of traffic from the Calcutta area, it will be advisable to decentralise

as far as possible, the supply from Calcutta area to the extent that freight advantage makes it beneficial to the Railway. For example, if we do not take the freight advantage which a Delhi firm offers for supply of sleepers to the Ferozepur Division of the Northern Railway, the alternative will be to get an equivalent amount of sleepers again from the Calcutta area and this will mean that there will be loss of public freight to the Railways. Therefore, it will be reasonable to take public freight into account when considering the transport of goods."

6.47. The Committee enquired whether upto 1965-66 when a uniform rate was being allowed to all the fabricators, the Calcutta firms were being paid more as compared to the upcountry fabricators. To this the Chairman, Railway Board replied: "I can only say that Calcutta people perhaps got an advantage due to market conditions. There was shortage of foundry capacity and we beat them down in the negotiations to the minimum possible. They had perhaps an advantage over the up-country firms. In all the orders that were placed in Calcutta, they might have had an advantage. I do grant that. But the up-country firms have to pay freight for transporting coal, limestone etc."

6.48. Subsequently in a written note on the subject, the Railway Board have stated:

"The expression that 'the Calcutta firms had advantages' is only a relative term which was intended to convey that the North Indian firms had a handicap in comparison to Calcutta firms. Even during the period before 1964-65 when uniform rates were being given to all the firms, the total supplies from North Indian firms was insignificant. Therefore, while assessing the reasonableness of the rates the rates of Calcutta firms were only considered and what was considered reasonable for Calcutta firms was extended to all the other firms and to that extent the up-country firms suffered a handicap. It is due to this handicap that the North Indian firms have not been able to develop their capacity. In this connection it may be mentioned that it was only after a price differential was granted to North Indian firms that new firms came forward to develop the capacity but after this system of price differential was stopped in 1971, 4 North Indian firms have stopped production of C.I. sleepers. Even two of the bigger firms from the remaining three still in production, have requested for smaller quantities."

6.49. The Committee enquired whether before allowing a higher rate to the upcountry fabricators any cost analysis had been done. The Chairman, Railway Board stated: "I must confess that no cost analysis was made, because it would not have been possible for us to know the exact cost from any party. These rates were not known to us and they would not disclose it. We could only beat them down by making use of the fact that we are the sole purchasers."

6.50. During evidence it was explained that one of the considerations which weighed with the Railways in allowing a higher rate to the upcountry farbricators as the extra expenditure which the manufacturers had to incur in bringing the raw material and the skilled labour from a distance. The Committee pointed out that instead of giving an enhanced price to the upcountry fabricators, the Railways could have purchased sleepers only from the Calcutta firms. In this connection the Chairman, Railway Board stated that had they not purchased from the upcountry fabricators they would have been forced to reduce their requirements. The Audit para however states that only 10 per cent of the Railways requirements were being met by the upcountry fabricators.

6.51. According to Audit para the different rates for procurement of sleepers were paid only during four years *viz.* 1967-68 to 1970-71 and thereafter again uniform rates have been introduced. Explaining the reasons for this, the Chairman, Railway Board stated: "In these four years, the local firms have developed competitive capacity to absorb the additional expenditure." He added: "Last year in 1971-72, we gave orders for C.I. sleepers at uniform rate and we were prepared even if the Delhi firms did not supply because our work programmes etc. permitted us to do that with slightly less orders. We could manage that. As far as 1972-73 is concerned, we have not yet placed any orders, but we find that tremendous resistence is there to accepting uniform rates. We are making an attempt, but we have not yet finalised our negotiations."

6.52. When the Committee pointed out why should the Railway Board be interested in developing the capacities of small scale sector, the witness stated: "We are very much concerned, because in 1970-71 the position in Eastern India was very bad; and but for our helping them elsewhere the small-scale industries would not have been able to meet our requirements to any extent."

6.53. The Committee enquired whether Railways have not considered the production of sleepers in their own workshops instead of

procuring them from private manufacturers. The Chairman, Railway Board stated: "We had not thought of a mechanised foundry in Jamalpur for dealing with sleepers in a big way because after a few years we will not be able to give it sufficient load."

6.54. During the period 1967-68 to 1970-71 rates higher than those allowed to firms located around Calcutta were allowed by the Railways for the fabrication of C.I. sleepers to two sleeper manufacturers in the Delhi region causing additional expenditure of Rs. 10 lakhs. The justification given that the Railways had a freight advantage calculated at the public tariff rates lacks force. The Railways apply what is called R.M.C. rate which takes into account only the direct costs for the movement of their own material. That this rate will apply only if both the consigner and the consignee happen to be Railways does not appeal to the Committee as the raw material for the fabrication of sleepers are supplied at the RMC rates and the sleepers are solely for Railway use. Further no revenue earning freight was likely to be displaced by the transport of C.I. sleepers from Calcutta. In view of this the Committee cannot but conclude that the Railways have not safeguarded their interests well. The Committee would suggest that in future while calculating price advantages the freight element should be calculated only at the RMC rates provided there is adequate line capacity to haul the material from the distant place.

Non-utilisation of surplus Railway scrap in the manufacture of C.I. Sleepers

6.55. The tender and contract conditions for manufacture of C.I. sleepers specify the use of a minimum of 50 per cent pig iron, the balance of 50 per cent being railway scrap to be supplied free. In June, 1969 at the time of finalisation of the tender for the manufacture and supply of sleepers during 1969-70 the question whether the scrap content could not be increased in view of the availability of more scrap with the Railways was examined by the Railway Board and it was held that the above formula restricting the use of scrap to 50 per cent, which was based on trials in a Railway (Jamalpur) Workshop on the Eastern Railway, should continue. It may be mentioned, however, that the sleepers that were being manufactured in the said Railway workshop were never at the ratio of 50 per cent pig iron and 50 per cent C.I. scrap. The proportion of scrap (Grade I) used was 70 per cent and only 30 per cent pig iron and 50 per cent Railway scrap so far adhered to could have been changed in favour of use of more railway scrap (purely of Grade I category) in the manufacture of C.I. sleepers. The Research, Designs and Standards Organisation had also suggested an increase in the use

of C.I. scrap Grade I (consisting of C.I. sleeper scrap, etc.) to 60 to 70 per cent in June, 1967.

6.56. During 1969-70, the Railways intimated the availability of C.I. scrap arisings for the manufacture of C.I. sleepers as 87,074 tonnes. However, as the requirements (at the rate of 50 per cent of the quantity) were assessed at 35,000 tonnes of C.I. scrap, the Ministry of Railways (Railway Board) directed the Railways (May and August, 1969) to dispose of the surplus scrap by auction. It is observed from the reports received from the Eastern, Southern, South Central and South Eastern Railways that a total quantity of over 23,000 tonnes of scrap was sold between September, 1969 and March, 1970 in auction at rates ranging from Rs. 320 to Rs. 500 tonne. Of this, the quantity sold in auction on the Eastern Railway itself (in scrap depots situated not far from the works of sleeper manufacturers such as Belur, Halishahar, Jamalpur) was of the order of 11,300 tonnes at an average of Rs. 365 per tonne. Considering that the cost of pig iron was Rs. 392 per tonne at the time of consideration of tender (June, 1969) and that after 31st December, 1969 it was Rs. 450/- per tonne, action could have been taken (by amending the tender and contract conditions of 1969-70 and 1970-71) to utilise more railway C.I. scrap in lieu of pig iron with resultant saving in cost and liquildation of scrap accumulations. The financial loss in the disposal of 11,300 tonnes of C.I. scrap Grade I, on the Eastern Railway alone between December, 1969 and March, 1970 by auction instead of by using the scrap in a higher proportion of upto 70 per cent in place of pig iron in the manufacture of sleepers works out to Rs. 6.46 lakhs (ex-cluding freight and incidental charges).

6.57. The Ministry of Railways (Railway Board) explained (October, 1971) that the increase in the usage of more railway scrap was not advisable in the overall as this might lead to more rejections and more melting losses thereby increasing the purchase rates of C.I. sleepers. In the Jamalpur workshop, the C.I. scrap used was a selected one and quality was easily controlled. The scrap to be supplied to the C.I. sleeper manufacturers was on the other hand of mixed type.

6.58. The Ministry, however, stated that the question of the minimum percentage of pig iron required for the manufacture of C.I. sleepers is under examination by the R.D.S.O. (December, 1971).

6.59. It may be mentioned that the railway scrap supplied to the sleeper manufacturers as per contract conditions is of same grade (Grade I) as that used in the Railway workshop. The C.I. scrap sold in auction in 1969-70 on the Eastern and other Railways men-

tioned above is also of Grade I. In 1967-68 and even prior to that, in 1963-64 and 1964-65, when contracts were placed on these manufacturers progressively reducing the proportion of pig iron from 100 per cent to 75 per cent and then to 50 per cent, increasing correspondingly the proportion of scrap content, no specific extra fabrication cost on this account was conceded.

6.60. In regard to the Ministry's observations regarding lack of quality control, it may be mentioned that even at present there is no machinery to ensure that the sleeper manufacturers actually use pig iron to the extent of 50 per cent. The C.I. sleepers are accepted after some physical tests only (without subjecting them to a chemical analysis) as prescribed in the specifications.

[Paragraph 19 of the Report of the C. & A.G. for the year 1970-71 on Railways].

6.61. The Committee desired to know the main considerations and advantages of using C.I. scrap grade I alongwith pig iron in the manufacture of C.I. sleepers and since when this practice had been in vogue. In a note the Railway Board have stated:

> "According to the description given in the Railways' Nomenclature and price list, C.I. scrap grade I comprises of broken/obsolete C.I. sleepers, Brake blocks, Drums defective, Fire Bars, Fiston valve rings and Bull rings, C.I. machinery parts-clean and without attachment, bearing plates, drag boxes, pulleys, steam chest liners, slide blocks and vacuum chambers. This type of C.I. scrap is considered suitable for manufacture of C.I. sleepers after blending it with a minimum 50 per cent of foundry grade pig iron.
>
> The use of C.I. scrap grade I in the manufacture of C.I. sleepers is resorted to mainly on two considerations; *first to conserve pig iron particularly when it is in short supply as was the case before* 1966; *and secondly to utilise the C.I. scrap available with the Railways to the maximum extent possible without affecting the quality of sleepers.* Till 1963-64, orders were placed generally on the basis of 100 per cent pig iron except for the 3 years from 1955-56 to 1957-58 when C.I. scrap from 25 per cent to 34 per cent was used (either railway scrap or firm's scrap). In 1964, the Ministry of Steel advised that consumption of pig iron in the manufacture of C.I. sleepers should be reduced and scrap must be used upto 50 per cent. However, scrap to the extent of only 30,000 tonnes and 27,000 tonnes

was available in 1964-65 and 1965-66 respectively. The orders were, therefore, placed on the basis of 25 per cent C.I. scrap in 1964-65 and 1965-66. During these years, the pig iron was a controlled commodity and its price was Rs. 236 per tonne (subsequently dated 4-1-64 increased to Rs. 274). Against this, the market price of C.I. scrap (which was not controlled then) was Rs. 400 per tonne.

In 1966-67, no orders were placed, but from 1967-68 orders have been placed on the basis of 50 per cent C.I. scrap."

6.62. During the evidence the Chairman, Railway Board stated: "The ideal raw material for a perfect casting would be 100 per cent pig iron. As long as pig iron was available freely and was cheaper than scrap, we utilised pig iron for this purpose. But as scrap became available when pig iron was controlled and its prices stated going up, we started using more and more scrap for this work and we have now stabilised it at 50 per cent as reasonable for the private sector contracts where there is no quality control and there can be no possibility of quality control because they do not have a laboratory and they do not have facilities for analsis, whereas in Jamalpur we can have tests made. We feel it would not be wise to change from 50:50 for private industries."

6.63. The Committee desired to know how the existing formula of use of scrap limited to 50 per cent only (balance 50 per cent to be as graded pig iron) came to be introduced and whether it was based on any test results. The Committee were informed that the use of a minimum of 50 per cent pig iron was specified on the basis of R.D.S.Os advice contained in their letter No. M&C/KRC/1/3CST-9 dated 23/26-7-66. It was also stated by the Chairman, Railway Board that this percentage was based on gereal considerations and "it was not based on scientific experiment but it was on the basis that we considered the limit upto which we could go in this case."

