PUBLIC ACCOUNTS COMMITTEE

(2001-2002)

(THIRTEENTH LOK SABHA)

Thirty-Sixth Report

Ministry of Railways

Presented to Lok Sabha on 24 April 2002

Laid in Rajya Sabha 24 April 2002

L O K S A B H A S E C R E T A R I A T

N E W D E L H I

April, 2002 / Vaisakha, 1924 (Saka)

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2. Shri K.V. Rao - Joint Secretary

3. Shri Devender Singh - Deputy Secretary

4. Shri R.C. Kakkar - Under Secretary

5. Smt. Nargis Gulati - Committee Officer

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this **Thirty-Sixth** Report on Paragraph 4.1.2 of the Report of C&AG of India for the year ended 31 March 1998, (No. 9 of 1999), Union Government (Railways) relating to "Avoidable Import of High Capacity Diesel Powered Breakdown Cranes".

2. The Report of the C&AG for the year ended 31 March, 1998 (No. 9 of 1999), Union Government (Railways) was laid on the Table of the House on 29 October, 1999.

3. The Committee took the evidence of the representatives of the Ministry of Railways (Railway Board) on the subject at their sitting held on 4 April, 2001. The Committee considered and finalised this Report at their sitting held on 19 April, 2002. Minutes of the sittings form Part II of the Report.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix* to the Report.

5. The Committee would like to express their thanks to the Public Accounts Committee (2000-2001) for taking evidence on the subject and obtaining information thereon.

6 The Committee would like to express their thanks to the Officers of the Ministry of Railways (Railway Board) for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

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

N. Janardhana Reddy,

Chairman, Public Accounts Committee

NEW DELHI;

19 AprIl, 2002 / 29 Chaitra 1924 (Saka)

REPORT

Avoidable Import of High Capacity Diesel Powered Breakdown Cranes

Introduction

The breakdown cranes, part of Accident Relief Trains (ARTs), are needed as safety requirement for restoration after an accident. With the introduction of heavier freight stock and opening of new BG routes, the need for induction of High Capacity Cranes was felt by the Railways. The Railway Board placed an order for 4 nos. of 120 tonne cranes on Jamalpur Workshop in 1972. The progress of manufacture of these was however, slow as the workshop was heavily burdened with order for lower capacity cranes. The Railway Board, therefore, decided in September 1979 to cancel the order on Jamalpur Workshop and procure 13 nos of 140T cranes from trade.

2. The Railway Board also constituted a Committee in December 1982 to consider re-organisation and modernisation of ARTs which were last reorganised in 1963. The terms of reference of the Committee included review of the working systems and equipments and proposed changes. The Committee was also to obtain necessary technical specifications of standard off the shelf plant and equipment which could be procured for ARTs.

Import of 12 numbers of 140 T Cranes at Rs. 132.30 crores without exploring indigenous sources

3. In March 1982 the Railway Board invited global tender for procurement of 12 nos of 140 T cranes with transfer of technology. A review of records in audit indicated that before inviting the global tender, location wise position of ARTs was not submitted before the Board for making a realistic assessment of the number and types of cranes required. The Tender Committee recommended the lowest technically suitable offer of M/s. Gottwald, West Germany for acceptance at Rs. 13.18 crores with transfer of technology. The Railway Board, after discussion with the Ministry of Finance, however, approved (3 March 1984) placement of orders on two firms viz. M/s Gottwald, West Germany and M/s NEI, UK for supply of 12 cranes each. M/s NEI UK, were included at the instance of the Ministry of Finance mainly to utilise the UK grant available at that time. However, at the instance of Ministry of Heavy Industry, along with 12 cranes from M/s Gottwald, the other 12 cranes were ordered from Jessop and Company, Calcutta instead of M/s NEI, UK in December 1985 on the following considerations:

i. UK Grant for import of cranes from M/s NEI, UK was not available.

ii. M/s Jessop & Co., Calcutta, a leading manufacturer of heavy duty sophisticated cranes, had technical collaboration with M/s NEI, UK for over a decade. M/s Jessop had supplied 200 T cranes to the Steel Plants and it had manufacturing capacity and infrastructure to meet the requirement of Railways.

iii. There was no justification for importing the cranes, nor to permit parallel transfer of technology to Railways when Jessop had a subsisting collaboration for manufacture of the cranes indigenously.

iv. Jessop was in a position to undertake substantial manufacture of the cranes indigenously and could provide to Railways the requisite sub-assembly and components for building the cranes in Railway workshops.

3.2 It was also decided (August 1984) that order for further requirement of cranes by the Railways should be placed on Jessop, if their performance proved satisfactory. Total value of the 24 cranes thus ordered worked out to Rs. 67.40 crores including the cost of transfer of technology and spares from M/s Gottwald and M/s NEI, UK as below:

(i) M/s Jessop & Co; Calcutta (12nos) Rs. 38.19 crores

(ii) M/s Gottwald, West Germany (12nos) Rs. 29.21 crores

(M/s. Gottwald was to supply 6 fully assembled and 6 in knocked down condition to be assembled at Jamalpur Workshop).

3.3 Two contracts, one on the German firm with transfer of technology to Jamalpur Workshop and the other on M/s Jessop & Co, Calcutta, were placed in ;November 1984 and December 1985 respectively. Payment for transfer of technology (DM 3.50,000 equivalent to Rs. 13.86 lakhs as in October 1986) was to be made to the German firm in three instalments-the first instalment (DM 1,16,000) on delivery of technical documents, the second (DM 1,17,000) after 18 months of the first instalment and the third (DM 1,17,000) on the commencement of commercial production or four years after the agreement was taken on record, whichever was earlier. In addition, payment of DM 13,20,000 was made to M/s Gottwald for six visits of their experts (DM 2,20,000 per visit) to Jamalpur Workshops during 6 January 1987 to 6 January 1989.

3.4 Similarly, M/S Jessop & Co, Calcutta was required to pay 7,00,000 in pound sterling (equivalent to Rs. 1.06 crores as on 31 March 1988) to M/S NEI, U K towards engineering fees. First instalment of 2,00,000 pound was paid on 16 Novermber 1987 and the second instalment of 2,50,000 pound on 12 December 1988. The balance amount due was waived by M/S NEI, UK on the consideration that M/S Jessop had incurred expenditure on modifications of the crane to suit the requirement of Railways. Total payment to M/S Jessop amounted to Rs. 44.12 crores while M/S Gottwald received payment of Rs. 29.21 crores for supply of 12 cranes with transfer of technology.