6.64. The Committee were informed that proportion of C.I. Scrap and pig iron used by the Jamalpur workshop on the Eastern Railway which has been manufacturing C.I. Sleepers since 1963-64 was as under:

Year	Percentage of pig iron used	percentage of scrap used
1963-64	40	60
1964-65	40	60
1965-66	40	60
1966-67 onwards	30	70

Referring to the above figures the Committee enquired how the formula 50:50 had been evolved when the Railways' own workshop had never adopted this proportion in the use of pig iron and scrap. The Chairman, Railway Board stated: "Jamalpur used to manufacture with cast iron plate scrap. Since we were able to get a very small quantity of this material which they were wanting, we had to get the supply of this scrap from other places. But they were not good cast iron scrap and they contained some other material. Secondly in Jamalpur, these persons were having the benefit of quality control. There was a metallurgist available, there was a continuous inspection. Whereas in private foundries, they were working on the basis of final inspection. So, we felt the limit upto which we could go in permitting use of scrap and we were not sure of the composition of this material if they were taken from the private source. If we asked the use of 60 per cent or 70 per cent, our rates might have gone up. Actually in 1965-66 we tried it. They lead down certain conditions in which certain financial implications were taken into consideration." He added: "The Chemist and Metallurgist in 1967 had stated that we could go upto the limit of 70 per cent as far as scrap is concerned, in Jamalpur. But in the recent experimentation that was carried out, he said, taking into consideration the type of sand we got, the limestone that we got, coke that we got, we should not increase the ratios"

6.65. The Committee were informed by Audit that the question of the minimum percentage of pig iron required for the manufacture of CI Sleepers had been re-examined by RDSO in 1972 and they have recommended that if graded scrap is used pig the iron content shall be restricted to 35 per cent to 40 per cent as against 50 per cent taken as minimum so far. Asked on what basis the proportion of pig iron had been reduced, the Chairman Railway Board stated: "Sir, this depends upon the type of raw material and the ash content in coke that you have got from time to time. We had more scrap and we had to make use of that selected scrap. They tried to increase it from 60|40 and they went with it for some time. The experiment was again carried out recently, a few months ago. They found that beyond 60 per cent., the rejection would be high in physical and mechanical tests. So, they have said that it would not be desirable to ask for that."

6.66. In reply to a question whether the new formula of 60 per cent scrap and 40 per cent pig iron was based on some scientific research, the Chairman Railway Board stated: 'Yes, Sir. This 60|40 ratio is based on recent scientific experimentation carried out by the Chemist and Metallurgist."

6.67. Giving reasons for the changes in the ratios from time to time, the witness added: "It must have been on the basis of raw material available at that time..... If we are able to get the proper raw material we are able to go upto 60. I would not say this is the final stage. If there is an improvement you may be able to have a higher percentage of scrap."

6.68. The Committee desired to know whether, the formula used in the manufacture of sleepers in so far as the proportion of pig iron and scrap was concerned has ever been referred for some expert opinion. In this connection the Chairman, Railway Board stated: "We have got at present a Foundry Expert who has been engaged as a consultatant for a short period. He is a person who has worked in private industry—in two or three firms. He is looking into this matter and we are awaiting his recommendations in the matter. If he recommends to us to make any change, we shall consider the same."

6.69. The Committee enquired whether by means of mechanical and physical tests it was possible to find out exactly the proportion of pig iron and scrap used in the manufacture of sleepers and if not, how have the Railways been ensuring that the manufacturers use the right proportion of pig iron and scrap as specified in the contract. In a note, the Railway Board have stated:

"The specifications for cast iron sleepers do not include chemical composition but stipulate certain physical tests to ensure strength, quality and other dimensional accuracy. But the Foundry Panel appointed by the Government of India (Ministry of Industry and Supply) in December' 64 [*vide* Government Resolution No. EEI-6 (28)|74 dated 24th December, 1964] had recommended the following composition to obtain the desired proportion and to ensure compliance with the tests stipulated in the specifications.

Total carbon	3·2	3·40%
Silicon	1·3	1·45%
Manganese	0·60	0·75%
Sulphur	0·12%	max.
Phosphorus	0 33%	max.

In order to obtain the chemical composition stated above, it would be necessary to use a minimum of 50 per cent pig iron Grade III and Grade IV. Otherwise the rejections due to failure in drop tests will increase.

Thus, the use of less than 50 per cent pig iron in the manufacture of C.I. sleepers will be reflected in increased rejections."

6.70. On being asked as to how it was ensured that the sleepers supplied by the manufacturer confirmed to the prescribed chemical composition, the Chairman, Railway Board stated: "We have no means to check what exactly those people say except on the basis of the end product and for the end product, we have certain tests."

He further added that in the specifications for cast iron sleepers plates, prescribed by the RDSO there are only physical tests.

6.71. To a question whether the Railways had any machinery for inspection of the sleepers at the manufacturing stage, the Chairman, Railway Board replied: "The only inspection done is by the DGS&D inspector and to my knowledge, he never carried out any such tests."

6.72. The Committee called for information regarding details of quantity of sleepers manufactured by Jamalpur Workshop on Eastern Railway and the percentage of rejections yearwise from 1963-64 onwards. In a note the Railway Board have stated:

"The information pertaining to the quantity of C.I. sleepers manufactured in Jamalpur Workshop is not abailable. However, the figures of sleeper plates and other PW materials manufactured in Jamalpur Workshop during the year 1964-65 to 1970-71 are given below:—

Year	C.I. sleeper plates and *other PW materials manufactured	Percentage of Rejections of C.I. sleepers
	Tonnes	
1964-65	10,499	24
1965-66	10,457	17·7
1966-67	9,286	17
1967-68	7,150	11·9
1968-69	2,719	20·5
1969-70	3,996	22·3
1970-71	3,725	20"

6.73. The percentage of scrap used by the Jamalpur Workshop from 1963-64 to 1965-66 was 60 and from 1966-67 onwards the percentage was 70. It would thus be seen from the above statement that there has been no abnormal increase in the percentage of rejections following the use of increased proportion of scrap from 1966-67 onwards.

6.74. During evidence the Chairman, Railway Board stated: "When we try to revise the percentage of scrap, those people ask for higher rates in an indirect way. We are now again negotiating with them and we will see whether it is possible to give them higher quantity of scrap."

6.75. The Committee pointed out that if the scrap was available the contractors should be asked to use more of it so that the price of end product is reduced. In this connection the Chairman, Railway Board stated: "We shall, in the negotiations, bear this point in mind and see whether we can get anything out of it; and the contractors will also say what their experience is. If they are using more than 50 per cent they may be favourable, but if not, they will ask for more price."

6.76. The following statement furnished by the Railway Board gives details of the scrap auctioned by various Railways during 1969-70, the rates obtained per tonne and the rate of pig iron during the corresponding period:

Railway	Month of auction	Quantity in M tons.	Rate obtained (in Rs.) per tonne	Rate of pig iron (in Rs.) per tonne (Average of Grade III and IV)	
Eastern	Dec. 1969	5000	365	386·50	
„	January 1970	4252	380	444·00	
„	February 1970	400	394	444·00	
„	March 1970	1700	360	444·00	
S. Eastern	January 1970	190	3283	444·00	
„	January 1970	544	387	444·00	
„	January 1970	210	390	444·00	
„	March 1970	674	372	444 00	
S. Eastern	1969-70	1934	345 to 441	386 50	Upto 31-12-69 and there after Rs. 444·00
Southern	April, 1969	25	430	386 50	
„	May 1969	50	455	386·50	
„	June 1969	950	482 to 500	386·50	
„	July 1969	110	490 to 500	386·50	
„	August 1969	117	410	386·50	
„	September 1969	2015	395 to 445	386·50	
„	November 1969	2000	320 to 370	386·50	
„	January 1970	1050	390 to 405	444·00	
„	February 1970	600	370 to 415	444·00	
„	March 1970	1950	380 to 450	444·00	

6.77 From the above it is seen that except in the case of Southern Railway where rates of scrap obtained through auctions between April, 1969 to September, 1969 were higher than the pig iron prices, there has always been a considerable differential between the pig iron prices and the prices of scrap as obtained through auctions.

The Committee enquired how in view of the price differential was it ensured that the contractors used the prescribed percentage of pig iron in the manufacture of C.I. sleepers. The Chairman, Railway Board stated: "The cast iron sleeper contract, on the basis of which the contractor supplies sleeper plates, includes our giving 50 per cent scrap which we presume goes into it and over the years they have not been asking for increase or decrease despite the fact that the relative prices of scrap and pig iron have been varying up and down, they have not asked for any increase and decrease. We presume that they generally use about 50 per cent. We have no means of ensuring that."

6.78 The witness added: "The difference between the price of pig iron supplied from the steel plants and that obtained from the open market, is not very high. In 67-68 there was a shortage temporarily. But thereafter there was no shortage at all and if these people had any serious difficulties, either it will be reflected in the slowing down of their supply or they would have come to us."

6.79 Subsequently in a written note the Railway Board stated:

> "No statistics about the rates of pig iron in the open market are available in this Office. It may, however, be mentioned that in 1967-68, cast iron sleeper manufacturers were insisting on the issue of our recommendation for the supply of pig iron. In the years that followed, the firms did not insist on such recommendations and presumably manufactured cast iron sleepers by obtaining pig iron from the open market. This would indicate that there was not much difference in the price of pig iron supplied by the Steel Plants and that obtained from the open market."

6.80 The Committee enquired whether the manufacturers of C.I. sleepers who have been supplying sleepers to the Railways had at any time purchased scrap through the auctions held by Railways from time to time. In a note the Railway Board have stated:

> "The Railways were allowed to auction cast iron scrap in 1966-67 and again in 1969-70 when the stock available with them was more than what was required in the manufacture of

C.I. sleepers. The cast iron scrap auctioned by the Railways was mostly purchased by the outsiders. Who were not cast iron sleeper manufacturers. It is observed that in the case of auction conducted by the Eastern Railway, where most of the C.I. sleeper manufacturers are located, out of 19600 tonnes of C.I. scrap auctioned in 1966-67, only 2000 tonnes was purchased by the C.I. sleeper manufacturers. Again in 1969-70 out of 6300 tonnes auctioned, only 750 tonnes was pruchased by C.I. sleeper manufacturers."

6.81 The following statement gives details of the pig iron supplied to the sleeper manufacturers by the steel plants against their requirements of pig iron from 1967-68 to 1969-70:

(In tonnes)

Year	Quantity C.I. sleepers ordered	Quantity of pig iron required	Quantity of pig iron supplied by steel Plants.
1967-68	1,23,233	61,616	7,994
1968-69	1,79,800	89,900	*47,738
1969-70 . .	68,500	34,250	*51,980

*This includes some quantity of pig iron supplied against previous years' contracts.

6.82 The Committee enquired whether the Railway Board accepted the figures of loss of Rs. 6.46 lakhs due to non-utilisation of surplus railway scrap as worked out by Audit. In a note Railway Board have stated:

"The Railway Ministry do not accept the loss of Rs. 6.46 lakhs due to non-utilisation of surplus railway scrap for the following reasons:—

(i) Even if the percentage of cast iron scrap had been increased it would have been to the extent of about 10 per cent only *i.e.* 60 per cent maximum, in view of the fact that R.D.S.O. had advised utilisation of 60 to 70 per cent of cast iron scrap. Railway scrap could not be utilised by more than 60 per cent as the railway scrap supplied to the sleeper manufacturers was in a mixed form.

(ii) The usage of more scrap would have resulted in higher rates as the use of more scrap involves more rejections.

(iii) While rates of pig iron are on F.O.R. destination basis, the rates fetched in the auctions by the Railways are on "as is where is" basis. The scrap auctioned by the Eastern Railway was mostly in Jamalpur and all quantities at other depots. In case cast iron scrap was to be delievered to the C.I. sleeper manufacturers for utilisation in C.I. sleeper manufacture, it would have to be sent to the nearest railway station or the firms' sidings as per contract conditions. This would have involved extra expenditure to the extent of about Rs. 40 per M/ton (Rs. 30 towards transportation and Rs. 10 towards handling.) If this amount is taken into account, the cost of scrap comes almost at par with the rate of pig iron prevalent in 1969 when the contracts were finalised."

6.83 From the explanations given the Committee are convinced that there is a case for increasing the utilisation of Railway scrap beyond 50 per cent in the manufacture of C.I. sleepers through contractors in substitution of pig iron which would result in savings in view of the large availability of scrap and considerable price differential between pig iron and scrap after the decontrol of the former in 1965. The Committee, however, note that the matter is under examination by a Foundry expert. His recommendation in this behalf and the action taken may be reported to the Committee.

6.84 The Committee have been informed that no inspection is done at the manufacturing stage to find out the proportion of the scrap actually used. Further, no test to bring out the chemical composition of the final product is conducted. As the pig iron supplied to the sleeper manufacturers by the steel plants during the period 1967-68 and 1968-69 was far below their requirement, it is not possible to rule out use of cheaper scrap in greater proportion than allowed. The Committee would, therefore, suggest that a satisfactory chemical test or in the alternative an inspection at the manufacturing stage should be provided for to guard against use of substandard scrap in greater proportion.