3.5 The German firm completed the supply in 1986 and Jessop between March 1988 and November 1991. These 24 cranes were deployed on Zonal Railways as under:

Railways	**M/s. Jessop (In Nos.)**	**M/s. Gottwald (In Nos.)**
Central	4	-
Eastern	-	3
Northern	-	2
Northeast Frontier	1	-
Southern	1	1
South Central	3	-
South Eastern	-	5
Western	3	-
Konkan Railway	-	1
TOTAL	12	12

3.6 The performance of these 24 cranes was satisfactory on the Railways after some minor modifications were carried out in the initial stage in suspension system and relieving bogies. The Committee desired to know as to how the urgency is determined at Board level. The Chairman, Railway Board, explained as follows:-

> "I would submit that basically the breakdown cranes are safety requirements for restoration after an accident. If I may go back slightly, I would submit that we had about 82 ARTs of 'A' class at one time in the early 1980s. We classify it as 'A' class which has a crane attached with it for restoration. We have 'B' class which does not have a crane and the 'C' class which has only a tool van attached to it. Initially, these cranes were normally 65 or 75 tonne steam cranes which had limited capacity. We were starting to get electric and diesel locos in larger numbers which were heavier; BOXN wagons which were heavier and other heavy wagons. The total weight of the BOXN wagon vis-à-vis the four-wheeler was more than double. So, a conscious decision was taken in the early 1980s that we must go in for, diesel cranes instead of steam cranes having a higher capacity to handle any mishap which may occur in case of an accident. That was the background under which the first 24

cranes were ordered in mid-80s. As you have rightly mentioned, orders for 12 cranes were placed on M/s. Gottwald. It was a global tender."

3.7 The Chairman, Railway Board, further testified:

"There were nine to 10 offers. There were offers of Gottwald and NEI. These two were technically selected and the order was placed for 24 cranes. For 12 out of these 24 cranes, NEI had a tie-up with Jessops and finally order was placed on Jessops in collaboration with NEI for 12 cranes. Twelve cranes were ordered on Gottwald with the transfer of technology to Jamalpur workshop for their manufacture. Twelve cranes which were ordered on Gottwald, half of them were supposed to come fully assembled, that means, six numbers. Three numbers came completely knocked down. They were assembled, disassembled and again assembled here and tested. Three came as only kits which was not a full crane; there were some kits and part of it was to be indigenously developed and manufactured to make those three cranes, for the last three of the 12 cranes. We probably were over ambitious that we will be able to indigenise in the last three cranes of Gottwald, a large portion of the equipment and therefore, when we started actually assembling them, we found that the indigenous development of those items was not taking place and we had to supplement the order of the kits by some more imported components from Gottwald."

3.8 The Chairman, Railway Board also explained that in the beginning of Nineties, uni-gauge policy was started as a result of which, the broad-gauge, route kilometre started increasing and the meter-gauge started shrinking. At that time it was felt that some more cranes were immediately needed. In this context, the witness observed:

"I would like to bring to the knowledge of the hon. Committee that Jessops had a tie-up with NEI, which lapsed in 1991. The tie-up, the technical collaboration was valid only up to 1991. After 1991, it was no longer there. While Jessops had supplied us 12 cranes, they were commissioned sometime in about 1991 and beginning of 1992. After supply, during the course of the subsequent use when we wanted spares, we repeatedly asked Jessops to supply us the spares because of the collaboration which was to be there with NEI but M/s. Jessops threw up their hands and they said that they are not in a position to give us any technical back-up and they were not in a position to supply even the spares which were required for the maintenance of the cranes. We got the six cranes of Gottwald and they were commissioned immediately. There were 3 completely knocked down cranes also which were also commissioned. The kits were also received in 1987."

3.9 According to the Audit paragraph, global tenders for procurement of 12 Nos. of cranes were invited by Railway Board. However, orders were placed for procurement of 24 Nos. of cranes. The Committee desired to know the reasons for increasing the number of cranes and also as to how the increase in quantity of cranes was justified. The Railway Board intimated the Committee as follows:

"It is true that the tender was floated for 12 Nos. of cranes. Considering the programme for phasing out steam traction and induction of more and more Electric and Diesel Locos and heavier bogie freight stock, Tender Committee realised that fairly large number of cranes were required urgently. Moreover, substantial reduction in prices could be obtained only due to larger volumes during negotiations. Incidentally, sanction for 45 cranes already existed. Board had also felt that for such an important safety item, it was safer to have two types of technologies to provide for the contingencies. Accordingly, Tender Committee had originally recommended placement of two contracts alongwith transfer of technology, one on M/s Gottwald for 12 cranes (6 fully assembled, 3 completely knocked down and 3 in kit form) and the other on M/s NEI/UK for 9 Nos. (6 fully assembled, 2 partially knocked down and one in kit form) which could be covered under the UK grant and the same was approved by the competent authority. As required under the rules then prevailing, the proposal was sent to DGTD for clearance and to Ministry of Heavy Industry for technical collaboration. Ministry of Heavy Industry did not agree for clearance on the grounds that Jessops, a public sector undertaking had a collaboration agreement with M/s NEI/UK for manufacture of heavy duty cranes and it was also indicated by Finance Ministry that British offer of credit coverage for imports from NEI was no longer valid. A meeting of secretaries was held on

29.8.84 chaired by Finance Secretary and attended by representatives from Heavy Industries and Railways. It was in this meeting that the decision was taken for placement of two orders: One on M/s Gottwald for 12 cranes alongwith transfer of technology and the other on M/s Jessops for 12 cranes as per NEI design and collaboration. Accordingly, contracts were placed."

3.10 It is seen from the Audit paragraph that M/s Jessop and Co., Calcutta had technical collaboration with M/s. NEI, UK for manufacturing high duty sophisticated cranes. The Committee, therefore, enquired as to how the import of cranes from M/s Gottwald, West Germany and parallel transfer of technology from M/s Gottwald, West Germany and NEI, UK to Railways was justified. The Committee also enquired whether it was decided in August, 1984 that order for further requirement of cranes by the Railways was to be placed on Jessop if its performance proved satisfactory. The Railway Board informed the Committee as follows:

"M/s. Jessop & Co., Calcutta had been manufacturing Steam Breakdown Cranes and EOT Cranes. They did not possess the know-how and the technology to manufacture 140 T Diesel Hydraulic Breakdown Cranes. This technology was made available by NEI, UK after award of contract by Indian Railways on Jessops for 12 Nos. 140 Tonne Cranes. As recorded in meeting of secretaries (held in the chamber of Finance Secretary) in August 1984, M/s Jessop had not responded to Railway's Global tender. They showed some initial interest in the supply of cranes to Railways, but did not pursue the matter as it appeared to be beyond their capabilities. Railway Board had felt that for such an important safety item like cranes, it was safer to have two types of technologies for the contingencies of one type not proving itself fully in the actual field condition after a period of time. Also it was felt that import of cranes from NEI/UK, could be covered under the UK grant. The transfer of technology to IR was only through M/s Gottwald, however, M/s. NEI/UK had collaboration with M/s Jessops.