Central Railway—Loss in reconditioning of Bronze Borings

Audit Paragraph

6.85 Bronze borings emanating in the Railway Workshops are got converted by the Railway through the agency of contractors into

Railway Bronze Ingots to the specifications prescribed by the Indian Standards Institution.

6.86. In May, 1966, the Indian Standards Institution relaxed, with a view to conserving scrace non-ferrous metals, their specification for Railway bronze ingots through an emergency amendment, which raised the limits of impurities in the alloy to enable maximum use of scrap. This amendment was notified to the Zonal Railways by the R.D.S.O. in November, 1967, with the specific indication that it was to be adopted during the emergency period only. The Emergency was lifted on 10th January, 1968.

6.87 In response to tenders invited in September, 1969 for reconditioning 200 tonnes of bronze borings into bronze alloy, quotation were received to Indian Standards Specification as specified in the tender schedule, except from firm 'A' who quoted for the same specification with the emergency amendment which had ceased to be valid and another later amendment which had no financial consequence. The Tender Committee while considering the above offers in October, 1969, however, took into account these amendments and recommended re-invitation of fresh tenders to the specification with the latest amendments. Accordingly fresh limited tenders were invited in November, 1969. The lowest quotations received on this occasion were, however, higher than those received in October, 1969 by more than Rs. 300 per tonne and the same were accepted, attributing the increase to market fluctuations. The cancellation and reinvitation of tenders resulted in an avoidable extra expenditure of Rs. 73,860.

6.88 Again, two tenders for reconditioning 200 tonnes bronze borings each were invited, due for opening in October, 1969, one to Indian Standards Specification and the other to Indian Standards Specification with latest amendment. In response to these tenders also firm 'A' submitted its quotation to specification with amendments. The quotations received against these tenders were considered together in November, 1969. The Tender Committee did not analyse these quotations with reference to the then prevailing market rates but merely compared them with the cheaper rates obtained more than a year ago in July, 1968. The Committee came to the conclusion that as relaxation in the specification should have resulted in lower rates, it was possible that tenderers had not understood the implication of the revision of the specification and recommended negotiations with all the tenderers making clear to them the implication of the revision even though the earlier orders placed in July, 1968 were in fact with the emergency amendment in 1966 and further amendments

were not of material financial consequence. The tenderers were addressed in January, 1970 to offer reduced rates to the latest specification including the emergency amendment (which had in fact ceased to exist them). Meanwhile the validity period of the quotations received in October, 1969 had expired. The revised lowest offers obtained in Febraury, 1970 were even higher and involved an extra expenditure of Rs. 66,071 as compared to the lowest rates received in October, 1969. The revised offers were accepted, attributing the enhancement of the rates to the increasing trend in the market for non-ferrous metal.

[Paragraph 21 of the Report of the Comptroller and Auditor General of India for 1970-71 on Railways].

6.89 The Committee desired to know whether the Tender Committees which considered the tenders in the two cases mentioned in the Audit paragraph were not aware of the fact that the emergency was lifted on the 10th January, 1968 itself and thus emergency amendment was not valid thereafter. The Railway Board have, in a note stated:

> "Although the Tender Committees were aware of the fact that emergency was lifted on the 10-1-68, from the records available it appears that Tender Committee were not aware of the fact that emergency amendment No. 2-E of May, 1966 was Valid only during the period of emergency and hence not Valid thereafter. In this connection it is further submitted as under:
>
> The emergency amendment No. 2-E of May, 1966 issued by I.S.I. to specification No. 1458/1965 does not lay down any period for which it is applicable. In fact, the amendment has not been withdrawn so far by I.S.I. RDSO circulates periodically lists of specifications and amendments adopted for use on the Railways. While intimating the adoption of this ISI amendment RDSO in their circular letter No. SS/IRS/ISI/Adoption dated 7-11-1967 indicated that the amendment has been adopted for the period of emergency only. Unfortunately, this circular of RDSO dealt with 104 items of specifications and amendments and this amendment was one of them and as such was obviously-lost sight of. It was only in their letter No. SS|IS|1458 dated 21-7-70 (*i.e.* much later than the T.C. deliberations) that the RDSO specifically indicated that the amendment No. 2E ceases to have any more Validity. It appears from the records available that

the recommendation in RDSO's letter of 7-11-67 that the amendment should be adopted during the period of emergency only was not specifically brought to the notice of the tender committee and as such the tender Committees were not aware of the same."

6.90. In reply to a question whether the Railway Board were satisfied that the Tender Committee had acted in the best interest of the Railway Administration, it has been stated by the Railway Board:

"Yes. In this case the Tender Committee was solely guided by the consideration of obtaining lower offers and the need for utmost utilisation of scarce virgin metals with the adoption of materials to the emergency amendment and thus the Tender Committee have acted in the best interest of the Railways."

6.91 Bronze borings emanating in the Railway Workshops are got converted by the Railway through the agency of contractors into Railway Bronze Ingots to the specifications prescribed by the Indian Standards Institution. The Audit paragraph brings out two cases of cancellation of tenders received in October/November, 1969 and re-invitation of tenders which resulted in an extra expenditure of about Rs. 1.4 lakhs. This was primarily due to the fact that the Tender Committee was not aware that the validity of an emergency amendment to specification issued by the Indian Standards Institution, which had the effect of raising the limit of impurity in the alloy to enable the maximum use of scrap, expired on 10th January, 1968. The circular dated 7th November, 1967 of the RDSO in this regard is reported to have been obviously lost sight of. The Committee would also like to know whether there have been other similar lapses in the Central Railway and in other Zonal Railways.

6.92. The Committee understand that the emergency amendment did not lay down any period for which it was applicable. Although the RDSO's circular dated 7th November, 1967 indicated that the amendment had been adopted for the period of emergency only and the emergency was lifted on 10th January, 1968, it was only on 21st July, 1970 that the RDSO specifically indicated that the amendment ceased to have any more validity. In view of what has happened in the cases referred to in the forgoing paragraph, the Committee would like the Railway Board to consider rationalising the procedure for notifying such amendments to place matters beyond doubt.

CHAPTER VII

MANUFACTURING OPERATIONS

Chittaranjan Locomotive Works—Loss in the manufacture of Steel Castings.

Audit Paragraph

7.1. In para 19 of Audit Report (Railways), 1970, it was mentioned *inter alia* that the workload on Chittaranjan Locomotive Works Steel Foundry was considerably less than the installed capacity. With a view to utilising the spare capacity of the Foundry, the Chittaranjan Locomotive Works Administration accepted orders from Integral Coach Factory in July, 1966 for supply of 5 items of steel castings on firm prices which had been paid by the latter to private foundries. The delivery schedule as revised from time to time could not be adhered to by Chittaranjan Locomotive Works and ultimately Integral Coach Factory diverted orders valued at Rs. 16.56 lakhs to trade. Apart from delay in supply and consequent loss of orders, a considerable quantity of the items supplied were rejected and returned by Integral Coach Factory as defective.

7.2. The Chittaranjan Locomotive Works Administration stated (September, 1970) that the defects noticed in most of the castings were minor and could be easily rectified and used by other Railways to whom considerable quantities of such castings had been supplied in the past and that recovery of the total charges of Rs. 1.11 lakhs (including the estimated cost of rectification) in respect of one item was being negotiated with Integral Coach Factory. It is observed that there has been no progress so far (September, 1971) towards the rectification and disposal of the castings rejected by Integral Coach Factory except that only a few of them have been transferred to other Railways. Allowing for the credit realised for the rejected castings from other Railways, the net loss on the basis of expenditure booked upto March, 1971 in respect of the castings manufactured and supplied to Integral Coach Factory works out to about Rs. 5.21 lakhs excluding rectification charges and freight.

7.3. The Ministry of Railways (Railway Board) stated (December, 1971) that a few of the rejected castings pertaining to one item were set right by Chittaranjan Locomotive Works and sent to Integral Coach Factory for approval and that both the units had been asked

to go into the extent of rectification required and finalise the acceptance. In respect of another item, 50 per cent of the rejected castings were stated to have been rectified and supplied to the Railways and the balance would also be transferred expeditiously.

[Paragraph 25 of the Report of the Comptroller and Auditor General of India for the year 1970-71 on Railways.]

7.4. The Committee were informed that the following five items of steel castings were ordered on C.L.W. by I.C.F.:—

Sl. No.	Date of acceptance	Description of items	Nos.	Delivery
1	11-7-66	Draft Casting T-2,1.003	574	Commencing from Oct. 1966 @ 20% per month.
2	Do.	Buffer Plunger to IRS W-359	1098	Do.
3	Do.	Buffer Casting	1098	Do.
4	Do.	Axle Box Housing (BG)	2415	Do.
5	Do.	Axle Box Housing (MG)	1559	Do.

7.5. As regards the original delivery schedule for these orders, the Railway Board have stated:

> "The commitments regarding delivery, however, were made at a later date than the date of acceptance of orders. Subsequent to acceptance of orders, the matter was coordinated with I.C.F. in May, 1967 and it was decided mutually that, except for draft casting, separate procurement action was to be taken by I.C.F. to cover Buffer Plunger upto the end of December, 1967 and Axle Box Housing upto March, 1968. Beyond these periods CLW would start supplying these items to I.C.F."

7.6. Asked as to the reasons for revising the delivery schedule from time to time, the Railway Board have in a written note stated:

> "The rephasing of delivery was necessary because of the following two points:—
>
> (i) Load on the specific load centre in the steel foundry in which these items were to be taken up for manufacture was already heavy and shortage of machining capacity in CLW;

(ii) the additional time required to develop and establish these new castings satisfactorily before the delivery periods could be finalised."

7.7. The Committee desired to know whether the delay in the supply of various castings by C.L.W. to I.C.F. led to idling of C.L.W's steel foundry, which was expected to be avoided by these orders from I.C.F. In this connection, the Railway Board have intimated:

"There was no idling of C.L.W. Steel Foundry which had been simultaneously developing other items of supply to D.L.W. and for C.L.W.'s own production of locomotives, etc."

7.8. The following statement furnished by Audit gives the details of loss incurred by C.L.W. in the manufacture of steel castings:

STATEMENT SHOWING CALCULATION OF LOSS IN THE MANUFACTURE OF STEEL & CASTINGS

	Work Order No.	Description of Castings	Quantity ordered	*Quantity supplied	*Quantity rejected	Agreed rate	Amount recoverable from IGF for the Qty. supplied	Expenditure booked upto March, 1971	Loss incurred
						Rs.	Rs.	Rs.	Rs
1.	43/161/16	Draft Castings	574	571	571	100·50	57,385·00	96,837·97	39,545·47
2.	43/162/16	Buffer Castings	1098	703	332	140·00	98,420·00	2,45,109·83	1,46,689·83
3.	43/163/16	Buffer Plungers	1098	1348	490	200·00	1,89,600·00	(†)2,50,344·00	60,744·00
4.	43/164/16	Axle Box Housing B.G.	2415	594	52	301·00	1,78,794·00	4,08,901·89	2,30,107·89
5.	43/165/16	Axle Box Housing M.G.	1559	1058	100	275·00	2,90,950·00	4,76,222·42	1,85,272·42
							8,15,149·00		6,62,266·61
		Less credits obtained from other Railways for 400 rejected Buffer Plungers supplied to them							1,29,838·00
		Net loss : .							5,32,428·61

(*) Figures as furnished under S.A.O (C)/C.L.W's D.O letter No AC.Cost/O/213, dated 19/20-5-1971.

(†) Represents the value of 948 Buffer Plungers at the agreed rate of Rs. 200 per piece, the balance 400 rejected castings being supplied to other Railways and credit obtained.

7.9. From the above it is seen that a large number of items supplied by C.L.W. were rejected and returned as defective by I.C.F. In the case of draft castings (item 1 of the statement) the entire supply of 571 castings was rejected. In another case (item 2 of the statement) about 50 per cent of the quantity supplied were rejected and returned.

7.10. The Committee called for information regarding the present position of rectification of the defective castings by C.L.W. and the acceptance of the rectified castings by I.C.F. The statement below gives the factual position:

S. No.	Description & Drawing No.	Qty. on order	Machined castings supplied	Machined castings returned back to Chittaranjan/SF	Balance Qty. to be supplied	Position of returned castings	Remarks
1	2	3	4	5	6	7	8
1.	Draft Casting T-2-1-003	574	571	571	574 -	567	@
2.	Axle Box Housing (BG) T-0-2-602	2415	1164	52	1303	52	These are under rectification
3.	Axle Box Housing (MG) T-0-2-002	1559	1056	100	603	100	
4.	Buffer Plunger Q/BD-359	1098	1848	284	236	Nil	284 Nos. Distributed to : (120 Nos. SER on 3-7-70 78 Nos. ER on 7-7-70 86 Nos. WR on 18-7-71 202 Nos. diverted to S. Rly. GOC direct from ICF/Perambur on 15-4-70 and 24-8-70).
5.	Buffer casting T-2-2-005	1098	703	192	587	192	These are under rectification.