In August, 1984, it was expected that during the currency of ToT Contract, M/s Jessops would gather sufficient know-how for manufacture of 140 T Diesel Hydraulic Breakdown Cranes and if necessary and if their performance proved satisfactory, orders for further requirement of Cranes would be placed on Jessops apart from Jamalpur Workshop by the Railways. However, condition for ordering further requirement of cranes on M/s Jessops was not fulfilled by them"

3.11 It is seen from the Audit Paragraph that Railway Board constituted a Committee in December, 1982 to consider re-organisation and modernisation of ARTs which submitted its Report in January, 1985. However, no action was taken by the Board till January 1994 on the recommendations of the said Committee. Asked to furnish the reasons for not taking any action on the recommendations of the said Committee for such a long period i.e. nine years, the Railway Board intimated the Committee as follows :

"It is not correct that for 9 years after the Committee submitted its report in 1985, there was no review or action initiated by the Railways. The Committee's recommendations were put up to Board in 1985. After Board's acceptance of the recommendations, these were circulated to all Railways in November 1986 for implementation. The implementation of the recommendations was subsequently followed up on all Railways. Salient recommendations of the Committee pertained to (a) ART composition and capacity of ART cranes i.e. 140 T (b) jurisdiction and beat (c) location of ART stabling sidings (d) speed of relief trains (e) broad guidelines for breakdown cranes (f) revised list of tools and equipments on ARTs (g) yardsticks for provision of walkie-talkie sets (h) guidelines for Art maintenance staff, their uniform and safety equipment etc. (i) training of ART staff (j) provision of road mobile accident relief vans. Thus there was no lapse in implementing the recommendations of the Committee after its acceptance by the Board."

Additional requirement of 140 T Cranes

4. The Committee further enquired whether it was a fact that the said Committee did not work out the quantity of required ART. Railway Board worked out the additional requirement of 140 T cranes at 38 in addition to 24 already procured, on the global review basis. The Committee desired to know the factors which led to requirement of 140 T cranes at 38 in addition to 24 already procured. The Ministry of Railways intimated as follows :

"It is a fact that the Committee had not worked out the number of 140 T cranes required for IR. The Committee had suggested broad guidelines of a beat of 250 to 300 Km. for BG ARTs. Review of Accident Relief Trains on Indian Railways is a continuous process, being a function of pattern of traffic, gauge conversion, traffic density, topography of sections covered, condition & capacity of existing Cranes and other factors. In 1994, a global review of ARTs was done by Railway Board in consultation with Zonal Railways and requirement of "A" Class ARTs (equipped with 140 T cranes) on BG worked out at 63. A global view takes cognisance of the ARTs available on adjoining Railways and flows out from territorial review only, taking into account "A" Class ARTs available on adjoining Railways. As 24 cranes had already been procured or were under manufacture, 39 Nos. 140 Tonne Cranes were additionally required."

Action taken to meet the shortfall of 140 T Cranes

5. The Railway Board prepared an Action Plan only in January 1994. As against the existing 82 "A" class ARTs, it was estimated that by 1996-97 there should be 137. The additional requirement of 140 T cranes was worked out at around 68. The safety Directorate of the Railway Board, however, had in August 1994, after a review, reclassified some locations and worked out the additional requirement of 140 T cranes at 38 in addition to the 24 already procured on the basis that the requirement of ''A" class ARTs would be only 63. This was done on the basis of review on global basis rather than any territorial perspective. The Safety Directorate further suggested that whereas 140/120 tonne cranes might be used on important routes, diesel cranes of 65T and 70T capacity could be easily used on branch lines where heavier stock was not planned to run.

5.2 According to Audit, to meet the shortfall of cranes, the Railway Board did not approach M/s. Jessop & Co., Calcutta, nor place any order on Jamalpur Workshop for manufacture of 140T crane though Jamalpur Workshop had infrastructure for manufacture of 4 nos. of 14oT Cranes per year. Instead, in October 1995, the Railway Board deputed a High Level Study Team to Germany and UK to study the Accident Relief Trains being used and to visit the works of M/s. Gottwald, Cowans Sheldon and Kirow. The Study Team recommended that Indian Railways should continue to manufacture cranes to Gottwald design and continue TOT for another three years. Immediate shortage of 140T crane should be got over by purchase from M/s Gottwald in order to supplement production of Jamalpur for newly opened BG routes. Future strategy should be to procure the technology of telescopic boom multi-tasking cranes of smaller capacities (120 Tonne). These smaller cranes could be selectively deployed in addition to 140 T fixed boom cranes. The smaller multi-tasking cranes could be utilised for loading and unloading of consignment, track and bridgework, besides tackling tunnel accidents. These could be utilised in the electrified section without removing Overhead Equipment (OHE).

5.3 The Committee desired to know as to why orders were placed on M/S Gottwald in January 1997 for 8 Cranes and on M/S Cowans Sheldon in March 1998 instead of on indigenous Public Sector firms viz. M/S Jessop which had earlier supplied the same Cranes to the Railways and had the requisite capabilities to produce such cranes in future. The Chairman, Railway Board, explained the position as follows:-

"I have a letter with me in which they have specifically mentioned about it. It says:

"Here we would like to draw your attention to the fact that our UK collaborators M/s NEI had withdrawn their support for supply of materials, spares and services which has caused us tremendous hardship, both for achieving the required speed potential by way of ride trial test and also for processing and supplying of imported spares which we had to arrange ourselves causing heavy financial constraint on our limited resources and subsequent delay."

5.4 The witness further elaborated that:

"NEI was not giving them the support after1991 and we had as a matter of fact, asked for the spares. It was an open tender which was floated against which M/s Jessop did not quote. So, we had to finally buy the spares from the original equipment suppliers. M/s Jessop did not quote against that open tender."

5.5 In the post evidence replies, the Railway Board elaborated:

"Regarding manufacture of cranes at Jamalpur (JMP) workshop of Indian Railways, three 140 T cranes which were supplied by M/s Gottwald in complete knocked down condition (CKD), were assembled at JMP during the period 1988-90. After this, three more Cranes were indigenously manufactured during the period 1994-96 using the kits supplied by M/s Gottwald. During this period, JMP created necessary infrastructure for indigenous manufacture and periodic overhaul of these Cranes. JMP achieved about 64% value addition in the manufacture of 3 kit cranes in this period. Provision for manufacture of 21 cranes at Jamalpur Workshop was made. Jamalpur Workshop manufactured 1 crane in 1998-99 and 3 cranes in 1999-2000 with about 72% indigenisation. While progress had been made in indigenous manufacture of cranes to old Gottwald design at JMP, the rate of production however could not match the urgent requirement of Railways. As a result of Railway's uni-gauge policy and construction of more BG lines there was a sudden increase in the requirement of these cranes. The import of 12 Nos. 140 T cranes was resorted to in view of the extreme urgency expressed by Railways for the accident relief cranes, keeping in view the urgent and critical requirement and on safety considerations. The collaboration of Jessops with NEI/UK was allowed by M/s Jessops to lapse in 1991 after which they were not able to provide support even for maintenance for earlier supplied cranes. Jessop stopped responding to the tenders for spares being issued by Railways on PAC basis. They had even stopped attending to service calls on the plea that warranty period was over. A meeting was held in Board's office in May' 94 wherein the views of RDSO and all the users were obtained in this regard particularly for maintenance and procurement of spares, etc. It was also brought out in that note that Jessop had conceded that most of these components were not manufactured by them but would need to be imported from the original manufacturer. Further the specifications for new cranes were reviewed based on past experience and the revised specifications called for cranes without relieving bogies needing less preparatory time at the accident site and M/s Jessop did not have this technology with them. The cranes without relieving bogies required total redesigning of major structural assemblies. In view of the above factors and importance of accidents relief, and critical nature of the cranes for restoration work in case of accidents and urgency of requirement, the import was considered. Jamalpur Workshop was already engaged in manufacture of cranes as indicated above but could not meet the full requirements.

From the above, it is evident that to meet the urgent requirements of Accident Relief Cranes import was unavoidable to bridge the gap between the requirement and the availability."

5.6 The position was further elucidated by the Railway Board in a subsequent note as follows:

"Secretary Heavy Industry in his D.O. letter in August 84 addressed to Finance Secretary with a copy to Chairman Railway Board had indicated that there was no justification for parallel transfer of technology when Jessops had a subsisting collaboration for manufacture of cranes indigenously and requested for placing order on Jessops for supply of these cranes. Subsequently a meeting was held on 29.8.1984 in Finance Ministry chaired by Finance Secretary and attended by Secretary Heavy Industry and Chairman Railway Board in which following decisions were taken:

i. 12 Heavy Duty Cranes will be imported along with transfer of technology from M/s Leo Gottwald of FRG.

ii. Orders will be placed with Jessops for the manufacture of 12 Heavy Duty Cranes as per NEI design and collaboration.

iii. Orders for the further requirements of Heavy Duty Cranes by the Railways may be placed with Jessops if their performance with regard to the 12 Cranes proved satisfactory.

5.7 The Committee were further apprised that in view of their subsisting collaboration with M/s NEI/UK, a contract was placed on Jessops on December 1985 for supply of 12 Nos. 140T Breakdown Cranes only without provision for transfer of technology to Railway. However M/s Jessops vide their letter No. RSD/RCC dated 14.01.1992 had advised that their U.K. collaborator, NEI, had withdrawn their support for supply of materials, spares and services at

site which has caused them tremendous hardship both for achieving the required speed potential by way of Ride Trial Test, which was finally cleared by RDSO and accepted by Railway Board and also for processing and supplying of imported spares.

5.8 The Committee note that as per contract on M/s Jessops, delivery of the first crane was to be made within 18 months from the contract and subsequently one crane per month. Thus completing the supply of all the 12 cranes within 29 months from the date of the contract. Accordingly, the supplies should have been completed by April'88 but the actual supplies of the cranes were made between 1988 to 1991, with delay of 43 months.

5.9 In a written reply, the Railway Board informed the Committee that:

> "M/s. Jessops stopped responding to the tenders for spares being issued by Railways even on propriety basis. They had also stopped attending to service calls on the plea that warranty period was over. A meeting was held in Board's office in May' 94 wherein the view of RDSO and all the user Railways were obtained in this regard particularly for maintenance and procurement of spares, etc. It was also brought out in the note consequent to the meeting held in May 94 that Jessops had conceded that most of these components were not manufactured by them but would be imported from the original manufacturer. Practically all the Railways using Jessops cranes decried the poor response being given by M/s Jessops in supply of spares and other support services. Some of the specific cases are as under:
>
> i. SLI system of Gooty crane, which gave problem, was attended to by M/s Jessop's service engineer thrice but could not be rectified. The complaint made on 16.7.1992 was not attended to for almost 2 years despite repeated requests from Southern Railway.
>
> ii. A minor derailment of Kankaria crane in March 1995 resulted in development of cracks on the transverse member of one of the bogies of the crane. Despite requests from Western Railway, M/s Jessops did not agree to participate in any discussion to help in evolving a repair procedure. Ultimately Railway Board had to intervene in the matter.
>
> iii. South Central Railway reported to M/s Jessops in August 1984 about the failure of ENERPAC pump on Vijaywada crane. When the same was not repaired till June' 95, South Central Railway requested Railway Board for intervention.

5.10 The Railway Board further informed the Committee that due to M/s Jessop's lack of response Indian Railways had to import critical spares for maintenance of the cranes supplied by M/s Jessops. These spares had been procured by floating Global Tenders since 1995 and M/s Jessops had not even participated in any of these global tenders thus indicating their inability to support manufacture or maintenance of these cranes. The crane supplied by M/s Jessop against 1986 contract were with relieving bogies which required extra preparatory time at the accident spots. Based on IR's experience and development overseas, the specifications for new cranes were reviewed and the revised specifications called for.

The cranes without relieving bogies required a complete redesigning of major structural assemblies for which M/s Jessops neither had technology or collaboration with M/s NEI (presently M/s Cowans Sheldon) with them.

5.11 The Railways further provided the summary of the letter dated 13.2.1996 to Principal Secretary to Prime Minister as under:

> i. that there was an acute shortage of accident relief cranes on the Indian Railways, partly on account of delay in replacement of old steam cranes and partly on account of conversion of MG track to BG, which made MG cranes redundant.
>
> ii. The situation was so alarming that an action plan to bridge the shortages as early as possible was prepared. A detailed report prepared in November 1995 showed a net shortfall of 73 number including those on replacement account which were required to be provided at different locations.

iii. Procurement of 73 cranes at one time was not feasible. Neither the Railways had the resources to buy 73 cranes at one time at an estimated cost of Rs. 600 crores, nor the capacity of reliable manufacturers was adequate to supply 73 numbers within a short period of time of, say, one year.

iv. The Railway Board after careful consideration of all these aspects had proposed in November 1995 that Indian Railways may go for immediate procurement of 12 numbers only. Keeping in view the extreme urgency as well as the need to try new design and new suppliers, it was decided to buy 8 numbers of 140-T cranes from established and proved suppliers whose cranes have been working on the Indian Railways system for the last 6-7 years and which can be deployed immediately. For the other 4 numbers it was decided to induct a new design of 120T cranes through a global tender."