@4 Nos. machined and were sent to ICF/Perambur for approval. Based on the report further 4 Nos. castings rectified and inspected by CIO ICF. Further rectification is in hand. Also a drilling jig is under manufacture for correct drilling the holes.

7.11. From the above statement it is seen that except for 486 defective Buffer Plungers which have been diverted to other Railways, all othe defective castings returned by I.C.F. are awaiting rectification.

7.12. The Committee desired to know whether C.L.W. had finally settled the accounts with I.C.F. and what was the final picture as revealed from the accounts. In a note, the Railway Board have stated:

> "The work orders have not yet been finally closed and accounts settled by C.L.W. with I.C.F. The final picture will be indicated as soon as the accounts are closed.
>
> In this connection, C.M.E. (S.F.) and F.A. & C.A.O., C.L.W. were instructed to discuss this with I.C.F. As soon as the joint report on all aspects of this transaction is received, the accounts will be closed and the C.&A.G. advised."

7.13. In regard to the rates accepted by C.L.W. for supply of castings to I.C.F., the Audit have commented as under:

> "It may be noted that the rates accepted by C.L.W. for supply which were the same as paid by I.C.F. to private foundries did not cover costs of C.L.W. The loss of Rs. 5.21 lakhs as mentioned in the Audit Para represents the difference between expenditure booked upto March, 1971 and the amount recoverable from I.C.F. at agreed rates in respect of the castings manufactured and supplied to them, reduced by the credit realised for the rejected casting from the Zonal Railways upto March, 1971. This figure is likely to go up further when the I.C.F.'s orders are completed in full and the entire defective castings rectified."

7.14. In the 11th Report (Fifth Lok Sabha), the Committee took note of the shortfall in the utilisation of the installed capacity of the steel foundry at the Chittaranjan Locomotive Works. This Audit paragarph brings out unsatisfactory utilisation of the spare capacity. Although all the 5 items of steel castings ordered for by the Integral Coach Factory should have been supplied by September, 1968, 52 per cent of one of the items and 32 per cent another remained to be supplied at the end of December, 1972. This does little credit to the foundry. That there were heavy rejections in all the items supplied which were as high as 100 per cent in respect of one item and that the defective supplies are yet to be rectified make it still worse. Further, as against Rs. 8.15 lakhs recoverable from the Integral Coach Factory for the Supplies made the loss

incurred worked out to Rs. 5,21 lakhs excluding rectification charges and freight. Thus what was a case of non-utilisation of the full capacity has become one of highly unsatisfactory utilisation. The Committee therefore desire that the working of steel foundry of the Chittaranjan Locomotive Works should be thoroughly investigated so as to take remedial measures to not only fully utilise the capacity but also to utilise it efficiently and economically.

CHAPTER VIII

LAND AND BUILDINGS

South-Eastern Railway—Encroachment of Railway land

Audit Paragraph

8.1. A private firm (Firm 'A') got into unauthorised occupation of 1,88,863 square feet of Railway land at Burnpur and constructed some permanent structures thereon. The encroachment came to the notice of the Railway in December, 1956. The firm had agreed in April, 1967 to give in exchange an equal area of land to the Railway. The Railway Administration in May, 1969 approached the Railway Board for obtaining their sanction to the exchange of land but the proposal could not materialise as the Railway Administration informed the Board in October, 1969 that all lands in possession of the firm were mortgaged with the World Bank and any proposal to relinquish land by that firm would require World Bank's prior approval. Similarly, another private firm (Firm 'B') had encroached on 15,800 square feet of Railway land at Burnpur a long time back. This was noticed by the Railway in February, 1957.

8.2. The Railway Administration preferred claims amounting to Rs. 4.99 lakhs against the two firms (Firm 'A' Rs. 4.60 lakhs and Firm 'B' Rs. 0.39 lakh) towards damaged for use of the land in July, 1969 and May, 1970 respectively. The matter has not been settled so far.

[Paragraph 42 of the Report of the Comptroller and Auditor General of India for the year 1970-71 on Railways.]

8.3. The Committee enquired when did the firm 'A' get into unauthorised occupation of Railway land. The Railway Board have intimated that according to the firm's admission, the Railway land was occupied in an unauthorised manner from 1937. It has been further stated that "this unauthorised occupation, however, was detected by the Railway's Inspector of Works who was in charge of the section in 1956; and accordingly he recorded this accident in the Encroachment Register. If the Firm's admission is taken to be correct, then the unauthorised occupation was recorded in the Railway's encroachment Register 20 years after the occupation took place."

8.4. Asked why could not the unauthorised occupation be detected prior to 1956, the Railway Board have in a note stated: "The encroached land did not have any boundary wall; nor had the Firm

erected any structure in the railway land. It has, therefore, not possible for the Inspector of Works, or the permanent Way Inspector to detect the encroachment. It was only in the year 1956, when the erection of some structures on the strip of railway land was noticed, the same was considered as an encroachment on Railway land and necessary entries were made in the Encroachment Register by the Railway's Inspector of Works in charge of the Section."

8.5. In terms of para 803 of the Indian Railway Code for the Engineering Department every Railway Administration is required to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment; and is also responsible for the demarcation and periodical verification of the boundaries and the maintenance of proper records in connection therewith.

8.6. Asked what machinery had been employed by the Zonal Railway to keep watch over its land, the Railway Board have in a written note stated: "Prior to Regrouping of Railways in 1952, detailed instructions existed on the old B.N. Railway for timely detection and follow up action in the matter of encroachments on railway land.

The Inspector of Works and the Permanent Way Inspector in charge of the Settlement/Section generally look after the boundaries of railway land during their inspections. Standing instructions already exist in the Engineering Code and Way and Works Manual regarding maintenance of boundaries of railway land."

8.7. The Committee desired to know the action taken by the Railway Administration to evict the firm from the unauthorised possession of land after December, 1956, when the unauthorised occupation came to notice. In this connection the Railway Board have stated in a note as follows:—

> "In absence of any available records, it cannot be ascertained as to what action was initiated to evict the Firm 'A' from their unauthorised occupation of railway land during the period 1956—1962. It was only in 1962 that a letter No. L/5/51 dated 7th June, 1962 from the Railway's Divisional Superintendent, Adra was written to the Zamindary Manager of M/s. I.I.S.C.O. regarding the unauthorised occupation of railway land by them."

8.8. In the Audit Paragraph mention has been made of a proposal to exchange land with the firm which could not materialise. Asked

what were the considerations which weighed with the Railway Administration to agree to the exchange of land in preference to eviction, the Railway Board have stated in a note:

> "The encroachment made by Firm 'A' was in small strips of land at various locations. As these small strips of land were not expected to be of any use to the Railway in the foreseable future, it was considered advantageous by the Railway to take over equivalent area of land from the Firm 'A' at alternative site/sites, where staff quarters could be constructed for Railway staff conveniently. The land offered by the Firm 'A' in exchange was more valuable than the land encroached by them in small strips at different locations."

8.9. In reply to a question whether the land under unauthorised occupation could not have been sold outright to the firm at the prevailing market price, the Railway Board have stated: "In terms of para 826 E, the Railway Administration is not permitted to make an outright sale of railway land to outsiders without making any reference to the State Government. Accordingly the land could not be sold outright to the Firm."

8.10. Stating the present position of the case filed by the Railway Administration for claiming demages from the Firm 'A' for unauthorised use of land, the Railway Board have in a written note intimated:

> "The eviction case was filed before the Estate Officer in the year 1967, but this was dropped as negotiations with the party started for exchange of land. After the negotiations failed, the eviction case was filed before the Estate Officer again on 29th January, 1971. The Estate Officer issued notice to Firm 'A' dated 9th February, 1971 to show cause by 5th March, 1971, as to why they should not be evicted from the Railway land. Firm 'A' showed cause by their reply dated 1st March, 1971. They also filed a petition on 25th March, 1971 for a decision from the Estate Officer on the point of jurisdiction. The Estate Officer after hearing the petition dated 25th March, 1971 decided that he had jurisdiction and directed the party to put up documents on 12th May, 1971. Firm 'A' appealed against this decision of the Estate Officer before the High Court of Calcutta on 4th March, 1971. The High Court issued order—Civil Rule No. 1326(W)/71 dated 6th May, 1971. The Railway filed an

affidavit on opposition before the High Court on 3rd December, 1971. The case is now *sub-judice*.

According to this order from the Hon'ble High Court of Calcutta, the Estate Officer can proceed with the hearing but the final orders shall not be passed by him without leave of the Court.

Regarding further proceeding in the Court of Estate Officer, documentary evidences, *viz.* Mouza, Maps, Khatians, etc. relating to eviction proceedings are being collected from the Civil Authorities. As soon as the same are received from the Collector, they will be filed before the Estate Officer."

8.11. As regards the encroachment made by firm 'B', the Railway Board have in a written note stated:

"According to firm 'B' admission, the unauthorised occupation took place in January, 1937. The entries made in the Railway's Encroachment Register which was maintained by the Inspector of Works in charge of the Section, indicate that the encroachment was made in February, 1956. The land encroached upon was in small strips at different locations. In the year 1962, the Railway's Divisional Superintendent, Adra, vide his letter No. L/5/104 dated 7th June, 1962, wrote to the Zamindary Manager of M/s. I.S.W.C.O. drawing his attention to this encroachment of Railway land. In 1965, an eviction case was started against firm 'B' before the Estate Officer, Kharagpur; but it was subsequently dropped due to negotiations being carried out between the Railways and the firm for exchange of the land after verification of the encroachments."

8.12. In another note, the Railway Board have intimated: "An eviction case was filed before the Estate Officer on 5th May, 1971, but the Estate Officer returned the case on 14th May, 1971 asking the Railway to file the case afresh, together with all documentary evidences, *viz.*, Mouza, Khatians, etc., relating to the vacation of the railway land by the firm. A fresh eviction case was again filed before the Estate Officer on 26th November, 1971, together with the relevant documents. The Estate Officer issued a show-cause notice to M/s. I.S.W.C.O. on 18th April, 1972. The case is now *sub-judice* in the court of the Estate Officer."

8.13. As per the Audit paragraph, the Railway Administration preferred claims amounting to Rs. 4.99 lakhs against the two firms towards damages for use of the land in July, 1969 and May, 1970 respectively. Regarding the period of claims, the Railway Board stated as follows:—

> "In case of M/s. I.I.S.C.O., the period of claim was 32 years and 6 months; in other words, the claim was made for the period from January, 1937 to June, 1969. In case of M/s. I.S.W.C.O. the period of claim was 33 years; in other words, the claim was made for the period from January, 1937 to December, 1969."

8.14. The Committee find that 2.05 lakh Sq. ft. of Railway land at Burnpur (South-Eastern Railway) were encroached upon by two private firms since 1937, according to their admission and that the encroachment was detected by the Railway Administration in 1956/1957. The Committee further find that eviction cases have been filed before the Estate Officer recently. As the matter is sub-judice the Committee do not wish to make any comment at this stage. The outcome of the cases may be reported to them in the course.

8.15. The Committee would like to know whether there have been similar encroachments in South-Eastern Railway and other Zonal Railways. In view of what has happened in the case referred to in the foregoing paragraph, the Committee feel that there would be greater vigilance on the part of the departmental machinery in clearly demarcating the Railway lands and verifying the boundaries periodically.

Northern Railway—Loss in land acquisition.

Audit Paragraph

8.16. For the construction of the Delhi Goods Avoiding Line, 72.7 acres of land belonging to the Defence Department was taken over by the Railway during the period April, 1964 to April, 1966. The Defence Department demanded price at the rate of Rs. 40 per square yard but the Ministry of Railways (Railway Board) pointed out that the price paid for the land in the same area acquired through Delhi Development Authority was Rs. 8 only per square yard but agreed to the rate of Rs. 20 per square yard to close the issue. In the meanwhile, a part payment of Rs. 18.17 lakhs on 'ad hoc' basis had been made by the Railway upto 1965-66. The Ministry of Defence, however, reiterated in August, 1966 that on the basis of rate ascertained by them from the Deputy Commissioner, Delhi, the market value of land falling in the cantonment area was Rs. 40 per square yard.