5.12 The Railways, however, clarified that in the above mentioned global tender for 4 Nos. 120T telescopic boom crane also M/s Jessops did not participate, although M/s Cowans Sheldon the then M/s NEI, did quote.

5.13 The Committee desired to know the position of TOT on Jessops with respect to tender conditions for TOT in 1982 tender. The Railway Board explained as follows:

> "The tender conditions of Global Tender GP-102 opened in June' 1982 provided for Technology Transfer and collaboration agreement for manufacture of cranes indigenously by Indian Railways at its workshops. Accordingly contract for supply of 12 cranes on M/s Leo Gottwald dated November 1984 that was placed against this tender, had a provision for Transfer of Technology agreement fulfilling these tender conditions. This transfer of technology agreement continued till November 1995 and Railway has already manufactured 4 indigenous cranes as a result of this agreement."

5.14 The Railway Board in their written reply stated that during discussion in the meeting of secretaries (Ministry of Finance, Heavy Industry and Chairman Railway Board), in August 1984, since M/s Jessops already had a subsisting collaboration with M/s NEI, UK for manufacture of Heavy Duty Cranes, it was inter-alia decided to place order for 12 Nos. Heavy Duty Cranes on M/s Jessops. In view of the decision, since M/s Jessops had not quoted in the original tender opened in March 1982, a detailed technical & Price offer was obtained from M/s. Jessops on 20-11-84.

5.15 According to the reply furnished by the Railways, M/s. Jessops stated in their offer that it was not necessary to have transfer of technology to build these types of cranes between two government concerns. Advisor (F) who had attended the meeting with Chairman Railway Board in Finance Secretary's room on 29th of August, 1984 to discuss our proposal for import of Heavy Duty Break Down Crane recorded on file that it was clearly understood at that time that while transfer of technology from M/s. Gottwald of West Germany to the Railways was necessary – as far as the proposed order on M/s. Jessops was concerned, there was neither any reference to the transfer of technology of NEI of UK to the Railways nor was it our intention to seek such transfer of technology since M/s. Jessops are a Public Undertakings and had already a collaboration agreement with M/s. NEI of UK. Accordingly a contract on Jessops was placed in December 1985 for only supply of 12 Nos. 140 T Breakdown Cranes only without provision for transfer of technology to Railway. Ministry of Railways was neither a party to nor was it aware of the financial and technical details of bilateral collaboration, which existed between M/s Jessops and M/s NEI/UK (now M/s Cowans Sheldon).

5.16 The Committee note that M/s Jessops vide their letter dated 14.01.1992 had advised that their U.K. collaborator, NEI, had withdrawn their support for supply of materials, spares and services at site which has caused them tremendous hardship both for achieving the required speed potential by way of Ride Trial Test, which was finally cleared by RDSO and accepted by Railway Board and also for processing and supplying of imported spares.

Extra expenditure due to ignoring lowest/technically suitable offer

6. In January 1997/March 1998 the Railway Board placed two orders for 12 more 140 T cranes at Rs. 132.30 crores. The audit para points out that while placing these two orders, the lowest

technically suitable offer of another German firm (M/s KIROW) was ignored, mainly on the ground of urgency, which resulted in extra expenditure of Rs. 60 crores.

6.2 Audit paragraph also points out that the Tender Committee of Konkan Railway Corporation had recommended placement of order on M/s KIROW in June 1994 being lower and technically suitable but the same was cancelled in October 1994 by a Presidential Order. The Committee desired to know the reasons for cancelling the above noted letter of intent to M/s KIROW being lower and technically suitable. The Railway Board intimated the Committee as follows:

> "Konkan Railway Corporation had initially been asked by Railway Board in April 1994 to place an order for the 140 T Crane on Jamalpur Workshop (which was manufacturing cranes to Gottwald design) as a deposit work. The import of 140 T Breakdown Crane by Konkan Railway Corporation was not permitted by Board as it was not considered desirable to have 140 T breakdown crane of multiple designs operating in the system. Apart from one time operating expenses, the crane also requires substantial yearly expenditure in maintenance, overhauling, training of staff both operating and maintenance as well cost of carrying inventory of different types of spare parts and cost of import of new technology."

6.3 The Railway Board further explained in a written communication to the Committee that accordingly, a decision was taken to give one crane of Gottwald design being manufactured at Jamalpur Workshop to KRC. This crane has since been purchased by them from Jamalpur Workshop at the lowest price quote received by KRC in the tender floated by them. This crane has since been commissioned and deployed in active service by KRCL. By this decision, the delay and additional costs involved in mandatory oscillation trial tests by RDSO for ascertaining maximum safe operating speed of the crane have also been avoided. The design of crane supplied by Jamalpur Workshop to KRC had already cleared the trial test earlier and had substantial indigenous content. Thus, the decision to cancel the order on M/s Kirow was in the interest of Railways. The Railway Board further added:

> "It is also not correct that one of the reasons for ignoring the later cheapest offer of M/s Kirow in 1996 was the urgency for immediate deployment of the cranes. In fact there was no valid offer from M/s Kirow available for consideration as their offer was never opened being unsolicited. Limited Tender to two proven sources i.e. M/s Gottwald and M/s Cowans was primarily on grounds of proven technology and to avoid additional investments required due to multiplicity of design etc.
>
> The counter offers to both the firms were issued on 4.10.96 on acceptance of this counter offer by M/s Gottwald, an order was placed on January, 97 against which all 8 cranes were supplied and commissioned within 2 years. However, after prolonged correspondence and discussions, the contract for 4 cranes was issued on M/s Cowans Sheldon on 31.03.98 at mutually acceptable terms and conditions to the best advantage of Railways."

6.4 The Committee desired to know the basis on which the firm M/s KIROW was not considered as a proven supplier. The Committee also asked whether the offer of the said firm was much lower than M/s Gottwald and M/s Cowans Sheldon. In a note, the Railway Board explained as follows:

> "M/s Kirow had not manufactured and supplied any 140 Tonne Diesel Hydraulic Breakdown Cranes to the Specifications required by Indian Railways. At the time of the visit of the High Level Study Team to the works of M/s Kirow in November' 95, they had not supplied any crane outside Russian or East European countries except the order for two cranes by Swiss Railways which were yet to be commissioned. Besides, the two types of cranes ordered by Indian Railways during the period 84-86 had proven themselves in the Indian conditions. …….. import of cranes by KRCL was not permitted since multiplicity of design was not considered desirable as it would have entailed very high cost of maintenance and operation. Indian Railways had become familiar with the existing designs of cranes both with regard to their operation and POH."

6.5 Asked whether it was not a fact that the offer of M/s. Kirow was not much lower than that of M/s Gottwald and M/s Cowans Shelden, the Railway Board replied:

"The offer of M/s Kirow against the limited tender was not opened being unsolicited offer. No offer therefore was available to the tender Committee for consideration. However, tender Committee based on a letter dt. 15.2.96 from this firm mentioned that package price indicated by the firm in their letter was marginally lower than the prices at which ordering had been recommended by the tender Committee on M/s Gottwald and M/s Cowans Sheldon. It is mentioned that Kirow's package price, as per their letter, was DM 24.525,000 compared to Gottwald/Cowans Sheldon's ordered price of DM 24,600,000. Thus even the price differential was not substantial between the new type of crane offered by Kirow and the ordered cranes on Gottwald and Cowans Sheldon. It was also mentioned by the tender Committee that since the offer of M/s kirow was not opened, being unsolicited, the correctness of the statement could not be checked."

6.6 Clarifying the position about the loss suffered due to ignoring the unsolicited offer of M/s KIROW, the Chairman, Railway Board, informed the Committee during evidence as follows:

"The KRC order was placed at 2.89 million D.M. The exchange rate at that time was probably Rs. 20 to a DM. So, it came to Rs. 5.94 crores FOB. So, the Konkan Railway placed order on KIROW. When we opened the tender in 1996, the Gottwald offer was Rs. 3.075 million DM. By this time, the DM had become about Rs. 23 or Rs. 24 and the FOB price was Rs. 7.27 crores."

6.7 The witness further elucidated during evidence as follows:

"The KRC had tendered in June 1994 and they placed an order as per the figures I have just repeated, that is, 2.89 million DM and Rs. 5.94 crore. I have also given the reason why the Presidential order was issued to buy only one crane of one type when we are having a large number of cranes of the other two types. The basic point was that the maintenance and upkeep of that crane would be difficult. In February, 1996, when we tendered for the 12 cranes, the Gottwald offer was 3.075 million DM".

6.8. The Committee required whether any Disaster/Accident Management Plan has ever been constituted by the Railway Board. In a note, the Railway Board stated as follows:

"Zonal Railways already have an Accident Manual which contains detailed guidelines regarding responsibilities, duties and action required to be taken by individual functionaries both at the level of officers and staff in case of an accident. Zonal Railway's Accident Manual is periodically updated with correction slips and reprinted as and when required."

Indigenous Development of Cranes

7. Audit paragraph had highlighted that the import of cranes was justified on the ground that the transfer of technology from M/s Gottwald and NEI, UK to Jamalpur workshop and Jessop had proved to be failure. The Committee desired to know the basis on which the conclusion was made in regard to failure of transfer of technology. The Committee further sought clarification to the effect that the technology proved to be failure inspite of the fact that a review by Audit indicated that 24 cranes performed well on Zonal Railways and there was no report of major failure. The Committee, therefore, enquired whether any attempt was made by Indian Railway since 1991 (when last crane received from M/s. Jessop) to get more 140 T cranes manufactured at Jamalpur or M/s Jessop. The Committee also asked whether any system has been devised by the Board to tackle such types of failures and for avoiding the import of 12 numbers of 140T cranes at the cost of Rs. 132.30 crore. In a note, the Railway Board explained as follows:

"The collaboration of Jessops with NEI/UK lapsed in 1991 after which they were not able to provide support even for maintenance for earlier supplied cranes. M/s. Jessop were not responding to the tenders for spares being issued by Railways even on PAC basis. They had even stopped attending to service calls on the plea that warranty period was over. A meeting was held in Board's office in May' 94 wherein the view of RDSO and all the users were obtained in this regard particularly for maintenance and procurement of spares, etc. It was also brought out in that note that Jessop had conceded that most of these components were not manufactured by them but would be imported from the original manufacturer. Further, the specifications for new cranes were reviewed based on past experience and the revised

specifications called for cranes without relieving bogies which require less preparatory time at the accident site and M/s Jessop did not have this technology with them. The cranes without relieving bogies required total redesigning of major structural assemblies. In view of the above factors and importance of accident relief, and critical nature of the cranes for restoration work in case of accidents and urgency of requirement, the import was considered."

7.2 The Committee, however, find that Jamalpur Workshop, which was the recipient of transfer of technology from M/s Gottwald, turned out 3 cranes during 1988-90 which were supplied in CKD condition and 3 cranes during the period 1994-96 by using the kits received from M/s Gottwald. The value addition at JMP Workshop for manufacture of these 3 cranes was about 64% as shown below:

FOB value of 1 fully assembled crane – DM 2,698,400

FOB value of kits for 1 crane -DM 971,250

7.3 The Railway Board explained when asked what steps have been devised to tackle such type of failure:

"Manufacture of 140T Diesel Hydraulic Cranes is a complex process and time is taken in developing vendors, spares parts suppliers, training, M&P and other related systems and processes. While progress had been made in indigenous manufacture of cranes to old Gottwald design at JMP, the rate of production however could not match the urgent requirement of Railways.

Provision for manufacture of 21 cranes at JMP Workshop has been made in the Rolling Stock Programme. In fact, Jamalpur Workshop has already started manufacturing cranes since 1998-99, 1 crane was turned out in 1998-99 and 3 in 1999-2000. Further, Jamalpur has successfully established POH and heavy major repair facilities as a part of the Transfer of Technology agreement.

Jamalpur workshop has also got the details of new technology with the present procurement and would be manufacturing the cranes to new design in a phased manner.

It would not be correct to say that Transfer of Technology at Jamalpur has failed however, assimilation of technology of this complex nature and indigenisation took little longer period. With regard to the indigenous manufacture of cranes of Gottwald design, Jamalpur Workshop has now absorbed the required technology and has started manufacturing cranes since 1998-99. Jamalpur Workshop will start manufacturing cranes of latest technology as per the programme already drawn."

7.4 Regarding manufacture of NEI/Cowans Sheldon design cranes the Railway Board stated:

"Unlike in the past, when the agreement with M/s NEI, U.K. (previous name of M/s Cowans Sheldon) was with M/s Jessop an agency outside the Indian Railways, this time the agreement is with the Indian Railways."