8.17. Although the matter regarding price was yet to be settled, the Railway Administration made further 'ad hoc' payments of Rs. 50.89 lakhs to the Defence Department during 1966-67 to avoid lapse of budget grant. In pursuance of the instructions from the Railway Board in July, 1967, the Railway Administration made enquiries from the Deputy Commissioner, Delhi, who explained in May, 1969 that the rate of Rs. 40 per square yard was for fully developed land used for commercial and industrial purposes and that the price of land taken over by the Railway was Rs. 6 per square yard only.

8.18. While the question of refund of Rs. 47.95 lakhs is still being pursued by the Ministry of Railways (Railway Board) with the Ministry of Defence, the Railway has been incurring every year liability for payment of dividend to the General Revenues in respect of this amount. The dividend liability upto 1970-71 is Rs. 9.37 lakhs.

[Paragraph 43 of the Report of C. & A.G. for the year 1970-71 on Railways.]

8.19. In accordance with sub-rule 2(a) of Rule 282 of the Central Government Compilation of the General Finance Rules, in the case of transfer of land or building to the Railway Ministry from another Ministry or *vice versa*, the full market value of the land and buildings is chargeable. Asked what was the basis for offering the rate of Rs. 20 per square yard to the Defence Department, the Railway Board have in a note stated: "As the matter was pending for a long time and as the Defence Department were claiming that the basis for their claiming payment at the rate of Rs. 40 per square yard was the advice given to them by the competent local revenue authority *viz.*, the Deputy Commissioner, Delhi, an offer of Rs. 20 per square yard was made in order to reach a settlement and close the issue."

8.20. The Committee enquired when the Railway Administration found that there was wide disparity between the rates at which they acquired land through Delhi Development Authority in the same area and the rate advised by the Ministry of Defence in August, 1966, what action was taken to ascertain the reasons for the variations in rates and what was the outcome. In reply, the Railway Board have stated: "The Defence Ministry were quoting the rates of Rs. 40 per square yard as advised to them by the Deputy Commissioner of Delhi, who is the competent local revenue authority and hence it was felt that the rate could not be questioned. However, the Deputy Commissioner, Delhi was requested to give the basis for his valuation in September, 1967, based on Board's letter of July, 1967 and it became known that the rate for the land taken over would be Rs. 6 per sqaure yard."

8.21. Asked when the price had not been settled what prompted the Northern Railway Administration to make part payment of the cost of land, the Railway Board explained: "The payment was made on an *ad hoc* basis to avoid lapse of funds."

8.22. In reply to another question as to what were the circumstances under which Budget provision was made in 1966-67 for balance payment and whether the amount could not have been surrendered without utilisation, the Railway Board have stated:

> "Budget provision was made hoping that a settlement would materialise. The amount could have been surrendered but there have been some criticisms in Parliament and elsewhere of such surrenders. Hence the payment was made on purely an *ad hoc* basis pending a settlement. At no time it was thought that the Deputy Commissioner, Delhi would bring down his valuation from Rs. 40 per square yard to Rs. 6 per square yard."

8.23. As regards the steps taken by the Railway Administration for securing refund of Rs. 47.95 lakhs from the Ministry of Defence, the Railway Board have intimated:

> "The question of refund is being vigorously pursued with the Ministry of Defence. The matter was taken up at a very high level *i.e.* the then C.R.B. wrote to the then Secretary, Ministry of Defence in June, 1971 and the matter was proposed to be discussed by the Railway Officers with the Joint Secretary of the Ministry of Defence. However, these discussions could not take place due to one reason or the other. The Joint Secretary, Ministry of Defence has been reminded by the Director, Civil Engineering (Works), Railway Board on 30th July, 1971, 31st August, 1971 and on 13th July, 1972 for the refund of this amount. In case this does not materialise, the amount would be adjusted against future payments to the Ministry of Defence. The Chairman, Railway Board has again written to Defence Secretary on 29th July, 1972."

8.24. The Railway Board subsequently furnished a copy of the letter dated 28th November, 1972 received from the Principal Secretary, Ministry of Defence (reproduced in Appendix IV). The Principal Secretary has contended that there is no overpayment.

8.25. The Committee regret the delay in determining the value of 72.7 acres of land at Delhi taken over by the Northern Railway from the Defence Department 6 years ago. Although the Defence Department demanded price at the rate of Rs. 40/- per sq. yard, according to the Deputy Commissioner, Delhi this rate was for fully developed land and the price of land taken over by the Railway was Rs. 6/- per sq. yard only. Further, the Committee find that the price paid for the land in the same area acquired through the Delhi Development Authority was Rs. 8/- per sq. yard. On the basis of rate indicated by the Deputy Commissioner, the Railway has made an overpayment of Rs. 47.95 lakhs which, however, has not been accepted by the Defence Department. After going through the facts of the case the Committee cannot resist a feeling that the Defence Department has not taken a realistic attitude. As it is undesirable to inflate the capital-at-charge of the Railways with the attendant dividend liability, the Committee would urge that Government should see that a settlement is reached early.

CHAPTER IX

UTILISATION OF ASSETS

Southern Railway—Non-utilisation of imported underframes

Audit Paragraph

9.1. A large number of underframes (650 Nos.) for the manufacture of passenger coaches were ordered by the Ministry of Railways (Railway Board) in June, 1957 from Poland. Out of this, two consignments of 88 underframes were received in Madras in March and September, 1958. Thirty eight of the underframes were, however, received without bogies and accessories. Twenty six of these, meant for the South Eastern Railway, were despatched to them. In 1959, however, 18 of these were returned to the Southern Railway in a knocked down condition and without bogies and accessories, for use in manufacture of coaches by the Integral Coach Factory. Although in November, 1959, South Eastern Railway offered the bogies required for these underframes (from out of 40 bogies received in excess by them against consignments cleared at Calcutta Port), the actual despatch to Southern Railway materialised in 1964 (34 Nos) and 1966 (2 Nos.) following a directive from the Ministry of Railways (Railway Board) in February, 1964.

9.2. The missing components were not received despite frequent references made by the Southern Railway to the Ministry of Railway (Railway Board). In November, 1960, the Integral Coach Factory reported to the Ministry of Railways (Railway Board) that these underframes were not suitable for coach construction. In April, 1961, the Ministry of Railways (Railway Board) directed the Southern Railway to retain the underframes till the question of missing accessories was settled.

9.3. Five years later, in October, 1965; the Ministry of Railways (Railway Board) approved the suggestion of the Southern Railway to use the underframes for the construction of 57 motor and parcel vans which were originally planned to be built on old underframes. The Southern Railway could not, however, proceed with the building of the vans for want of accessories. After protracted correspondence with the South Eastern Railway and the Ministry of Railways (Railway Board), accessories for 12 out of the 18 underframes only could be obtained by May, 1967. These accessories were found by

the Ministry of Railways (Railway Board) in August, 1966 to be lying in a Stores Depot on the Eastern Railway from 1963. The Eastern Railway cleared these accessories from Calcutta Port in September, 1958. The question of locating the accessories for the remaining 6 underframes was, however, not pursued. Even the 12 underframes for which accessories were received could not be utilised as a number of the vans for which they were proposed to be utilised had already been constructed by the Southern Railway and some other types of vans taken up urgently for construction with other underframes. In fact the accessories received were diverted for other uses.

9.4. After a lapse of another 3 years *i.e.* in June, 1970, the Southern Railway proposed to procure the accessories required for the remaining 6 underframes but the procurement of these as also the deficient items in respect of the 12 underframes through trade/shop manufacture is not yet complete (September, 1971).

9.5. These 18 underframes purchased over 11 years back at a cost of about Rs. 7.8 lakhs in foreign exchange have been idling without being put to proper use.

9.6. The Southern Railway stated (September, 1971) that though there was delay in tracing and connecting these consignments, the curtailment of the construction of wooden bodied passenger coaches by Railway Workshops following the commencement of coach production by Integral Coach Factory and the use of old underframes for construction of non-passenger coaches and departmental vehicles, reduced the need for the new underframes generally and led to delay in their utilisation. It may, however, be mentioned that there were a number of construction orders on the Southern Railway to enable utilisation of these underframes in question but this could not be done solely due to the delay in locating and tracing out the connected accessories.

[Paragraph 58 of the Report of C.&A.G. for the year 1970-71 on Railways]

9.7. Explaining the circumstances in which the 38 underframes were received in Madras in September, 1958 without bogies and accessories, the Railway Board have in a written note stated:

> "An order for 650 BG underframes had been placed on M/s. Metal Export National Enterprise of Poland against various RSP programmes. Out of this contract 88 underframes were received in two shipments. One of 50 loaded in s.s. "KOSCIVSZKO" arrived on 14-3-58 and another 38 were

received on 8th September, 1959 by the same ship. These 38 were received without bogies and accessories. The bogies, accessories and packing cases containing these had been transhipped into another vessel s.s. "PREYSZIOSE" and had gone away to Calcutta Port where Eastern Railway had cleared these. Thus, the underframes, the bogies and the accessories got separated and led to protracted correspondence in connecting them.

The accessories had been sent away by the Eastern Railway to the Stores Depot and were lying unconnected there will the exchange of information between Southern Railway, South-Eastern Railway, Board and the Eastern Railway resulted in locating these after which the accessories were sent to Southern Railway. It was unfortunate that the ship which brought the underframes, bogies and accessories could not directly discharge the entire cargo at the the Calcutta Port due to shallow draft in the river Hooghly on account of which port discharge and transhipment into other vessels resulted in underframes and their components getting separated and being unloaded at different places and subsequent delays in collecting and matching these."

9.8. The Committee understand from Audit that the 38 underframes unloaded in Madras without bogies and accessories were despatched by the Southern Railway to consignees *viz.* South Eastern Railway (26), Eastern Railway (10) and I.C.F. (2) in as "received condition". The South Eastern Railway could not use at least 18 of these underframes and at the instance of the Railway Board returned them to Southern Railway in 1959 without the bogies and accessories for use by I.C.F. The Audit para states that the South Eastern Railway offered in November, 1959 bogies for these underframes but the actual despatch materialised only in 1964. This has been explained by the Railway Board as under:

"The South-Eastern Railway in 1959 sent 18 underframes to ICF through Southern Railway in "knocked down" condition without bogies and accessories. The Southern Railway then asked the South-Eastern Railway in October, 59 to send the bogies and accessories which was reiterated by the Board to South-Eastern Railway in June '60. To this South-Eastern Railway indicated that the 18 underframes sent to the Southern Railway were out of a lot of 26 underframes which had been received by them from the Southern Railway without the bogies and accessories.

In the meantime the ICF in November, 60 indicated that these underframes are unsuitable for their type of construction on which the Southern Railway were asked to keep these underframes till the missing accessories were located. By October, 64, the South-Eastern Railway who were in a position to send bogies were asked Board to despatch 36 bogies to the Southern Railway. The South-Eastern Railway in compliance sent 16 bogies in March, 64, 8 in April, 64. 4 in May, 64, 6 in June 64 making a total of 34 bogies (plain bearing). This left South-Eastern Railway with only two plain bearing bogies which they themselves required for their use urgently. South-Eastern Railway offered instead to the Southern Railway 2 roller bearing bogies to make up the total of 36. After correspondence, Southern Railway agreed in June, 66 to take 2 roller bearing bogies but by that time the South-Eastern received another two plain bearing bogies and sent them to Southern Railway to complete the transaction of 36 bogies. The missing accessories for completing the underframes and bogies had not been located till June 66 when it was found in surplus material at Halisahar Depot on the Eastern Railway.

The entire delay and confusion took place because of the landing of the imported underframes and accessories in two different ports and in separate lots due to which the consignments got totally delinked and the matching sets got misconnected resulting in the underframes, bogies and accessories having to be connected up before the complete underframes could be utilised. This resulted in the time lag of nearly 7 years."

9.9. The Committee desired to know why the underframes sent to I.C.F. at the instance of the Board were found to be unsuitable even though they were expected to be used by I.C.F. The Railway Board have in a note stated:

"These underframes were not expected to be used by I.C.F. However, 18 underframes were sent on Board's orders to the I.C.F. to investigate whether the Integral Coach Factory with its specific lay out for manufacture of integrated type type coaches could be adapted to utilise these. On investigation, however, ICF found that it could not do so and these underframes were not suitable to build skin-stress construction of the I.C.F. type on these separate underframes. After checking up with their modes of construction I.C.F. declared that it would not be feasible to use these underframes for building the integral type of coach."