7.5 On the question of Transfer of Technology for new design the Railway Board submitted:

"For indigenously manufacturing and POH of cranes of Cowans Sheldon Design, Indian Railway has signed the Transfer of Technology Agreement and got the required technology transferred to Indian Railways. The technical material, drawings etc; are being studied and training of Indian Railway's personnel is also going on. In due course of time, Indian Railways will be in a position to start indigenous manufacture of cranes of Sheldon design also."

7.6 When the Committee desired to know the latest position with regard to the indigenous production of cranes, the Chairman, Railway Board, explained the position as under:

"If I may start with Jamalpur, we had the cranes which came fully assembled. And three cranes came completely knocked down. They were assembled in 1987. The other three cranes were with the kits only. When we placed the order, there was some problem in getting the balance imported items because the unification of

Germany and things like that also took place at that time. We got the remaining items in 1993.. Then, in 1994, 1995 and 1996, these three cranes were also assembled, tested and sent out.

We had placed an order for 21 cranes on Jamalpur under the RSP. Out of that, we manufactured four. From next year, we would be manufacturing four cranes per year. That is the programme."

7.7 The witness further submitted that the transfer of technology is taking place:

"There also, we have a capacity in the parel Workshop. We decided on Jamalpur. If I may mention, the Jamalpur was slated to do overhauling of the cranes. The overhauling of the cranes is important. They have also to get the know-how. After that, it is easier to manufacture them. So, Jamalpur was chosen for manufacture of the cranes. "

7.8 The Chairman informed the Committee that because of the requirements and the workload having come down, the Railways decided to give the overhaul of the cranes of Gottwald as well as the manufacture, in future, to Jamalpur. Parel workshop was doing the POH of the Cowans Sheldon cranes. He hoped that they would be in a position to start manufacturing the Cowans Sheldon cranes from the next financial year onwards.

7.9 As regards the cost of Cranes being manufactured at Jamalpur, the witness deposed:

"The cost of the Jamalpur crane is about Rs. 7.7 crore, after we had indigenised. The imported landed cost was Rs. 12.12 crore. I agree that the indigenisation could perhaps have been faster. It would not be truthful if I do not accept this. To that extent, it is all right . But a situation came when we had a big network. Therefore, at that time, only to bridge the immediate needs, 12 cranes were further imported. Today, we are in a position not to have any further import but to manufacture them at Jamalpur. "

7.10 The witness further elaborated the position as follows:-

"As far as the capability to manufacture the cranes is concerned, today, I think, we have the total capability to manufacture the cranes except for certain items, which will have to be imported. We have already manufactured the crane with about 70 per cent indigenous content. We are in the process of further indigenising in India through various public sector and private sector units. The only problem, which comes in sometimes, is that the requirement being three or four cranes per year, sometimes there is a reluctance to indigenise it totally. We are still making efforts with regard to the balance 30 per cent. Subject to certain hard core items, which we may have to import for some time, the intention is, whenever we take the transfer of technology, to fully indigenise it. As I said, in the first four cranes which we had made here fully, which were completed in 1998-99 and 1999-2000 about 70 per cent indigenisation had been done and the efforts are on to increase it further."

7.11 The witness assured the Committee that the Railways are in a position to manufacture Gottwald cranes and Cowans Sheldon cranes in another one year. They should be in a position to manufacture them indigenously and there would not be any need in future to import any further the Fixed Boom Cranes unless there is a change in the technology.

7.12 The Committee desired to know as to how many people have been trained under various TOT agreements till date. In a note, the Railway Board apprised intimated the Committee as follows:-

"IR has entered into 3 different TOT agreement for indigenous manufacture of cranes which included provision for training of its personnel for operation, maintenance and manufacture. Details of personnel trained at the works of crane supplier/their vendors are furnished below:-

i. TOT agreement with M/s Gottwald from 1986-1996:

a. During 1986,12 persons were deputed for training in Germany for a period of 75 days on "Heavy Duty Breakdown Cranes" under Transfer of Technology contract

with M/s Gottwald/Germany.

b. During 1986 again, 24 persons were deputed for training in Germany for a period of 4 months on 'Manufacturing Assembly, Production, Planning of Heavy Duty Breakdown Cranes' under transfer of technology contract with M/s. Gottwald Germany.

c. During 1987, 4 persons were deputed for training in Germany for a period of 4 months on 'Heavy Duty Breakdown Cranes' under Transfer of Technology contract with M/s Gottwald/Germany.

ii. TOT agreement with M/s. Gottwald from 1997-2002 for upgraded design of cranes.

During 1998, 21 persons were deputed for training in Germany for a period of 4 weeks on '140T Diesel Hydraulic Breakdown Cranes' under Transfer of Technology Contract with M/s. Gottwald/Germany.

iii) TOT agreement with M/s.Cowans Sheldon from 1999-2004 for New design of cranes.

During 2000, 16 persons were deputed for training in UK & France for a period of 7 days on '140T Diesel Hydraulic Breakdown Cranes' and one person for a period of 12 days under Transfer of Technology Contract with M/s.Cowans Sheldon/UK.

7.13 The Committee also asked as to how much expenditure has been incurred to start infrastructure of crane manufacture at Parel Workshop, while such infrastructure as well as surplus staff were already available in Jamalpur Workshop. The note furnished by the Railway Board reads as follows:

"Parel workshop is already carrying out heavy repair and periodical major overhauling of the 140T crane supplied by M/s. Jessops in collaboration with M/s. NEI (Now Cowans). The existing facilities at Parel with marginal inputs can be utilised for manufacture of these cranes. Therefore, a provision of Rs. 2.5 crores has been made for crane shop of Parel Workshop. The facilities proposed would be useful for further improving the productivity of heavy repairs and Periodic Overhauling (POH) of heavy-duty cranes.

IR adopted 2 different standardized technologies for 140T cranes with a view to provide latest technology at competitive prices. Cranes to Gottwald design are being manufactured at Jamalpur workshop of Eastern Railway. Jamalpur has already manufactured 4 indigenous cranes with about 70% indigenisation. It is proposed to manufacture cranes to Cowans design at Parel Workshop, technology for which is already under transfer. This will facilitate meeting the requirement of 140T cranes and also help in keeping the competition alive between the 2 sources already proven in service under field conditions on IR."

Telescopic boom accident recovery Cranes

8. As per recommendation of the Study Team for procurement of telescopic boom accident recovery cranes, the Railway Board had invited a global tender for procurement of 4 nos. of 120 T Cranes in May 1996. The Tender Committee recommended placement of order on M/s. Gottwald for procurement of 4 Cranes but the Railway Board has not accepted the recommendation on the consideration that Indian Railways had failed to absorb the technology for manufacture of 140T Cranes and it would be premature to make further import of any new type of Crane.