9.10. The Audit para states that accessories for 12 out of the 18 underframes were obtained in 1967 from a Store Depot on the Eastern Railway. However, even the 12 frames for which accessories had been received have not been utilised by the Southern Railway. As regards the reasons for non-utilisation of these underframes, the Railway Board have stated:

> "All the coaches constructed after 1959-60 by the Southern Railway were non-passenger carrying coaches. In 1958-59, ICF was commissioned and progressively increasing num- of the integral design of coaches were manufactured for which these imported underframes could not be utilised.
>
> The new underframes were normally utilised for the construction of wooden body passenger carrying coaches in the Railway Workshops prior to the setting up of the I.C.F. while the released, old and servicable underframes were used for construction of non-passenger carrying and depart mental coaches. Only occasionally, where special types of non-passenger coaches have to be manufactured, which in service are liable to be moved by fast passenger and Express trains, utilisation of new underframes is recommended. Hence, utilisation of available new underframes for the purpose of ordinary non-passenger carrying and departmental coaches would not have been advisable. Hence, these new underframes were conserved for being put to optimum use as and when necessity arose for the manufacture of special type coaches. In 1965-66 R.S.P. when special type motor vans and parcel vans, programmed to be moved by fast passenger and express trains, were taken up for construction it was decided that the new underframes available were to be made use for this construction. While taking up the orders for the construction of these motor vans, the non-receipt of accessories from Eastern Railway and bogies from S.E. Railway was noticed and these caused some delay. There had also been a further set back in the utilisation of the new underframes for the construction of motor vans as Southern Railway were asked to take up on emergency basis manufacture of 20 B.G. and 4 M.G. horse box bogies. It was only after the completion of this work by the end of 1969 that Southern Railway could take up the construction of these motor vans ordered earlier. As the new underframes had been preserved for economic utilisation for the manufacture of special type coaches, the question of idling of assets would not arise.

"The main factor, hence, which contribute to the non-utilisation of these new underframes, was the policy of the Government to switch over from the manufacture of conventional type of passenger carrying coaches to the more modern and better type of integral coaches."

9.11. The Committee enquired about the arrangements existing in in the Railway Board's office to watch timely and correct receipt of materials against orders placed by them. The Railway Board have stated:

"As per Railway Board's standard payment terms, 10 per cent payment against various despatches are made only after correct receipt of material in India and as such automatically a check is exercised about the correct receipt. Further on completion of the contract, completion reports are called from the port consignees."

9.12. In reply to a question as to how the completion report on the contract under reference was drawn up to settle final payments, the Railway Board have stated:

"In this particular case, 10 per cent payment was released only after the paying authority was advised about the receipt of components by the various port consignee railways."

9.13. Asked about the machinery in the Railway Board's office to wacth the stock position on the Railways and to arrange prompt adjustment of the materials between the surplus and the deficient units, the Railway Board have intimated as follows:

"The Railways have been instructed to send quarterly statements of various underframes position on their Railway to the Board's office. These statements are carefully scrutinised and the available underframes are distributed to meet the requirements of each Railway for their construction programme."

9.14. The another question, the Railway Board have stated:

"The accessories for all the underframes were correctly received in India, as confirmed by the consignee Railways.

As has been explained .....,the delivery of the consignment at two different ports led to the delinking of its several parts and the 18 underframes were without bogies and other accessories. The bogies were later sent by the S.E. Railway to Southern Railway in 1964—66. The other

accessories like boxes, bearing springs, etc., were located, late in 1966, among the surplus materials found at Halishahar Store Depot on Eastern Railway. Only 12 sets of them could be collected by Southern Railway. The others could not be traced."

9.15. The Commitee find that 38 imported underframes were received by the Southern Railway and the connected bogies and accessories were cleared by the Eastern Railway; the consignments thus got separated and it took nearly 7 years to connect them. It is surprising that neither the Southern Railway nor the other Railways to whom the underframes were despatched by the Southern Railway, pursued promptly the non-receipt of bogies and accessories. It is equally surprising that the Eastern Railway did not appear to have taken prompt action to despatch the bogies and accessories to the Railways concerned. While the Railway Board have explained the circumstances under which the boiges and accessories got disconnected from the underframes, no explanation is forthcoming as to how they remained unconnected on the Eastern Railway till 1966. The Committee hope that suitable action will be taken against those found responsible for the inaction in the matter especially as it resulted in non-utilisation of 18 underframes costing Rs. 7.8 lakhs for over a decade.

9.16. Incidentally the Committee find that the materials relating to 6 underframes appeared to have been lost while in the custody of the Eastern Railway. The matter requires investigation.

9.17. After going through the case the Committee are unable to resist a feeling that such machinery as the Railway Board have at present has not helped to link up the disconnected consignments. This lacuna therefore needs to be remedied soon.

GENERAL

9.18. The Committee have not considered it necessary to make specific recommendations/observations on some of the paragraphs included in the Report of the Comptroller and Auditor General of India. They nevertheless trust that the Railway Board will take such action as may be necessary in respect of such paragraphs, in consultation with Audit.

NEW DELHI;
March 21, 1973.
Phalguna 30, 1894 (*S*).

ERA SEZHIYAN,
Chairman,
Public Accounts Committee.

APPENDIX I

(*See* para 1.1)

Cost of hauling a Passenger Train one kilometre (excluding interest)

Railway	B.G.				M.G.				N.G.			
	67-68	68-69	69-70	70-71	67-68	68-69	69-70	70-71	67-68	68-69	69-70	70-71
Central	12·25	13·77	13·72	14·68	9·85	5·16	5·90	7·53	9·28	9·77	10·42	12·34
Index	100	112·4	112	120	100	52	60	76·4	100	105	112	133
Eastern	12·90	13·50	13·93	15·51	..	..	..	..	5·41	5·15	6·00	6·19
Index	100	105	108	120	..	..	..	..	100	95	111	114
Northern	11·41	11·84	13·17	15·32	11·38	12·35	13·48	14·21	12·87	9·85	11·03	10·25
Index	100	104	115	134	100	109	118	125	100	76·5	86	80
North Eastern	..		..	..	11·72	12·58	12·84	13·96	..	..	..	..
Index	..		..	..	100	107	110	119	..	..	..	..
Northeast Frontier	15·29	15·56	21·81	15·16	21·28	21·59	20·74	23·68	17·07	39·83	31·08	27·30
Index	100	102	143	99	100	101	97	111	100	233	182	159·9
Southern	13·62	14·02	15·77	16·20	9·73	10·25	10·11	10·86	5·86	5·34	5·46	5·82
Index	100	103	116	119	100	105	104	112	100	91	93	99·3
South Central	12·35	11·46	13·36	13·84	7·70	9·02	9·37	9·80	10·43	10·99	10·80	11·84
Index	100	92·8	108	112	100	117	122	127	100	105	104	113·5
South Eastern	14·40	15·68	14·99	15·23	..	..	..	..	9·86	9·26	11·13	11·12
Index	100	108·9	104	106	..	..	..	..	100	94	113	113
Western	10·78	12.12	12·86	14·49	11·64	12·53	12·67	13·68	8·57	9·24	10·46	9·52
Index	100	112	119	134	100	108	109	117·5	100	108	122	111

APPENDIX II

(*See* Para 1.1)

Cost of hauling a Goods Train one kilometre (excluding interest)

Railway	B.G.				M.G.				N.G.			
	67-68	68-69	69-70	70-71	67-68	68-69	69-70	70-71	67-68	68-69	69-70	70-71
Central	21·64	22·27	22·00	22·28	7.75	9 00	10·54	13·22	8·46	10·75	10·83	12·32
Index	100	103	101·7	103	100	116	136	171	100	127	128	146
Eastern	23·69	24·21	25·32	29·22	..	..	..	..	5·63	6·57	6·51	5·88
Index	100	102	107	123	..	..	..	..	100	117	116	104
Northern	20·79	21·14	20·25	21·22	14·71	15·59	15·12	16·61	10·04	8·62	9·62	10·09
Index	100	101·2	97	102	100	106	103	113	100	86	96	100
North Eastern	..	..	..	..	18·22	17·75	18·22	20·45	..	..	..	..
Index	..	..	..	..	100	97	100	112	..	..	..	..
Northeast Frontier	17·90	23·63	28·80	27·57	25·96	28·80	27·65	33·25	14·29	29·10	40·59	38·03
Index	100	132	161	154	100	111	106·5	128	100	202	284	266
Southern	22·71	21·24	22·17	24·70	16·68	17·99	16·76	19·65	7·14	7·18	7·90	7·09
Index	100	93·5	98	109	100	108	100·5	118	100	100·6	110·6	99·3
South Central	18·20	24·00	25·80	23·81	13·56	14·10	14·76	18·85	12·55	12·28	13·80	17·06
Index	100	132	142	131	100	104	109	139	100	98	110	136
South Eastern	21·69	22·39	22·32	27·55	..	..	..	..	12·36	12·58	14·88	13·70
Index	100	103·2	103	127	..	..	..	..	100	102	120	111
Western	18·29	19·97	20·38	22·00	14·96	15·05	15·69	17·05	7·72	7·40	7·81	9·86
Index	100	109	111	120	100	100·6	105	114	100	96	101	128

APPENDIX III

(*See Para* 3.32)

Statement giving details of coal shortages

Sl No.	Railway	Total quantity of Coal received in sheds (in Tonnes)			Quantity of Coal found short (in Tonnes)			Percentage of shortage of Coal			Value of shortage of Coal after allowing 2% permissible shortage			Total
		1968-69	1969-70	1970-71	1968-69	1969-70	1970-71	1968-69	1969-70	1970-71	1968-69	1969-70	1970-71	
1.	South Eastern	16,13,318	15,56,386	14,87,971	55,943	45,375	51,649	3·5	2·8	3·4	7,79,473	4,58,659	7,26,580	19,64,713
2.	South Central	17,38,093	17,03,497	16,80,060	42,113	49,615	64,022	2·42	2·91	3·81	3,09,273	8,52,962	11,09,332	22,71,567
3.	North Eastern	8,06,288	8,72,860	11,51,176	31,193	33,901	59,998	3·97	3·88	5·17	8,97,414	11,36,979	24,28,073	44,62,466
4.	Western	23,94,887	24,21,983	22,29,078	50,302	64,328	61,874	2·1	2·7	2·33	77,326	6,07,094	2,96,273	9,80,693
5.	Northeast Frontier	5,05,645	5,62,647	5,52,109	20,476	19,920	19,587	3·89	3·42	3·43	5,27,196	4,69,161	4,68,294	14,64,651

APPENDIX IV

(*See* para 8.24)

Letter dt. 25-11-72 from Principal Secretary, Ministry of Defence

D.O. No. 438-Pr. Secy.|72

PRINCIPAL SECRETARY,

MINISTRY OF DEFENCE

New Delhi, November, 25, 1972.

My dear Baliga,

Please refer to your D.O. letter No. 61/W4/CNL/N|8(Vol. II) dated 29th July, 1972 regarding adjustment of cost of land acquisition by the Northern Railway in connection with the construction of Delhi Avoiding Lines.

I have looked into the matter. According to us the value of land is Rs. 40|- per sq. yard. You will thus see that there is no overpayment. If this price is, for some good reason not acceptable to you, I suggest you depute one of your representatives to meet Shri M. Subramanayam, my Joint Secretary, who is dealing with the subject so that the two may endeavour to reach a mutually acceptable solution at an early date.

With kind regards,

Yours sincerely,

Sd./- K. B. LAL.

Shri B. S. D. Baliga,
Chairman, Railway Board &
Principal Secretary,
Ministry of Railways,
NEW DELHI.

APPENDIX V

Summary of main conclusions/recommendations

S. No.	Para No.	Ministry/Department Concerned	Recommendation
1	2	3	4
1	1.8	Rlys.	The Committee regret to note that the cost of operation of trains is not scientifically ascertained and the increase from year to year analysed for exploring the reasons and taking remedial measures. The percentage increase or decrease in the cost of operating a passenger train Km. in 1970-71 over 1967-68 varied between (+) 6 and (+) 34 for B.G., (—) 23.6 and (+) 27 for M.G. and (—) 20 and (+) 59.9 for N.G. in different Zonal Railways. The percentage variation in respect of goods train Km. was from (+) 2 to (+) 54 for B.G., (o) 12 to (o) 71 for M.G. and (—) 0.7 to (+) 166 for N.G. The Railway Board are unable to satisfactorily explain the wide variations against the combined escalation factor in respect of cost of staff, fuel, stores etc. as between 1967-68 and 1970-71 which is of the order of 21 per cent. They have contended that the cost per

1	2	3	4
			train Km. is not a correct or accurate index. According to them the more accurate index will be the cost per net tonne Km. for goods operations and the cost per vehicle Km. for coaching traffic. A broad analysis on this basis has indicated that taking the Indian Railways as a whole the increase in cost has been well below the escalation limit of 21 per cent on all the three gauges. However, the cost in respect of Broad Gauge and Metre Gauge in a number of Railways have exceeded the 21 per cent escalation mark. The Committee desire that the proportion of the fixed cost and variable cost in respect of the cost of operation should be assessed and significant increase in variable cost should be analysed for each Railway|Gauge so as to control the expenditure on Railways operation. An exercise of this kind should be started from the next financial year.
2	2.19	Rlys.	Imposition of restrictions on booking of goods traffic for whatever reasons affects earnings. The Committee note that on six Zonal Railways restrictions were imposed in various stations|sections during 1968-69 and 1969-70 for a total period of 12,367 days all of which were not due to natural causes such as breaches, accidents etc. More than 77 per cent of the restrictions were reported to be due to traffic exceeding the capacity of the section|station, limited transhipment capacity or performance, wagon difficulties, failure of trade etc. It is indeed ironical that at a time when the Railways are in desperate need to attract additional traffic, such large-scale restrictions should

			be imposed most of which could well have been avoided. This is bound to divert even the present traffic offerings to road and it will be difficult to retrieve the traffic once lost to road. The Committee would, therefore, suggest that after analysing the position critically the Railways should take suitable remedial measures to ensure that the restrictions are reduced to the inescapable minimum.
3	2.20	Rlys.	The accumulations/congestions necessitating restrictions for booking caused by deliberate motivation of price manipulation by trade is disturbing to the Committee. Such attempts should be effectively discouraged in concert with civil authorities. Further, the Committee would suggest that the feasibility of lowering the free time allowed for clearing of wagon loads and making the levy of wharfages and demurrages more stringent should be examined to deter more effectively unnecessary hold-ups.
	2·21	Rlys.	What worries the Committee more is the admitted lack of capacity of Railways to handle the traffic which can only be attributed to unplanned capital investments on Railways so far. A systematic study of restrictions imposed for lack of capacity in stations/sections and transhipment points should serve as a guide for taking up the essential works for execution on a priority basis to remove these bottlenecks. The action taken in this regard may be reported to the Committee.
5	2.22	Rlys.	Restriction on account of wagon difficulties is obviously unjustified. This may be partly due to delay in putting right the sick or

1	2	3	4
			damaged wagons or delay in wagon turn-round. Quick repairs to the wagons and quicker turn-round of wagons will certainly ease the position to a large extent. No slackness in this regard should be viewed with leniency. Further the Railways should realistically assess the future requirements of various types of wagons and take steps to improve the position of wagon availability.
6	2·23	Rlys.	Another aspect which the Committee would like to stress is the need for a centralised control and watch of restrictions imposed by the Zonal Railways from time to time. At the present only the restrictions placed beyond 5 days on each occasion are simultaneously reported to the Railway Board. However, out of 12,367 days of restriction imposed during 1968-69 and 1969-70 those for 5 days and less on each occasion totalled upto 2,415 days. It is, therefore, necessary that the Railway Board get the details of such restrictions also periodically and make a random check to find out how far these were justified and what remedial measures are necessary to tide over the difficulties. The Committee hope that such a review and random check will be introduced forthwith.
7	3·17	Rlys.	The Committee are concerned over the unprecedented increase in the missing and unconnected coal wagons on the Railways during 1970-71. The value of the missing coal debited to the suspense head is Rs. 29.57 crores and that of the unconnected coal credited to the head is Rs. 29.07 crores as on 31st March, 1971. These remained to be

reconciled and charged to proper heads of accounts. The Committee had occasion to examine the position earlier and they were informed that the position was expected to improve with the introduction of the new mechanised procedure of linking of missing and unconnected coal wagons. The mechanised procedure introduced from August, 1966 which was thought of as a penacea for all ills had let down badly the Railways in that the percentage of missing coal wagons in relation to the total loco coal loading which was 4.2 in 1965-66 jumped to 7.7 in the subsequent year and further increased to 8.8 in 1970-71. According to the Railways own admission the documentation system had broken down. However, a thorough study is stated to have been already embarked upon. The Committee cannot too strongly stress that the documentation system should be put on a satisfactory footing without further delay. As heavy suspense balances, apart from revealing highly inefficient book-keeping, vitiate Parliamentary financial control over expenditure which should be scrupulously avoided, the Committee would urge that the position should be improved without further delay.

8	3·18	Rlys.

The Committee find that the debit and credit balances being nearly equal there is a false sense of complacency. In this connection the Committee wish to observe that there is a need to ensure the accuracy of the figures especially those relating to credits as the possibility of the wagons in respect of which compensation was paid to private parties being accounted for as unlinked loco coal wagons could not be ruled out. The Railways have paid compensation on

1	2	3	4
			missing private coal wagons to the tune of Rs. 90.11 lakhs during 1970-71. The Committee expect that there ought to be a thorough check of the position in this regard.
9	3·29	Rlys.	The Committee have been stressing the need for economy on fuel consumption. They are concerned to note that a review of the position for the years 1969 and 1970 on Eastern Railway alone revealed excess consumption of coal valued at Rs. 98.12 lakhs and HSD oil valued at Rs. 9.41 lakhs over the target fixed by the Administration. 54.8 per cent of the excessive consumption of coal was due to 'mismanagement of crew', 'defective maintenance of engines' and 'pilferages'. The Railway Board are not able to furnish the information in respect of all the other Zonal Railways. This is a plea the Committee can hardly accept as the Zonal Railways should watch the performance against the targets fixed by them. Such a centralised watch should be started forthwith in order to effectively check wastages and pilferages of fuel.
10	3·30	Rlys.	The Railway Board proposed to have a sample survey conducted in five major loco sheds on different Railways for the month of November, 1971. The result of the survey as well as the remedial action taken may be reported to the Committee within six months.

11	3·31	Rlys.	The Committee note that a departmental committee appointed to go into the question of excessive consumption of fuel on the Eastern Railway have recommended that trip rations of fuel should be fixed on the basis of gross tonne Kms. or engine Kms. and that analysis of variation in consumption over the trip ration should be analysed monthly or quarterly. The action taken to implement these recommendations on all the Zonal Railways may be reported to the Committee.
12	3·46	Rlys.	The Audit paragraph brings out that stock verification of coal in loco sheds revealed shortages beyond the permissible limit of 2 per cent involving loss of Rs. 111.45 lakhs on the South Eastern, South Central, North Eastern, Western and North-east Frontier Railways during 1968-69 to 1970-71. Shortages can occur at two stages *viz.* before and after unloading of coal at the loco sheds. The shortages found on reweighment or test weighment varied between 0.4 per cent and 16.9 per cent. This shows that before the coal wagons are unloaded at the destination points shortages occur which may be attributable either to pilferage of coal in transit or underloading of coal in the collieries. It is, therefore, necessary to assess and investigate fully the variation between the invoiced quantity and the quantity determined on stock measurement which at present does not appear to have been done. Once this is done it becomes easier to identify the shortages in the course of custody and issue of coal in the sheds

1	2	3	4
			as the same basis of computing weight by measurement would be available for both receipts and issues. Further, there should be no delay in fixing responsibility for the shortages and leniency in taking action against those found responsible.
13	3.49	Rlys.	In order to come to a reasonably accurate assessment of shortages the ratios for converting the volume of coal into weight should be scientifically fixed. The Committee note that ratios fixed in August, 1966 were reviewed in 1968 when it was fund that those adopted by the various Railways differed very widely and that retrials are being undertaken. The Committee desire that realistic and uniform conversion ratios for various grades of coal should be laid down without delay. The Committee would also suggest that the ratio should be reviewed periodically once in two years in the light of field experience to effect necessary improvements.
14	3.48	Rlys.	In large sheds there should be proper arrangement for weighment on receipt and issue of coal.
15	4.7	Rlys.	The Committee are concerned to note considerable discrepancies in inventory records. As against total transactions amounting to Rs. 564.86 crores, Rs. 563.75 crores and Rs. 604.84 crores during 1968-69, 1969-70 and 1970-71, stock verifications revealed surpluses aggregating Rs. 2.80 crores, Rs. 3.52 crores and Rs. 7.83 crores and shortages

			aggregating Rs. 3.71 crores, Rs. 3.02 crores and Rs. 6.71 crores respectively. Thus unsatisfactory maintenance of the stores records for receipt, custody and issue of stores and iventories is clearly indicated. Only a thorough investigation of the discrepancies will reveal the nature of accounting irregularities and the extent of actual losses due to pilferage etc. The Committee would, therefore, stress that these should be investigated promptly and results intimated to them.
16	4.8	Rlys.	The unusually heavy incidence of discrepancies during 1970-71 has been explained as largely due to introduction of stores computerisation. The position is expected to show improvement as the new procedure gets stabilised and the staff is exposed to the computer discipline. The Committee trust that a careful watch will be kept to ensure that the introduction of computers results in necessary improvement in the maintenance of stock accounts. The position will be watched through future Audit Reports.
17	5.15	Rlys.	The conversion of Pune-Miraj M.G. line to B.G. affords a typical example of lack of firm decision regarding the scope of the project and consequent delay in execution which pushed up the cost of the project from Rs. 12.9 crores to Rs. 19.33 crores. The project which was expected to be completed in December, 1966 was actually completed in April, 1971. The decisions to change the alignment of the line to pass through the Satara city instead of the Satara road station and to convert Miraj-Kolhapur section as part of the project were

1	2	3	4
			an after-thought. It is significant to note that the diversion of the line was found to be financially unjustified according to an earlier examination. Even now it is stated to be not justified and what is more it means extra lead for through traffic. The Committee further note that the anticipated additional earnings upto the first year of opening of the line was 'rather unrealistic'. All these show that the project was not conceived properly and justified on the basis of realistic estimates. The Committee would, therefore, like the Railways to learn a lession so that the conversion of rail lines is undertaken after most careful and objective assessment.
18	5·34	Rlys. — Transport	The non-utilisation of the capacity created for the movement of boulders to the Tuticorin Harbour Project is a typical instance where the Railways were given an incorrect forecast of traffic by the user Ministry. The Committee, cannot appreciate as to why the Railways did not subject the anticipations of the Ministry of Transport to a close scrutiny before deciding upon investments of the order of Rs. 11.50 lakhs on an urgency basis. The Project has also involved investment of a sum of about Rs. 13 lakhs on Railway siding etc. As against the estimated movement of 3 million tonnes of boulders by rail commencing from 1st July,, 1965, the quantity moved during seven years ended 31st March, 1972 was a more 0.59 million tonnes. This was explained as due to delay in sanctioning the Harbour Project as a whole. Thus the rail facilities were provided without ensur-

			ing integrated execution of the project as a whole. It is surprising how the Ministry of Transport and Shipping could give indication regarding the transport requirement prematurely which let to unnecessary creation of traffic capacity. Such a casual approach to investment of public money cannot but be deprecated by the Committee. The whole matter, therefore, requires investigation to obviate recurrence.
19	5·35	Rlys. —— Transport	Another matter causing serious concern is that having indicated that the entire traffic would be moved by rail, the Harbour Project had allowed diversion to road. How considerable was this diversion can be seen from the fact that a quantity of 1.57 lakhs tonnes of boulders were moved by road from Ambasamudram to Tuticorin Harbour Project during 1969-70 and 1970-71 as against rail movement of 2.34 lakh tonnes. The plea that the road transport is cheaper cannot be accepted in the absence of economics of the rail and road transports having been worked out and in view of the lower rates quoted by the contractor for movement by rail. The Committee, therefore, desire that the Ministries of Railways and Transport and Shipping should go into this question in detail and inform the Committee of the steps taken to ensure that the rail capacity created specifically for carrying materials for the harbour is being put to effective use.
20	5.49	Rlys.	The Committee note that apart from creating traffic facilities on the Guntakal-Dharmavaram-Pakala-Katpadi section at a cost of Rs. 32.38 lakhs in 1961-62, additional facilities were created on the Villu-

puram-Katpadi section between 1961 and 1964 at a cost of Rs. 14.81 lakhs to move the anticipated increase in iron ore traffic for export *via* minor ports of Cuddalore and Pondicherry from Bellary-Hospet area. The traffic moved to the minor ports, however, actually dropped from 4.52 lakh tonnes in 1964-65 to 1.99 lakh tonnes in 1966-67. Thereafter the traffic moved was much less. The Committee find that the project estimate costing Rs. 6.58 crores for the construction of the new B.G. line from Hospet to Guntakal for movement of iron ore towards Madras Port was prepared in 1962-63 and the work on the project was completed in January, 1966. They would, therefore, like to know how far the significant reduction in the movement of iron ore to the minor ports was due to the opening of the new B.G. line from Hospet to Guntakal and whether there was any coordinated planning in creating additional capacity on the M.G. lines and the construction of a new B.G. line ostensibly for the same purpose of movement of iron ore.