8.2 The Chairman, Railway Board, informed the Committee during evidence that there are two types of Cranes, one is with the fixed boom and the other is the telescopic boom. The other aspect is about the relieving bogey and that it delays or takes more time. So they thought that they would rather procure cranes without relieving bogey.

8.3 The Committee asked about the comparative advantages of these fixed booms and telescopic booms. The Chairman, Railway Board, informed the Committee as follows:

"I will be giving my personal view. Abroad, telescopic boom cranes are used in Europe where they are expensive and if there is any damage to them it is almost impossible to attend to them. In the case of fixed boom, there is no such likelihood and the damage can be repaired. The telescopic crane has the capacity of 120 tonnes where as the fixed boom crane has the capacity of 140 tonnes."

8.4 The witness, however, explained that the basic difference is, that when a derailment takes place abroad, it is one wagon and the telescopic boom crane can be used for re railing one wagon. But if there is a major pile-up of 15-20 wagons, at that time the efficacy of the fixed boom is better than the telescopic boom crane.

8.5 He further explained the disadvantages of telescopic boom crane:

"The telescopic boom has two-three disadvantages. 120 tonnes is the maximum lifting capacity and when the boom is in horizontal position its lifting capacity is reduced. It is only in case of horizontal boom position that it can have more mobility but reduced capacity. But in the case of 10-12 wagons piled-up, the telescopic boom crane, in my opinion, will not be really effective. A telescopic boom crane would have meant a further change in the technology and it is a complicated one. It would have taken more time to indigenously develop it."

8.6 The Committee enquired about the comparative restoration period in the case of a relief operation and the comparative figures from the point of view of global experience with regard to telescopic boom crane and the fixed boom crane and whether the view of the study team taken into consideration and its recommendations. The Chairman, Railway Board explained the position as follows:

"The study team had recommended the telescopic boom crane as the emerging technology, but as I was mentioning, as we had already got the fixed boom cranes and we were still in the process of getting the technology. So, instead of jumping to the next one that too with 120 tonne capacity limitation, it was a conscious decision that instead of switching over to the next technology, it would be better to go for the technology which we have already taken because the fixed boom crane has certain advantage over the telescopic boom cranes."

8.7 The note furnished by the Railway Board at the instance of the Committee elucidates the position as follows:

"In case of a major accident when wagons or coaches pile up on one another, there is no way but to remove the overhead wires even if telescopic boom cranes are available. Thus fixed boom 140T cranes are more advantageous in case of major accidents both on electrified and non-electrified sections. The crane with telescopic boom is capable of working under overhead wire without disconnecting but with the boom in horizontal position. In this position, the capacity of the crane is reduced drastically. Therefore, only minor accidents can be tackled by telescopic boom crane in a limited way without removing the overhead wire. This can also be dealt with the help of hydraulic rerailing equipment, which is more cost effective."

8.8 The note further explains the drawbacks of such cases:

"While 120t telescopic boom crane can operate under overhead wires, but it can do so at a low angle only. If it is raised to full height, overhead wires will be required to be removed in this case also. 120t telescopic boom cranes can not reach over the rolling stock and do lifting on the other side/end without removing the overhead wires. As mentioned above, the lifting capacity of the crane depends on the angle at which the boom is working."

Recommendations

9. The Committee note that breakdown cranes are a part of Accident Relief Trains (ARTs). With the introduction of heavier freight stock and opening of new BG routes, the need for induction of High Capacity Cranes was felt to meet this requirement. Railway Board had placed an order for 4 Nos. of 120 tonne Cranes on Jamalpur workshop in 1972. As the progress of manufacture of these Cranes by the Jamalpur Workshop was slow, the order placed on this workshop in 1972 was cancelled by the Railway Board in September 1979. It

was also then decided to procure 13 Nos. of 140T cranes from trade. The Committee are unhappy to find that Jamalpur workshop failed to manufacture the 4 Nos. of 120T Cranes till 1979 even after a period of 7 years of the placement of the order in 1972, inspite of the fact that there was urgent need for induction of these Cranes as a part of Accident Relief Trains. The Committee find that Railway Board had constituted a Committee in December, 1982 to consider re- organisation and modernisation of ARTs which was last re-organised in 1963. This Committee submitted its Report in January 1985 without making any recommendations as to the locations and the number of cranes required for the Indian Railways.

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

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

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

13. The Committee are surprised to find that in order to meet the shortfall of 39 140T cranes, the Railway Board failed to approach M/s. Jessop and Co. Calcutta, nor did they place any order on Jamalpur Workshop for manufacture of 140T cranes inspite of the fact that Jamalpur Workshop had infrastructure for manufacture of 4 Nos. of 140T cranes per year. Instead, in October 1995, the Railway Board deputed a high level Study Team to Germany and U.K. to study the Accident Relief Trains being used and to visit the Works of M/s Gottwald, Cowans Sheldon and Kirow . The Committee have no doubt that the authorities should have interacted with Jessop and Co, Calcutta and Jamalpur Workshop so as to utilise the indigenous know how and manufacturing capabilities created in these organisations particularly when M/s. Jessop and Co, had already supplied 12 140T cranes to Railways and their performance had been quite satisfactory. Such a course was all the more necessary when it was inter alia decided at the meeting of the Committee of Secretaries held in 1984 that order for further requirement of cranes by the Railways should be placed on M/s Jessop if their performance proved satisfactory. The Committee are saddened to note that the Railways failed to exploit the existing and proven indigenous expertise and infrastructure possessed by M/s. Jessop & Co, inspite of such a decision taken at the Committee of Secretaries.

14. The High Level Study Steam after visiting Germany and U.K. recommended that Indian Railways should continue to manufacture cranes to Gottwald design and continue Transfer of Technology for another three years and that immediate shortage of 140T crane should be got over by purchase from M/s Gottwald in order to supplement production of Jamalpur for newly opened BG routes. The study team also recommended that future strategy should be to procure the technology of telescopic boom multi-tasking cranes of

smaller capacity 120 Tonnes. The Committee observe that these smaller cranes could be selectively deployed in addition to 140T fixed boom cranes. Surprisingly, the Railway do not favour the induction of telescopic boom cranes as according to them, these cranes suffer from a number of disadvantages. The Committee have no doubt that since both the indigenous and foreign tested sources for the supply of 140 T cranes were available, there was absolutely no need to depute the High Level Study Team to visit West Germany and U.K.

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

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

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

N. Janardhana Reddy,

Chairman, Public Accounts Committee

NEW DELHI;

19 April, 2002 /29 Chaitra 1924(Saka)