21	5.50	Rlys.	It is seen that the capacity works on the Villupuram-Katpadi section were undertaken partly to meet the anticipated increase in traffic to Southern Railway following the construction of Khandwa-Hingoli link providing all M.G. route from North to South. This anticipation also proved to be unrealistic. The Railway Board have stated that the reasons for the non-materialisation of traffic as anti-

cipated cannot be precisely pinpointed. This is a case where the Railways cannot blame any other department for giving an unrealistic estimate of traffic and it typifies the Railway's own failure. The Committee cannot too strongly stress that the Railway Administration should be circumspect in undertaking capital works of this nature.

22 5.64 Rlys. The railway line to provide an outlet for Singrauli coal fields towards Katni was included in the Third Plan against the provision of 200 miles required in connection with the development of coal industry. The National Coal Development Corporation is stated to have indicated in June, 1960 that the future plans for the Singrauli coalfield was to feed the consumers in Central and Western India from this source. Further development of mines to 10 million tonnes level was expected by the Fourth Plan by which time the Singrauli-Katni line was also scheduled for completion. It was on this basis that the line was sanctioned in December, 1962. However, on 16th August, 1962, the Ministry of Mines are stated to have informed the Planning Commission that they were not in favour of including Singrauli-Katni line against the Third Plan provision. Unfortunately this letter did not come to the notice of the Railways until November, 1967. The Committee have been given to understand that the construction of the line was considered by a Committee of Cabinet (Economic Coordination) on 18th August, 1962. The Committee have not been made aware of the exact consideration that weighed with the Cabinet Committee and the data before them in deciding upon the construction of the line. They would

1	2	3	4
			also like to know whether the objections of the Ministry of Mines were brought to the notice of the Cabinet Committee at any time.
23	5·65	Deptt. of Mines	The Committee have been informed that at against a target of 2.5 million tonnes the Singrauli coalfields did not produce any coal during the Third Plan period. The estimate of 10 million tonnes production at the end of the Fourth Plan does not appear to be based on any project reports. This was scaled down to 4.37 million tonnes and even this has not materialised. The Committee hope that efforts to develop the coalfields will be attended by enhancement of production and utilisation of the railway line constructed for the purpose.
24	5·66	Rlys.	An assessment of the railways before December, 1969 revealed that the working of the Singrauli-Katni line would result in loss of about Rs. 1.35 crores annually. There is now stated to be some hope of getting lime stone to be moved from Katni area to Bokaro and some possibility of moving coal from Karanpura and diverting some from Bihar and Bengal going to Western India and to the Northern area along this line. The Committee would urge that these should be examined expeditiously so that the loss on the line may be reduced.
25	6·12	Do	The Committee note that pursuant to a policy decision taken by the Railway Board both solid wheels capable of being tyred and

			composite wheels (built-up wheels) were to be accepted depending upon the price advantage, for carriage and wagons. It is regrettable that the permissible alternatives were not included in the schedule of requiremens for the global tender floated in June, 1970 for procurement of 22.9 tonnes plain bearing wheel sets. This omission and the consequent need for re-tendering compelled the Railways to pay higher prices. The RDSO are stated to have furnished the specification for built-up wheel sets only, overlooking their sketch for wheel sets with solid wheels. The Committee consider this to be a costly slip especially in view of the fact that the RDSO sketch for solid wheels was prepared as early as 1962 and solid wheel sets were in fact procured and used earlier. The Committee trust that responsibility for the lapse will be fixed.
26	6·13	Do	The Committee have been informed that the tender schedules prepared by the RDSO are not scrutinised in the Board as the RDSO themselves initiate latest modifications to drawings and specifications. Considering the lapse in this case, the Committee are of the view that there is a need for some system of cross-check in order to safeguard the financial interest of Railways. Action taken in this regard may be reported to them.
27	6·14	Do	The Committee are unable to appreciate the delay in standardising the drawings for 22.9 tonne solid wheel set the use of it having been decided in 1962. The explanation that it has not been done owing to the fact that indigenous production has not started is not

1	2	3	4
			convincing. Since in the absence of indigenous availability, such wheel sets were being imported, there was no justification for keeping the standardising work in abeyance. While the Committee expect that this should be done forthwith, they desire that Railway Board should see that there is no such delay in future.
28	6 27	Rlys.	The Audit paragraph brings out the issue of proprietary certificate in favour of a foreign firm for purchase of carbon brushes required for maintenance of electric locomotives on single tender basis without exploring other sources of availability and the resultant extra foreign exchange expenditure of about Rs. 0.48 lakh. That the foreign firm was in fact procuring the carbon brushes from a French firm and supplying to the Railways and that indigenous production was already established with the technical guidance from the latter did not regretably come to notice till their representatives met the Railway officials in February, 1970. The plea of the Railway Board that no attempt was made to locate alternative source as there was no difficulty about the availability of brushes from the original source is totally unacceptable. The question is not really whether there is difficulty in procuring them from the original source but is one of getting them at the rates favourable to the Railways. The Committee cannot appreciate the practice of classifying an item as proprietary as a matter of routine. The Committee trust that in future the indenting Railways, before

			suggesting proprietary purchases, would locate alternative sources, if any, and the Railway Board would also explore the possibility through Railway Advisers abroad so as to procure the requisite stores at most competitive rates.
29	6·54	Do	During the period 1967-68 to 1970-71 rates higher than those allowed to firms located around Calcutta were allowed by the Railways for the fabrication of C.I. sleepers to two sleeper manufacturers in the Delhi region causing additional expenditure of Rs. 10 lakhs. The justification given that the Railways had a freight advantage calculated at the public tariff rates lacks force. The Railways apply what is called R.M.C. rate which takes into account only the direct costs for the movement of their own material. That this rate will apply only if both the consignor and the consignee happen to be Railways does not appeal to the Committee as the raw material for the fabrication of sleepers are supplied at the RMC rates and the sleepers are solely for Railway use. Further no revenue earning freight was likely to be displaced by the transport of C.I. sleepers from Calcutta. In view of this the Committee cannot but conclude that the Railways have not safeguarded their interests well. The Committee would suggest that in future while calculating price advantages the freight element should be calculated only at the RMC rates provided there is adequate line capacity to haul the material from the distant place.
30	6·83	Do	From the explanations given the Committee are convinced that there is a case for increasing the utilisation of Railway scrap beyond

50 per cent in the manufacture of C.I. sleepers through contractors in substitution of pig iron which would result in savings in view of the large availability of scrap and considerable price differential between pig iron and scrap after the decontrol of the former in 1965. The Committee, however, note that the matter is under examination by a Foundry expert. His recommendation in this behalf and the action taken may be reported to the Committee.

71 6·84 Rlys. The Committee have been informed that no inspection is done at the manufacturing stage to find out the proportion of the scrap actually used. Further, no test to bring out the chemical composition of the final product is conducted. As the pig iron supplied to the sleeper manufacturers by the steel plants during the period 1967-68 and 1968-69 was far below their requirement, it is not possible to rule out use of cheaper scrap in greater proportion than allowed. The Committee would, therefore, suggest that a satisfactory chemical test or in the alternative an inspection at the manufacturing stage should be provided for to guard against use of substandard scrap in greater proportion.

72 6 91 Do Bronze borings emanating in the Railway Workshops are got converted by the Railway through the agency of contractors into Railway Bronze Ingots to the specifications prescribed by the Indian Standards Institution. The Audit paragraph brings out two cases

			of cancellation of tenders received in October/November, 1969 and re-invitation of tenders which resulted in an extra expenditure of about Rs. 1.4 lakhs. This was primarily due to the fact that the Tender Committee was not aware that the validity of an emergency amendment to specification issued by the Indian Standards Institution, which had the effect of raising the limit of impurity in the alloy to enable the maximum use of scrap, expired on 10th January, 1968. The circular dated 7th November, 1967 of the RDSO in this regard is reported to have been obviously lost sight of. The Committee would also like to know whether there have been other similar lapses in the Central Railway and in other Zonal Railways.
33	6·92	Rlys.	The Committee understand that the emergency amendment did not lay down any period for which it was applicable. Although the RDSO's circular dated 7th November, 1967 indicated that the amendment had been adopted for the period of emergency only and the emergency was lifted on 10th January, 1968, it was only on 21st July, 1970 that the RDSO specifically indicated that the amendment ceased to have any more validity. In view of what has happened in the cases referred to in the foregoing paragraph. The Committee would like the Railway Board to consider rationalising the procedure for notifying such amendments to place matters beyond doubt.
34	7·14	Do	In the 11th Report (Fifth Lok Sabha), the Committee took note of the shortfall in the utilisation of the installed capacity of the

steel foundry at the Chittaranjan Locomotive Works. This Audit paragraph brings out unsatisfactory utilisation of the spare capacity. Although all the 5 items of steel castings ordered for by the Integral Coach Factory should have been supplied by September, 1968, 52 per cent of one of the items and 32 per cent of another remained to be supplied at the end of December, 1972. This does little credit to the foundry. That there were heavy rejections in all the items supplied which were as high as 100 per cent in respect of one item and that the defective supplies are yet to be rectified make it still worse. Further, as against Rs. 8.15 lakhs recoverable from the Integral Coach Factory for the supplies made the loss incurred worked out to Rs. 5.21 lakhs excluding rectification charges and freight. Thus what was a case of non-utilisation of the full capacity has become one of highly unsatisfactory utilisation. The Committee therefore desire that the working of steel foundry of the Chittaranjan Locomotive Works should be thoroughly investigated so as to take remedial measures to not only fully utilise the capacity but also to utilise it efficiently and economically.

35 8·14 Rlys. The Committee find that 2.05 lakh sq. ft. of Railway land at Burnpur (South-Eastern Railway) were encroached upon by two private firms since 1937, according to their admission and that the encroachment was detected by the Railway Administration in 1956|1957.

			The Committee further find that eviction cases have been filed before the Estate Officer recently. As the matter is *sub-judice*, the Committee do not wish to make any comment at this stage. The outcome of the cases may be reported to them in due course.
36	8.15	Rlys.	The Committee would like to know whether there have been similar encroachments in South-Eastern Railway and other Zonal Railways. In view of what has happened in the case referred to in the foregoing paragraph, the Committee feel that there should be greater vigilance on the part of the departmental machinery in clearly demarcating the railway lands and verifying the boundaries periodically.
37	8.25	Rlys. ——— Defence	The Committee regret the delay in determining the value of 72.7 acres of land at Delhi taken over by the Northern Railway from the Defence Department 6 years ago. Although the Defence Department demanded price at the rate of Rs. 40|-- per sq. yard, according to the Deputy Commissioner, Delhi, this rate was for fully developed land and the price of land taken over by the Railway was Rs. 6|- per sq. yard only. Further, the Committee find that the price paid for the land in the same area acquired through the Delhi Development Authority was Rs. 8|- per sq. yard. On the basis of rate indicated by the Deputy Commissioner, the Railway has made an overpayment of Rs. 47.95 lakhs which, however, has not been accepted by the Defence Department. After going through the facts of the case the Committee cannot resist a feeling that the Defence

Department has not taken a realistic attitude. As it is undesirable to inflate the capital-at-charge of the Railways with the attendant divident liability, the Committee would urge that Government should see that a settlement is reached early.

38	9·15	Rlys.	The Committee find that 38 imported underframes were received by the Southern Railway and the connected bogies and accessories were cleared by the Eastern Railway; the consignments thus got separated and it took nearly 7 years to connect them. It is surprising that neither the Southern Railway nor the other Railways to whom the underframes were despatched by the Southern Railway, pursued promptly the non-receipt of bogies and accessories. It is equally surprising that the Eastern Railway did not appear to have taken prompt action to despatch the bogies and accessories to the Railways concerned. While the Railway Board have explained the circumstances under which the bogies and accessories got disconnected from the underframes, no explanation is forthcoming as to how they remained unconnected on the Eastern Railway till 1966. The Committee hope that suitable action will be taken against those found responsible for the inaction in the matter especially as it resulted in non-utilisation of 18 underframes costing Rs. 7.8 lakhs for over a decade.

39	9.16	Rlys.	Incidentally the Committee find that the materials relating to 6 underframes appeared to have been lost while in the custody of the Eastern Railway. The matter requires investigation.
40	9·17	Do	After going through the case the Committee are unable to resist a feeling that such machinery as the Railway Board have at present has not helped to link up the disconnected consignments. This lacuna therefore needs to be remedied soon.
41	9·18	Do	The Committee have not considered it necessary to make specific recommendations/observations on some of the paragraphs included in the Report of the Comptroller and Auditor General of India. They nevertheless trust that the Railway Board will take such action as may be necessary in respect of such paragraphs, in consultation with Audit.